上海君實生物醫藥科技股份有限公司
Shanghai Junshi Biosciences Co., Ltd.*

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

Stock Code: 1877

Global Offering

Sole Sponsor and Lead Global Coordinator

CICC 中金公司

Joint Global Coodinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司 citi CREDIT SUISSE FOSUN HANI 复星恒利

Joint Bookrunners and Joint Lead Managers

中信建投國際 CHINA SECURITIES INTERNATIONAL 財通國際證券有限公司 CAITONG INTERNATIONAL SECURITIES COMPANY LIMITED

*For Identification Purpose Only

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

SHANGHAI JUNSHI BIOSCIENCES CO., LTD.*
上海君實生物醫藥科技股份有限公司

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

GLOBAL OFFERING

Total number of Offer Shares under the Global Offering	**:**	**158,910,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**15,892,000 H Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**143,018,000 H Shares (subject to adjustment and the Over-allotment Option)**
Offer Price	**:**	**Not more than HK$20.38 per H Share and expected to be not less than HK$19.38 per H Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars, subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**1877**

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中信建投國際 CHINA SECURITIES INTERNATIONAL

財通國際證券有限公司 CAITONG INTERNATIONAL SECURITIES COMPANY LIMITED

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 "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

We are incorporated, and a substantial part of our businesses are located, in the PRC. Potential investors 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", "Appendix III – Summary of Principal Legal and Regulatory Provisions" and "Appendix IV – Summary of Articles of Association".

The Offer Price is expected to be fixed by agreement between the Lead Global Coordinator, on behalf of the Underwriters, and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, December 17, 2018 (Hong Kong time) and, in any event, no later than Friday, December 21, 2018 (Hong Kong time). The Offer Price will be not more than HK$20.38 per Offer Share and is currently expected to be not less than HK$19.38 per Offer Share unless otherwise announced. If, for any reason, the Offer Price is not agreed by Friday, December 21, 2018 (Hong Kong time) between the Lead Global Coordinator (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$20.38 for each Hong Kong Offer Share together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$20.38.

The Lead Global Coordinator (for itself and on behalf of the Hong Kong Underwriters), and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$19.38 to HK$20.38) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.junshipharma.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Lead Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for termination" in this prospectus.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may be offered and sold only (a) in the United States to "Qualified Institutional Buyer" in reliance on Rule 144A under the US Securities Act or another exemption from, or in a transaction not subject to, registration under the US Securities Act and (b) outside the United States in an offshore transaction in accordance with Regulation S under the US Securities Act.

* *For identification purpose only*

December 11, 2018

Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . . . 11:30 a.m. on Friday, December 14, 2018

Application lists open for the Hong Kong Public Offering[3] . . . . . 11:45 a.m. on Friday, December 14, 2018

Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Friday, December 14, 2018

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Friday, December 14, 2018

Application lists close for the Hong Kong Public Offering[3] . . . . . 12:00 noon on Friday, December 14, 2018

Expected Price Determination Date[5] . . . . . Monday, December 17, 2018

Announcement of the Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing and the basis of allocation of the Hong Kong Offer Shares 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 Stock Exchange at **www.hkexnews.hk** and our Company at **www.junshipharma.com** on or before . . . . . Friday, December 21, 2018

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels. (See the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results") from . . . . . Friday, December 21, 2018

Results of allocations for the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function . . . . . Friday, December 21, 2018

Share certificates (if applicable) in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before . . . . . Friday, December 21, 2018

HK eIPO White Form e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched/collected on or before[6][7][8] . . . . . Friday, December 21, 2018

Dealings in H Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . . Monday, December 24, 2018

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering".

(2) You will not be permitted to submit your application through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for lodging 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 application monies) until 12:00 noon on the last day for lodging applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 14, 2018 the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – Effect of bad weather on the opening of the application lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – Applying by giving **electronic application instructions** to HKSCC via CCASS" for details.

(5) The Price Determination Date is expected to be on or around Monday, December 17, 2018 and, in any event, no later than Friday, December 21, 2018. If, for any reason, the Offer Price is not agreed between the Lead Global Coordinator, on behalf of the Underwriters, and us by Friday, December 21, 2018, the Global Offering will not proceed and will lapse.

(6) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Forms may collect refund cheques (where applicable) and Share certificates (where applicable) in person from our H Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Friday, December 21, 2018. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar. Uncollected refund cheques and Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in section headed "How to Apply for Hong Kong Offer Shares".

(7) Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, or by ordinary post at their own risk.

(8) Refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application.

H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and that the Underwriting Agreements have not been terminated in accordance with their terms prior to 8:00 a.m. on the Listing Date.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and H Share certificates.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security 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 or solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or 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 authorization by, the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information 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 authorized by us, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.junshipharma.com****, does not form part of this prospectus.*

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This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified by its entirety by, and should be read in conjunction with, the full text of this prospectus.

You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in the section headed "Risk Factors". You should read that section carefully before you decide to invest in the Offer Shares. ***In particular, we are a biotech 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 requirement 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 lights of these considerations.*

OVERVIEW

We are an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale. Our mission is to provide patients with treatment options that work better and cost less. Equipped with our core platform technology of protein engineering, we stand at the frontier of R&D of macromolecular drugs. With our distinguished capability of innovative drug discovery, advanced biotechnological R&D, large-scale production capacity on the full industry chain and rapidly expanding drug candidate portfolio of tremendous market potential, we have a leading edge in the PRC in the emerging field of immuno-oncology and for the treatment of autoimmune and metabolic diseases. We are the first PRC company to file IND application and NDA with the NMPA for anti-PD-1 monoclonal antibody and the first PRC company to receive IND approvals from the NMPA for anti-PCSK9 monoclonal antibody and anti-BLyS monoclonal antibody. Our aim is to develop first-in-class and best-in-class drugs through original innovation and become a pioneer in the area of translational medicine. As we supplement our product pipeline and explore drug combination therapies, we expect our innovation field to expand to R&D of more types of drugs, including small molecule drugs and antibody drug conjugates (or ADCs), as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

We operate in the fast-growing biologics market where biotechnology is revolutionizing medical treatments for a wide array of major diseases globally. Compared with the traditional small molecular drugs, macromolecular biologics benefit from high specificity and selective targeting, have better tolerance, less toxic side effects and better efficacy, and are recognized as an increasingly important category of medical product in the pharmaceutical market. According to the F&S Report, the global biologics market is expected to increase from USD240.2 billion in 2017 to USD404.0 billion in 2022, representing a CAGR of 11.0%. In China, where we are headquartered, the biologics market is also growing fast along with the

domestic economic growth and increasing prevalence rates of chronic diseases. Supported by a series of favorable government policies in recent years, the PRC biologics market is projected to grow from RMB218.5 billion in 2017 to RMB478.5 billion in 2022, representing a CAGR of 17.0%.

We have developed a product pipeline comprising 13 biologic drug candidates as of the Latest Practicable Date, covering a wide variety of indications associated with high levels of unmet medical needs. They include seven immuno-oncology drug candidates, two drug candidates for metabolic diseases, three targeting inflammation or autoimmune diseases and one to treat neurologic diseases. As of the Latest Practicable Date, five of our biologic drug candidates had received IND approvals from the NMPA, including one for which we had filed NDA:

- **JS001, or toripalimab**, a near commercial-stage candidate, is the first anti-PD-1 monoclonal antibody developed by a PRC company to file IND application and NDA with the NMPA. We have commenced over 15 clinical trials of JS001 for advanced oncological indications including, among others, malignant melanoma, urothelial cancer, gastric cancer, esophageal cancer, nasopharyngeal cancer, non-small cell lung cancer, breast cancer, neuroendocrine tumor, lymphoma and sarcoma. Some of these clinical trials had been completed as of the Latest Practicable Date. In particular, we had completed the pivotal clinical trial for second-line metastatic melanoma for JS001, based on which we have filed NDA with the NMPA in March 2018. Such NDA has completed CDE technical review on December 1, 2018 and was under administrative review by the NMPA as of the Latest Practicable Date. We expect to obtain such NDA approval in late 2018 or early 2019 and are preparing to launch JS001 in the PRC shortly after obtaining NDA approval.

  JS001 has also received IND approval from FDA and is currently undergoing a Phase I clinical trial in the United States. In addition, we plan to launch a global large-scale pivotal clinical trial in the second half of 2019 aiming at obtaining additional overseas regulatory approvals to launch JS001.

  As of the Latest Practicable Date, JS001 was close to commercialization only for the second-line treatment of metastatic melanoma in the PRC, while the majority of JS001 clinical trials for other indications were in Phase I or Phase II stages. Melanoma represents only approximately 0.2% of the total new cases of cancer in the PRC in 2017. By comparison, two competing PD-1 inhibitors from MNCs were already marketed in the PRC as of the Latest Practicable Date, which covered more indications that represent larger fractions of the total new cases of cancer in the PRC than melanoma alone in 2017. Further, the PD-1/PD-L1 therapeutic area, which our JS001 and JS003 belong to, is an extremely fierce market. As of the Latest Practicable Date, multiple PD-1 inhibitors from PRC companies were at various stages of commercialization and there was no assurance that our JS001 would be the first PD-1 inhibitor by a PRC company to commercialize in the PRC.

- **UBP1211** is a biosimilar of Humira (adalimumab) used for the treatment of autoimmune diseases such as rheumatoid arthritis. UBP1211 is one of the first Humira biosimilars developed by a PRC company to receive IND approval from the NMPA. As of the Latest Practicable Date, we had completed patient enrollment for Phase III clinical trial of UBP1211. We plan to file NDA with the NMPA in the second half of 2019.

- **JS002** is the first anti-PCSK9 monoclonal antibody developed by a PRC company to obtain IND approval from the NMPA. Pre-clinical experimental data have shown that JS002 has excellent activity in reducing low-density lipoprotein. As of the Latest Practicable Date, JS002 was under Phase I clinical trial. We plan to complete Phase I clinical trial and commence Phase II clinical trial for primary hypercholesterolemia and mixed dyslipidemia in December 2018.

- **UBP1213** is the first and only anti-BLyS monoclonal antibody developed by a PRC company to obtain IND approval from the NMPA. UBP1213 has been developed for the treatment of systemic lupus erythematosus and other autoimmune diseases. We plan to commence patient enrollment for Phase I clinical trial of UBP1213 in 2019.

- **JS003** is a humanized monoclonal antibody targeting PD-L1 protein. PD-L1 has emerged as an important cancerbiomarker and a target for immunotherapy. As of the Latest Practicable Date, we had received IND approval from the NMPA and were preparing for the clinical trial of JS003.

In addition to our five clinical-stage biologic drug candidates, there are also eight other biologic drug candidates currently under preclinical research. In 2016, 2017 and the six months ended June 30, 2018, our R&D expenses amounted to RMB122.0 million, RMB275.3 million and RMB217.8 million, respectively.

COMPETITIVE LANDSCAPE

The tables below summarize the competitive landscapes of our clinical trial stage pipeline products in China according to the F&S Report.

JS001 Competitive Landscape in China

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Nivolumab	Opdivo	BMS	Marketed	Anti-PD-1	Locally advanced or metastatic NSCLC	100mg/10ml 9,260; 40mg/10ml 4,591	2015.7	2017.11	JXSS1700015 JXSS1700016	Imported therapeutic biologics*
Pembrolizumab	Keytruda	MSD	Marketed	Anti-PD-1	Locally advanced or metastatic melanoma	100mg, 17,918	2016.2	2018.2	JXSS1800002	Imported therapeutic biologics
Toripalimab	**JS001**	**Junshi**	**NDA submission**	**Anti-PD-1**	**Unresectable local progression or metastatic melanoma**	**N.A.**	**2015.12**	**2018.3**	**CXSS1800006**	**Therapeutic biologics category 1**
Sintilimab	IBI308	Innovent	NDA submission	Anti-PD-1	Classic Hodgkin lymphoma	N.A.	2016.9	2018.4	CXSS1800008	Therapeutic biologics category 1
Camrelizumab	SHR-1210	Hengrui	NDA submission	Anti-PD-1	Classic Hodgkin lymphoma	N.A.	2016.2	2018.4	CXSS1800009	Therapeutic biologics category 1
Tislelizumab	BGB-A317	Beigene	NDA submission	Anti-PD-1	Classic Hodgkin lymphoma	N.A.	2016.9	2018.8	CXSS1800019	Therapeutic biologics category 1

Note: All of the products are not included in the NRDL or PRDL.

*: For the imported drugs, they are classified as imported therapeutic biologics and there is no further subcategory of imported therapeutic biologics.

UBP1211 Competitive Landscape in China

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Adalimumab	Humira	AbbVie	Marketed	Anti-TNF α	Rheumatoid Arthritis, Ankylosing Spondylitis, Psoriasis	7,600/40mg	2009.6	2009.2	JXSS0900001	Imported therapeutic biologics
Golimumab	Simponi	Johnson& Johnson	Marketed	Anti-TNF α	Rheumatoid arthritis, Ankylosing spondylitis	5,180/50mg	2014.7	2018.1	JXSS1400007	Imported therapeutic biologics
UBP1211		**Jiangsu Union Biopharm, Junshi**	**Phase III**	**Anti-TNF α**	**Rheumatoid Arthritis**	**N.A.**	**2016.5**	**N.A.**	**N.A.**	**Therapeutic biologics category 2**
BAT1406		Bio-Thera Solutions	NDA submission	Anti-TNF α	Ankylosing Spondylitis	N.A.	2016.1	2018.8	CXSS1800018	Therapeutic biologics category 2
HS016		Zhejiang Hisun	NDA submission	Anti-TNF α	Ankylosing Spondylitis	N.A.	2016.1	2018.9	CXSS1800025	Therapeutic biologics category 2
IBI303		Innovent	NDA submission	Anti-TNF α	Ankylosing Spondylitis	N.A.	2016.1	2018.11	CXSS1800027	Therapeutic biologics category 2
HLX03		Henlius	Phase III	Anti-TNF α	Plaque psoriasis	N.A.	2017.4	N.A.	N.A.	Therapeutic biologics category 2

Note: All of the products are not included in the NRDL or PRDL. Direct competitors for UBP1211 are fully human anti-TNFα mAb and humanized anti-TNFα mAb pipeline products in China.

JS002 Competitive Landscape in China

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Evolocumab	Repatha	Amgen	NDA Approved	Anti-PCSK9	Homozygous Familial Hypercholesterolemia	N.A.*	2015.1	2017.10	JXSS1700014	Imported therapeutic biologics
Alirocumab	Praluent	Sanofi-Aventis.	Phase III	Anti-PCSK9	Hypercholesterolemia	N.A.	2015.12	N.A.	N.A.	Imported therapeutic biologics
JS002		**Junshi**	**Phase I**	**Anti-PCSK9**	**Hypercholesterolemia**	**N.A.**	**2017.8**	**N.A.**	**N.A.**	**Therapeutic biologics category 1**
IBI306		Innovent	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2017.9	N.A.	N.A.	Therapeutic biologics category 1
AK-102		Akeso, Dawnrays	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2018.4	N.A.	N.A.	Therapeutic biologics category 1
SHR-1209		Hengrui	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2018.6	N.A.	N.A.	Therapeutic biologics category 1
CVI-LM001		CVI Pharmaceuticals	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2016.3	N.A.	N.A.	Chemical drug category 1.1

Note: All of the products are not included in the NRDL or PRDL.

UBP1213 Competitive Landscape in China

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Belimumab	Benlysta	GSK	NDA submission	Anti-BLyS	SLE	N.A.	2014.8	2018.4	JXSS1800005 JXSS1800006	Imported therapeutic biologics
UBP1213		**Junshi**	**Phase I**	**Anti-BLyS**	**SLE**	**N.A.**	**2016.10**	**N.A.**	**N.A.**	**Therapeutic biologics category 1**

Note: All of the products are not included in the NRDL or PRDL. Only fully human and humanized BLyS inhibitors are listed.

JS003 Competitive Landscape in China

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	Category
Atezolizumab	Tecentriq	Roche	Phase III	Anti-PD-L1	HNSCC, HCC, NSCLC, TNBC, mCRPC, RCC,UC, SCLC	N.A.	2015.11	N.A.	Imported therapeutic biologics
Durvalumab	Imfinzi	AstraZeneca	Phase III	Anti-PD-L1	NSCLC, Liver cancer, UC	N.A.	2016.08	N.A.	Imported therapeutic biologics
Avelumab	Bavencio	Merck KGaA, Pfizer	Phase III	Anti-PD-L1	HNSCC	N.A.	2016.11	N.A.	Imported therapeutic biologics
KN035		Alphamab, 3DMed	Phase III	Anti-PD-L1	Biliary tract cancer	N.A.	2017.01	N.A.	Therapeutic biologics category 1
CS1001		Cstone	Phase III	Anti-PD-L1	NSCLC	N.A.	2017.07	N.A.	Therapeutic biologics category 1
KL-A167		Kelun Group	Phase II	Anti-PD-L1	Classic Hodgkin lymphoma	N.A.	2017.09	N.A.	Therapeutic biologics category 1
TQB2450		Chiatiai Tianqing, CBT Pharma	Phase II	Anti-PD-L1	Advanced malignant tumor	N.A.	2017.11	N.A.	Therapeutic biologics category 1
ZKAB001		Zhaoke Pharma	Phase I/II	Anti-PD-L1	Osteosarcoma	N.A.	2018.01	N.A.	Therapeutic biologics category 1
JS003		**Junshi**	**IND approval**	**Anti-PD-L1**	**Solid tumor**	**N.A.**	**2018.08**	**N.A.**	**Therapeutic biologics category 1**

Notes:

(1) HNSCC: Head and neck squamous cell carcinoma; HCC: Hepatocellular carcinoma; TNBC: Triple-negative breast cancer; mCRPC: metastatic castrate-resistant prostate cancer; RCC: Renal cell carcinoma; UC: Urothelium carcinoma; SCLC: Small cell lung cancer.

(2) All of the products are not included in the NRDL or PRDL.

OUR PRODUCT PIPELINE

The following chart sets out the R&D progress of our biologic drug candidates as of the Latest Practicable Date:

Disease Category	Candidate (Target)	Indication	Pre-clinical R&D	Clinical Trials: Phase I	Clinical Trials: Phase II	Clinical Trials: Phase III	NDA
Immuno-oncology	JS001 (PD-1) (Core Product)	Melanoma 2L[1]					
		Melanoma 1L[1]					
		Mucosal melanoma (+Axitinib)					
		Nasopharyngeal carcinoma[2]					
		Gastric carcinoma[2]					
		Esophageal carcinoma[2]					
		Urothelial carcinoma					
		Non-small cell lung carcinoma[2]					
		Alveolar soft part sarcoma					
		Malignant lymphoma					
		Hepatic cell carcinoma					
	JS003 (PD-L1)	(Not disclosed)					
	JS004 (BTLA)	(Not disclosed)					
	JS006 (TIGIT)	(Not disclosed)					
	JS007 (CTLA-4)	(Not disclosed)					
	JS009 (Undisclosed)	(Not disclosed)					
	JS011 (Undisclosed)	(Not disclosed)					
Metabolic diseases	JS002 (PCSK9)	Hyperlipidemia					
	JS008 (Undisclosed)	(Not disclosed)					
Inflammation/ autoimmunity	JS005 (IL17A)	(Not disclosed)					
	UBP1211 (TNF-α/Humira Biosimilar)	Rheumatoid arthritis[3]					
	UBP1213 (BLyS)	Systemic lupus erythematosus					
Neurologic diseases	JS010 (Undisclosed)	(Not disclosed)					

Notes: (1) We have completed Phase II clinical trial for melanoma 2L, based on which we filed NDA with the NMPA. We expect to obtain such NDA approval in late 2018 or early 2019 and are preparing to launch JS001 in the PRC shortly after obtaining NDA approval. We were undertaking Phase III clinical trial for melanoma 1L as of the Latest Practicable Date.

(2) We plan to initiate Phase III clinical trials of JS001 for nasopharyngeal carcinoma, gastric carcinoma, esophageal carcinoma and non-small cell lung carcinoma in the first quarter of 2019. For indications other than the above-mentioned indications and melanoma, we will determine the timing of the initiation of the next phase of clinical trials based on various considerations including the progress and outcome of the current phase of clinical trials, industry development and competition.

(3) In accordance with the biosimilar approval pathway in China, we were undertaking Phase I and Phase III clinical trials of UBP1211 concurrently as of the Latest Practicable Date.

OUR COMPETITIVE STRENGTHS

- Distinguished capabilities in drug discovery and development
- Drug development and production capacity on the full industry chain
- Rapidly expanding and robust pipeline of drug candidates
- Seasoned senior management team with complimentary skill sets

OUR BUSINESS STRATEGIES

- Focus on the advancement and commercialization of existing drug candidates
- Rapidly expand our product pipeline
- Scale up our macromolecules fermentation capacity and lower production cost

RESEARCH AND DEVELOPMENT

We are a pioneer in the R&D of biopharmaceuticals in the PRC. We have made significant efforts in identifying, developing and commercializing biotechnology and other pharmaceutical drug candidates. We have a leading edge in the emerging field of immuno-oncology and for treatment of autoimmune and metabolic diseases in the PRC. Our innovative field is expected to expand to include more types of drug discovery, including small molecule drugs and antibody drug conjugates, as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

Our integrated R&D capabilities are proven by a track record of success. We have a robust pipeline of 13 drug candidates, 11 of which, namely JS001 to JS011, are innovative drugs developed by ourselves while the remaining two, namely UBP1211 and UBP1213, were jointly developed by us and third parties. We believe our research platform for immuno-oncology and a molecular screening platform for drug molecule are internationally advanced, and we have two innovative drugs in the research product pipeline which have the potential to be global first-in-class drugs. More target exploration and verification work is currently carried out. With the continued process of the research work, more drug candidates will enter into our future development pipeline to provide innovative impetus for the company's sustainable development.

We have established an integrated technology system covering the entire process of protein drugs from the early R&D stage to industrialization, which comprises seven key technology platforms: (1) the automated high-efficiency screening platform for antibody selection and functional assays, (2) human transmembrane receptor array and high-throughput screening platform, (3) antibody humanization and construction platform, (4) high-yielding stable expression cell lines screening and establishment platform, (5) CHO cell fermentation process development platform, (6) antibody purification process development and formulation optimization platform and (7) antibody quality research, control and assurance platform.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. In particular, as we are a biopharmaceutical company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules, there are unique challenges, risks and uncertainties associated with investing in companies such as ours. See the section "Risk Factors" for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares. Some of the major risks we face include:

- We depend substantially on the successful commercialization of our drug candidates in the future, which may fail or experience significant delays. Given our high risk of business failure as a new biopharmaceutical business, you may lose all or part of your investment if our business fails;

- Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results;

- We may fail to complete the regulatory approval processes for our drug candidates, which are lengthy, time consuming and inherently unpredictable;

- We face substantial competition, and others may discover, develop or commercialize competing drugs before or more successfully than we do;

- We may not be able to protect our IP rights throughout the world;

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance; and

- Our business depends on our executive Directors and key R&D personnel; if we lose any of them and are unable to find proper replacements in a timely fashion, our business prospects could be adversely affected.

MANUFACTURING

In respect of production capability, we have two monoclonal antibody production bases in China. Our Wujiang Production Base in Suzhou is currently in production as a pilot production base and will also carry out commercial production. We are carrying out a technology upgrade of the Wujiang Production Base. Upon the expected completion of such upgrade by the end of 2018, its fermentation capacity is expected to reach 3,000L. Our Lingang Production Base is currently under construction in accordance with cGMP standards, the first two production lines of which will have an aggregate fermentation capacity of 12,000L and are expected to commence production by the end of 2019.

SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical data of 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 Data from Consolidated Statements of Profit or Loss

During the Track Record Period, we had not commercialized any drugs and therefore did not record any revenue from drug product sales. We derived our revenue from consulting and research services income through fee-for-service contracts. We recognized revenue of continuing operations of approximately RMB3.8 million, RMB1.1 million, RMB1.1 million and nil for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively. On April 25, 2018, we entered into an agreement to dispose all of our equity interest in our then subsidiary, Beijing Xinjingke Biotechnology, which mainly engaged in the business of sales of biological reagents. The assets and liabilities of Beijing Xinjingke Biotechnology have been classified as a disposal entity held for sale and the comparative figures in the consolidated statements of profit or loss and other comprehensive income have been presented separately to represent the business of Beijing Xinjingke Biotechnology as discontinued operations as at June 30, 2018.

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Revenue	3,757	1,148	1,148	–
Cost of sales	(986)	(446)	(446)	–
Gross profit	2,771	702	702	–
Other income	16,409	52,342	1,776	2,635
Other gains and losses	15,140	(24,599)	(10,591)	(4,829)
Impairment loss, net of reversal	(808)	(165)	(165)	(615)
Research and development expenses	(122,001)	(275,303)	(116,567)	(217,778)
Administrative expenses	(42,760)	(73,752)	(30,522)	(49,792)
Share of profit (loss) of a joint venture	–	31	(1)	(3)
Other operating expenses	–	–	–	(156)
Finance costs	–	–	–	(2,439)
Loss before tax	(131,249)	(320,744)	(155,368)	(272,977)
Income tax (expense) credit	(241)	(58)	859	70
Loss for the year/period from continuing operations	(131,490)	(320,802)	(154,509)	(272,907)

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Discontinued operations				
(Loss) profit for the year/period from discontinued operations	(477)	(269)	(37)	147
Loss for the year/period	(131,967)	(321,071)	(154,546)	(272,760)
Other comprehensive income (expense)				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	3,738	(5,480)	(2,085)	4,886
Fair value (loss) gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")	(438)	(364)	(65)	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI	–	–	–	262
Other comprehensive income (expense) for the year/period	3,300	(5,844)	(2,150)	5,375
Total comprehensive expense for the year/period	(128,667)	(326,915)	(156,696)	(267,385)

Summary Data from Consolidated Statements of Financial Position

The following table sets forth summary data from our consolidated statements of financial position as of the dates indicated.

	At December 31,		At June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Total current assets	544,908	511,006	624,298
Total non-current assets	604,122	708,703	913,767
Total assets	1,149,030	1,219,709	1,538,065
Total current liabilities	18,962	58,560	128,550
Total non-current liabilities	3,453	41,815	255,718
Total liabilities	22,415	100,375	384,268
Net current assets	525,946	452,446	495,748
Share Capital	550,000	584,750	601,400
Reserves	577,562	535,758	553,545
Non-controlling interests	(947)	(1,174)	(1,148)
Total equity	1,126,615	1,119,334	1,153,797

Summary Data from Consolidated Cash Flow Statements

The following table sets forth summary data from our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash used in operating activities	(185,207)	(347,076)	(167,927)	(263,626)
Net cash (used in) from investing activities	(717,176)	187,712	(71,356)	(130,100)
Net cash from financing activities	646,286	319,634	319,634	514,489
Net (decrease) increase in cash and cash equivalents	(256,097)	160,270	80,351	120,763

Key Financial Ratios

The following table sets forth our key financial ratios as at the dates indicated:

	As at December 31		As at June 30
	2016	2017	2018
Current ratio[(1)]	28.7	8.7	4.9
Quick ratio[(2)]	28.4	8.2	4.5

Notes:

(1) The calculation of current ratio is based on current assets divided by current liabilities as at the same date.

(2) The calculation of quick ratio is based on current assets excluding inventories divided by current liabilities as at the same date.

RECENT DEVELOPMENTS

Since June 30, 2018 and up to the date of this prospectus, we continue to engage in R&D of our drug candidates, which is in line with the past trend and our expectation.

We expect that our loss and total comprehensive expenses for the year ending December 31, 2018 will increase comparing to the year ended December 31, 2017, primarily due to the expected increase in research and development expenses especially on the clinical trials and development of the current pipeline candidates. While we had net cash outflow and net losses during the Track Record Period, we believe that the proceeds from the Global Offering, together with our cash and cash equivalents and other financial assets, will provide us with sufficient working capital to cover at least 125% of our costs, including general, administrative and operating costs, as well as research and development costs, for at least 12 months from the date of this prospectus.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$19.88 per H Share (being the mid-point of the indicative range of the Offer Price of HK$19.38 to HK$20.38 per H Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK$3,021.06 million.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 65% will be allocated to the R&D and commercialization of our drug candidates as follows:

  - Approximately 40% of the net proceeds, or HK$1,208.43 million, will be used for the R&D and commercialization of our Core Product, JS001, to fund clinical trials for JS001 including (i) ongoing clinical trials in the PRC; (ii) post-launch Phase III clinical trials in the PRC; (iii) additional clinical trials to be initiated in the PRC for additional indications and combination therapies; and (iv) Phase I clinical trial in the United States and to fund the commercial launch of JS001;

  - Approximately 16% of the net proceeds, or HK$483.37 million, will be used for the R&D of our other drug candidates to fund clinical trials, including head-to-head clinical trials and post-approval studies. Specifically, it will be used to fund (i) Phase I and III clinical trials for UBP1211 in the PRC; (ii) Phase I, II and III clinical trials for JS002 in the PRC; (iii) Phase I, II and III clinical trials for UBP1213 in the PRC; and (iv) preclinical studies and clinical trials for our other drug candidates in the PRC;

  - Approximately 9% of the net proceeds, or HK$271.90 million, will be used for the construction of our Lingang Production Base and our Wujiang Production Base;

- Approximately 25% of the net proceeds, or HK$755.27 million, will be used for our investment in and acquisition of companies in the pharmaceutical sector, in particular companies with strong R&D and/or commercialization capabilities that are complementary to our Company. As of the Latest Practicable Date, we have not identified any specific targets, or adopted a concrete timetable or expected capital expenditure plan to implement any acquisition, and we have not entered into any letter of intent or agreement in relation to any acquisition; and

- Approximately 10% of the net proceeds, or HK$302.11 million, will be used for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$3,480.68 million (assuming an Offer Price of HK$19.88 per H Share, the midpoint of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

SHAREHOLDING STRUCTURE

Our Domestic Shares are listed on the NEEQ. As of the Latest Practicable Date, Mr. Xiong Jun, together with Mr. Xiong Fengxiang, who is his father, are the single largest shareholder combined taking into account also the voting rights of the Other Concert Parties under the Concert Party Agreements. Mr. Xiong Jun is deemed to control, through the Concert Parties Agreements, 183,050,736 Domestic Shares, representing approximately 30.44% of the issued share capital of our Company as of the Latest Practicable Date, and which will represent approximately 24.08% of our issued share capital immediately after the Global Offering (assuming the Over-Allotment Option is not exercised and in each case without regard to the Pre-IPO Options and the 2018 Convertible Bonds). See "Relationship with Our Single Largest Shareholder" for details.

Major changes in our shareholding during the Track Record Period and up to the Latest Practicable Date are set out in "Our History and Development – Our Shareholding and Group Structure – Major changes in our shareholding during the Track Record Period and up to the Latest Practicable Date". All these changes relate to our Domestic Shares. Save for parties to the Concert Party Agreements, namely Zhao Yun (趙雲), Meng Xiaojun (孟曉君) and Gao Shufang (高淑芳), none of these subscribers who subscribed for Shares during the Track Record Period are subject to lock-up arrangements on their Shares subscribed. For further details of the lock-up undertaking of the parties to the Concert Party Agreements, see "Underwriting – Undertakings by Other Concert Parties".

Our Domestic Shares are currently listed on NEEQ. These Domestic Shares are not counted towards our public float for the purpose of Rules 8.08 and 18A.07 of the Listing Rules. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance in relation to the public float requirements under Rule 8.08(1) of the Listing Rules, see also "Summary – Waiver in relation to public float" below.

Several cornerstone investors have agreed to subscribe for Offer Shares for an aggregate amount of US$242,000,000 at the Offer Price (that is, 97,821,000 H Shares based on the Offer Price of HK$19.38 per Offer Share, being the low-end of the indicative Offer Price range) as part of the Global Offering, representing approximately 12.87% of our total issued share capital, and approximately 61.56% of our total number of H Shares, immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and without regard to the Pre-IPO Options and the 2018 Convertible Bonds). These Cornerstone Investors have agreed to a Lock-up Period of six months starting from and inclusive of the Listing Date. See "Cornerstone Investors – Restrictions on the Cornerstone Investors".

Employees' Share Incentive

We approved and adopted the Share Incentive Scheme pursuant to resolution passed by the Shareholders on May 14, 2018. A total of 268 eligible participants have been granted 6,023,000 Pre-IPO Options in aggregate under the Share Incentive Agreements, as of the Latest

Practicable Date, a total of 5,798,000 Pre-IPO Options for 5,798,000 Domestic Shares remained outstanding. The exercise price is RMB9.2 per Share. See "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V for details.

OFFER STATISTICS

	Based on an Offer Price of HK$19.38 per H Share	Based on an Offer Price of HK$20.38 per H Share
Market capitalization of our H Shares (approximate)[(1)]	HK$3,080 million	HK$3,239 million
Market capitalization of our Shares (approximate)[(2)]	HK$14,735 million	HK$15,495 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share[(3)]	HK$5.58	HK$5.79

Notes:

(1) The calculation of market capitalization is based on 158,910,000 H Shares expected to be in issue and outstanding following the completion of the Global Offering assuming the Over-allotment Option is not exercised.

(2) The calculation is based on 760,310,000 Shares expected to be in issue following completion of the Global Offering assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options.

(3) The unaudited pro forma adjusted consolidated net tangible asset value per Share is arrived at after the adjustments referred to in the section entitled "Appendix II – Unaudited Pro Forma Financial Information" and on the basis of 158,910,000 H Shares expected to be in issue and outstanding following the completion of the Global Offering.

NON-STANDARD WAIVERS/EXEMPTIONS APPLIED FOR AND GRANTED

Waiver in relation to public float

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules that the minimum public float be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of: (a) 16%; (b) such percentage of H Shares to be held by the public 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, but the percentage of minimum public float so decided above shall be reduced as a result of any increase in our Company's issued share capital following any issue of Domestic Shares by our Company upon exercise of any Pre-IPO Options, provided that (i) the market capitalization

of the portion of the total number of our Company's issued shares held by the public shall exceed HK$375 million at the time of Listing and (ii) the minimum percentage of public float from time to time shall not be lower than 15.71% of our Company's issued share capital.

Waiver and exemption in relation to the Share Incentive Scheme and Pre-IPO Options

Our Company has applied to (i) the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules, and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of Paragraph 10(d) of Part I of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the ground that strict compliance with the said requirements would be unduly burdensome for our Company.

Waivers and consent in relation to cornerstone subscription by core connected persons and/or existing shareholders

Our Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 9.09 and 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to permit certain core connected persons and/or existing shareholders of our Company to participate as cornerstone investors in the Global Offering.

See "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" for further details.

LISTING EXPENSES AND ISSUE COSTS

Listing expenses and issue costs represent the professional expenses, underwriting commissions and other expenses incurred in respect of the Listing and the Global Offering. We expect to incur a total of approximately RMB122.6 million of listing expenses and issue costs (assuming an Offer Price of HK$19.88, being the mid-point of the indicative Offer Price range between HK$19.38 and HK$20.38, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which RMB17.3 million was recognized as deferred issue costs for future deduction from equity upon the Listing and RMB0.2 million was recognized as listing expense. For the remaining listing expenses and issue costs of approximately RMB105.1 million, an estimated amount of RMB5.4 million is expected to be recognized as listing expenses and an estimated amount of RMB99.7 million is expected to be recognized directly as a deduction from equity upon the Listing. The listing expenses and issue costs above were the best estimate as of the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

DIVIDENDS

We have never declared or paid any dividends on our ordinary shares. We currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business and we do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be made at the discretion of our Board and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Board may deem relevant. The payment of any dividends will also be subject to the PRC Law and our constitutional documents. As confirmed by our PRC Legal Advisor, according to the PRC law, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will therefore only be able to declare dividends after (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial, operational or trading position since June 30, 2018, being the end of the period reported in the Accountants' Report included in Appendix I to this prospectus.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in "Glossary".

"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted by our Shareholders on June 6, 2018 to take effect on the Listing Date, as amended or supplemented from time to time, a summary of which is set out in Appendix IV to this prospectus
"ASCO"	American Society of Clinical Oncology, a professional organization whose members include physicians of all oncology sub-specialties; it is one of the major sponsors for Gastrointestinal Cancers Symposium (ASCO-GI), a specialized oncology event
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing Junkejingde"	Beijing Junkejingde Biotechnology Co., Ltd.* (北京軍科鏡德生物科技有限責任公司), a limited liability company established in the PRC on April 3, 2015 and a direct non-wholly-owned subsidiary of our Company
"Beijing Tianshi"	Beijing Tianshi Pharmaceutical Technology Co., Ltd.* (北京天實醫藥科技有限公司), a limited liability company established in the PRC on April 22, 2016, which is owned as to 50% by our Company
"Beijing Union Biopharm"	Beijing Union Biopharm Junshi Biosciences Co., Ltd.* (北京眾合君實生物醫藥科技有限公司), a limited liability company established in the PRC on June 12, 2016 and an indirect wholly-owned subsidiary of our Company

"Beijing Xinjingke Biotechnology"	Beijing Xinjingke Biotechnology Co., Ltd.* (北京欣經科生物技術有限公司), a limited liability company established in the PRC on September 29, 1998, which was a non-wholly-owned subsidiary of the Company until its disposal on June 29, 2018
"Beijing Xinjingke Trading"	Beijing Xinjingke Trading Co., Ltd.* (北京欣經科貿有限公司), a limited liability company established in the PRC on November 30, 2016, which was a non-wholly-owned subsidiary of our Company until it was deregistered on April 4, 2018
"Beijing Zhengdan"	Beijing Zhengdan International Technology Co., Ltd.* (北京正旦國際科技有限責任公司), a limited liability company established in the PRC on January 16, 2004, which is a 40%-shareholder of Beijing Junkejingde and a connected person of our Company at the subsidiary level
"Board of Directors" or "Board"	the board of Directors of our Company
"Board of Supervisors"	the board of Supervisors of our Company
"business day(s)"	day(s) (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a 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

"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"CICC"	China International Capital Corporation Hong Kong Securities Limited (中國國際金融香港證券有限公司)
"Companies Ordinance"	the Companies Ordinance, Chapter 622 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Company", "Our Company" or "Junshi"	Shanghai Junshi Biosciences Co., Ltd.* (上海君實生物醫藥科技股份有限公司), a joint stock limited liability company established in the PRC on December 27, 2012
"Concert Party Agreements"	the 2017 Concert Party Agreement and the 2018 Concert Party Agreement
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules; for the purpose of this prospectus, our Core Product is JS001
"CDE"	Center for Drug Evaluation under the NMPA
"CRO"	contract research organization, an organization that provides support to the pharmaceutical, biotechnology and medical device industries in the form of research services outsourced on a contract basis
"CSCO"	Chinese Society of Clinical Oncology (中國臨床腫瘤協會), a public professional academic group that is voluntarily constituted by clinical oncology professionals, relevant enterprises and public institutions

"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid for in Renminbi and which are listed on the NEEQ
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》), as enacted by the National People's Congress on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"EMA"	European Medicines Agency
"FDA"	U.S. Food and Drug Administration
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global provider of market research and analysis, growth strategy consulting and corporate training services, which is an Independent Third Party
"F&S Report"	an industry report prepared by Frost & Sullivan on the biologics market, which was commissioned by us
"General Rules of CCASS"	General Rules of CCASS published by the Stock Exchange as amended from time to time
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Grantee(s)"	person(s) being granted Pre-IPO Option(s) under the Share Incentive Scheme and the Share Incentive Agreements
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider

"Group", "our Group", "our", "we" or "us"	our Company and all of our subsidiaries or, where the context so requires, in respect of any period before our Company became the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries or their predecessors (as the case may be)
"H Share(s)"	overseas-listed share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for listing and permission to trade on the Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Offer Shares"	the 15,892,000 new H Shares initially being offered for subscription in the Hong Kong Public Offering at the Offer Price (subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" in this prospectus)

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement, dated December 10, 2018, relating to the Hong Kong Public Offering, entered into among the Joint Global Coordinators, the Hong Kong Underwriters, our Company, Mr. Xiong Jun and Mr. Xiong Fengxiang, as further described in the section headed "Underwriting – Underwriting Arrangement and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" in this prospectus
"IFRS"	the International Financial Reporting Standards, amendments and interpretation issued from time to time by the International Accounting Standards Board
"Independent Third Party"	any entity or person who, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, is not a connected person of our Company
"International Placing"	the conditional placing of the International Placing Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this prospectus

"International Placing Shares"	the 143,018,000 new H Shares being initially offered for subscription at the Offer Price under the International Placing together, where relevant, with any additional H Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing
"International Underwriting Agreement"	the international underwriting agreement relating to the International Placing expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as described in "Underwriting – International Placing" in this prospectus
"Jiangsu Union Biopharm"	Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司), a limited liability company established in the PRC on April 1, 2013 and a direct wholly-owned subsidiary of our Company
"Joint Bookrunners"	CICC, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only), Citigroup Global Markets Limited (in relation to the International Placing only), Credit Suisse (Hong Kong) Limited, Fosun Hani Securities Limited, China Securities (International) Corporate Finance Company Limited and Caitong International Securities Company Limited
"Joint Global Coordinators"	CICC, Citigroup Global Markets Asia Limited, Credit Suisse (Hong Kong) Limited, Fosun Hani Securities Limited
"Joint Lead Managers"	CICC, Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only), Citigroup Global Markets Limited (in relation to the International Placing only), Credit Suisse (Hong Kong) Limited, Fosun Hani Securities Limited, China Securities (International) Corporate Finance Company Limited and Caitong International Securities Company Limited
"Junshi Biotechnology"	Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司), a limited liability company established in the PRC on June 29, 2016 and a direct wholly-owned subsidiary of our Company

"Latest Practicable Date"	December 3, 2018, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Lead Global Coordinator"	CICC
"Lingang Production Base"	our production base located in Lingang Industrial Park, Fengxian District, Shanghai, the PRC, which is currently under construction
"Listing"	the listing of the H Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Monday, December 24, 2018, on which the H Shares are to be listed and on which dealings therein are to be first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange
"Mandatory Provisions"	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), for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas, which were promulgated by the PRC Securities Commission, the predecessor of the CSRC, and the State Restructuring Commission on August 27, 1994, as amended, supplemented or otherwise modified from time to time
"Maryland Lab"	our R&D laboratory located in Rockville, Maryland, the United States
"MNC"	multinational pharmaceutical company

"NEEQ"	National Equities Exchange and Quotations
"NEEQ Non-Competition Undertaking"	a non-competition undertaking entered into by Mr. Xiong Jun and Mr. Xiong Fengxiang, details of which are set out in "Relationship with Our Single Largest Shareholder – NEEQ Non-Competition Undertaking" in this prospectus
"New Drug Certificate"	certificate issued upon the NDA approval for the new drug
"NMPA"	the National Medical Products Administration of China or, where the context so requires, its predecessor, the China Food and Drug Administration, or CFDA
"NRDL"	National Reimbursement Drug List of China
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, to be determined as described in the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional H Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Other Concert Parties"	Suzhou Ruiyuan, Suzhou Benyu, Shanghai Baoying, Meng Xiaojun (孟曉君), Gao Shufang (高淑芳), Zhuhai Huapu Investment Management Co., Ltd.* (珠海華樸投資管理有限公司), and Zhao Yun (趙雲) (all are parties to the 2017 Concert Party Agreement), and Gongqingcheng Juntuo Investment Management Partnership (LP)* (共青城君拓投資管理合夥企業(有限合夥)) (a party to the 2018 Concert Party Agreement), each a Shareholder

"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Lead Global Coordinator on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 23,836,500 additional new H Shares (representing in aggregate 15% of the Offer Shares initially available under the Global Offering) to cover over-allocations in the International Placing (if any), details of which are described in "Structure of the Global Offering – Over-allotment Option" in this prospectus
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), which was first implemented on July 1, 1994 and as amended, supplemented or otherwise modified from time to time
"PRC government"	central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Legal Advisor"	Jia Yuan Law Offices
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), which was first implemented on July 1, 1999 and as amended, supplemented or otherwise modified from time to time
"Pre-IPO Option(s)"	the option(s) granted by our Company to certain employees as share incentive as further described in "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V to this prospectus
"Price Determination Agreement"	the agreement to be entered into between our Company and the Lead Global Coordinator, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date, expected to be Monday, December 17, 2018, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Friday, December 21, 2018, or such other date as agreed between the parties to the Price Determination Agreement
"Province" or "province"	a province or, where the context requires, a provincial level autonomous region or municipality under the direct administration of the PRC government
"Qianhai Junshi"	Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd.* (深圳前海君實醫院投資管理有限公司), a limited liability company established in the PRC on December 11, 2015 and a direct non-wholly-owned subsidiary of our Company
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"San Francisco Lab"	our R&D laboratory located in Menlo Park, California, the United States
"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, supplemented or otherwise modified from time to time
"Shanghai Baoying"	Shanghai Baoying Asset Management Co., Ltd.* (上海寶盈資產管理有限公司), a limited liability company established in the PRC on February 25, 2007. Mr. Xiong Jun is an executive director of Shanghai Baoying and is directly interested in 20% of its equity interest. Shanghai Baoying is a Shareholder, one of the Other Concert Parties and a shareholder of Qianhai Junshi

"Shanghai Tanying"	Shanghai Tanying Investment Partnership (LP)* (上海檀英投資合夥企業(有限合夥)), a limited partnership established in the PRC on November 26, 2015. It is a holder of the 2018 Convertible Bonds and a Shareholder
"Shanghai Union Biopharm"	Shanghai Union Biopharm Biosciences Co., Ltd.* (上海眾合醫藥科技股份有限公司), a limited liability company established in the PRC on July 28, 2008 and merged with our Company by absorption in June 2016
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Share Incentive Agreement(s)"	contract(s) entered into between our Company and the respective Grantee(s) in March, 2018 in relation to the grant of the Pre-IPO Option(s), as further described in "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V to this prospectus
"Share Incentive Scheme"	the Share Incentive Scheme approved and adopted by our Company pursuant to resolution passed by our Shareholders on May 14, 2018, the principal terms of which are summarized in "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V to this prospectus
"Shenzhen Yuanben"	Shenzhen Qianhai Yuanben Equity Investment Fund Management Co., Ltd.* (深圳前海源本股權投資基金管理有限公司), a limited liability company established in the PRC on April 23, 2013, which is held as to 40% by Mr. Xiong Jun and 60% by Mr. Tang Yi
"Sole Sponsor"	CICC
"Stabilizing Manager"	CICC
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed thereto in the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto in the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Suzhou Benyu"	Suzhou Benyu Tianyuan Biological Technology Partnership (LP)* (蘇州本裕天源生物科技合夥企業(有限合夥)) (previously known as Shenzhen Benyu Tianyuan Biological Technology Partnership (LP)* (深圳本裕天源生物科技有限合夥企業(有限合夥)), a limited partnership established in the PRC on December 2, 2014, a Shareholder and one of the Other Concert Parties
"Suzhou Junao"	Suzhou Junao Precision Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司), a limited liability company established in the PRC on January 10, 2018, and an indirect wholly-owned subsidiary of our Company
"Suzhou Junmeng"	Suzhou Junmeng Biosciences Co., Ltd.* (蘇州君盟生物醫藥科技有限公司), a limited liability company established in the PRC on October 12, 2013 and a direct wholly-owned subsidiary of our Company
"Suzhou Junshi"	Suzhou Junshi Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司), a limited liability company established in the PRC on July 26, 2017 and a direct wholly-owned subsidiary of our Company
"Suzhou Ruiyuan"	Suzhou Ruiyuan Shengben Biological Medicine Management Partnership (LP)* (蘇州瑞源盛本生物醫藥管理合夥企業(有限合夥)), a limited partnership established in the PRC on July 11, 2013, a Shareholder and one of the Other Concert Parties
"Suzhou Union Biopharm"	Suzhou Union Biopharm Biosciences Co., Ltd.* (蘇州眾合生物醫藥科技有限公司), a limited liability company established in the PRC on October 12, 2013 and a direct wholly-owned subsidiary of our Company
"Taizhou Junshi"	Taizhou Junshi Biosciences Co., Ltd.* (泰州君實生物醫藥科技有限公司), a limited liability company established in the PRC on May 9, 2014 and a direct wholly-owned subsidiary of our Company

"TopAlliance"	TopAlliance Biosciences Inc., a corporation established in the United States on March 6, 2013 and a direct wholly-owned subsidiary of our Company
"Track Record Period"	the two financial years ended December 31, 2016 and 2017 and the six months ended June 30, 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"Wujiang Production Base"	our production base located in Wujiang Economic and Industrial Development Zone, Suzhou City, Jiangsu Province, the PRC
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"2017 Concert Party Agreement"	a concert party agreement dated December 25, 2017 entered into among Mr. Xiong Jun, Mr. Xiong Fengxiang, Suzhou Ruiyuan, Suzhou Benyu, Shanghai Baoying, Mr. Meng Xiaojun (孟曉君), Ms. Gao Shufang (高淑芳), Zhuhai Huapu Investment Management Co., Ltd.* (珠海華樸投資管理有限公司) and Mr. Zhao Yun (趙雲)

"2018 Concert Party Agreement"	a concert party agreement dated February 26, 2018 entered into between Mr. Xiong Jun and Gongqingcheng Juntuo Investment Management Partnership (LP)* (共青城君拓投資管理合夥企業(有限合夥))
"2018 Convertible Bonds"	innovative start-ups convertible bonds (創新創業可轉換公司債券) issued by our Company and listed and traded on the Shanghai Stock Exchange
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain shareholders, subsidiaries and affiliates of our Group) have been included in this prospectus in both Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail. English translations of entities names and other terms from the Chinese language are provided for reference purposes only.

This glossary contains definitions of certain terms used in this prospectus in connection with our business. Some of these terms may not correspond to standard industry definitions.

"adalimumab"	sold under the trade name Humira among others, an FDA-approved TNF-α blocker used to treat rheumatoid arthritis, psoriasis, ankylosing spondylitis, Crohn's disease, ulcerative colitis, hidradenitis suppurativa, uveitis and juvenile idiopathic arthritis
"AE"	adverse event, any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials, which does not necessarily have a causal relationship with the treatment
"albuminuria"	a pathological condition wherein the protein albumin is abnormally present in the urine
"ALT"	alanine aminotransferase, a liver enzyme that is released in the blood where liver cells are damaged; the blood test for ALT is used to diagnose liver disorders
"amylase"	an enzyme that catalyzes the hydrolysis of starch into sugars
"anemia"	a decrease in the total amount of red blood cells (RBCs) or hemoglobin in the blood, or a lowered ability of the blood to carry oxygen
"ankylosing spondylitis"	a form of arthritis that primarily affects the spine, causing inflammation of the spinal joints that can lead to severe, chronic pain and discomfort
"antibody"	protein produced by B cells in response to a foreign molecule or invading microorganism. Also called immunoglobulin
"arthritis"	inflammation of the joints in one or more areas of the body
"AST"	aspartate transaminase or aspartate aminotransferase; the blood test for AST is usually used to detect liver damage

"autoimmune diseases"	diseases that arise from an abnormal immune response of the body against substances and tissues normally present in the body
"axitinib"	a small molecule tyrosine kinase inhibitor developed by Pfizer with the trade name Inlyta. It has been shown to significantly inhibit growth of breast cancer in animal (xenograft) models and has shown partial responses in clinical trials with renal cell carcinoma (RCC) and several other tumor types
"B cell"	also known as B lymphocytes, a type of white blood cell of the lymphocyte subtype, which functions in the humoral immunity component of the adaptive immune system by secreting antibodies
"bilirubin"	an orange-yellow substance made during the normal breakdown of red blood cells. Higher than normal levels of bilirubin may indicate different types of liver problems
"biosimilar"	a follow-on version of innovator biopharmaceuticals which are separately developed after patents protecting the innovator biopharmaceuticals have expired and have similar quality, safety and efficacy as the innovator biopharmaceuticals
"biotech" or "biotechnology"	any technological application that uses biological systems, living organisms, or derivatives thereof, to make or modify products or processes for specific use
"BLA"	Biologics License Application, a request for permission to introduce, or deliver for introduction, a biologic product into interstate commerce (21 CFR 601.2). The BLA is regulated under 21 CFR 600 – 680
"BLyS"	B lymphocyte stimulator
"BR3-Fc"	a homodimeric fusion glycoprotein consisting of the Fc domain of a human Ig and residues from the extracellular domain of BR3, the human receptor for B cell activating factor

"cancer"	not just one disease, but a large group of almost 100 diseases. Its two main characteristics are uncontrolled growth of the cells in human body and the ability of these cells to migrate from the original site and spread to distant sites
"cardiovascular disease"	any abnormal condition characterized by dysfunction of the heart and blood vessels
"CDR"	complementarity-determining regions, which are part of the variable chains in immunoglobulins (antibodies) and T cell receptors generated by B-cells and T-cells, respectively, where these molecules bind to their specific antigen
"cell bank"	a facility that stores cells of specific genome for the purpose of future use in a product or medicinal needs. They often contain expansive amounts of base cell material that can be utilized for various projects. Cell banks can be used to generate detailed characterizations of cell lines and can also help mitigate cross-contamination of a cell line
"cell line"	a cell culture that is derived from one cell or set of cells of the same type and in which under certain conditions the cells proliferate indefinitely in the laboratory
"chemotherapy"	the treatment of cancer with anticancer drugs with the main purpose of killing off cancer cells
"CHO cell"	Chinese hamster ovary cells, epithelial cell lines derived from the ovary of the Chinese hamster, often used in biological and medical research and commercially in the production of therapeutic proteins
"cGMP"	Current Good Manufacturing Practice regulations enforced by the FDA, which provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities
"cholesterol"	a waxy, fat-like substance that occurs naturally in all parts of body

"clinical trial"	a research study for validating or finding the therapeutic effects and side-effects of test drugs in order to determine the therapeutic value and safety of such drugs
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CR"	complete response
"CSD"	chronic sun damage
"cytokine"	small proteins secreted by cells of both innate and adaptive immune systems, which can regulate diverse functions in the immune response
"DCR"	disease control rate
"diabetes"	the metabolic disorder disease that is acquired due to absolute or comparative insufficiency of insulin or excessive glucagon of antagonistic insulin
"DLT"	dose-limiting toxicity, side effects of a drug or other treatment that are serious enough to prevent giving more of the treatment
"Drug Production License"	the license issued by the relevant provincial drug administration of the PRC for production of drugs
"Endocytosis"	a form of bulk transport in which a cell transports molecules (such as proteins) into the cell by engulfing them in an energy-using process
"esophageal cancer"	a disease in which malignant cells form in the tissues of the esophagus, which is a muscular tube that moves food and liquids from the throat to the stomach
"Fc fusion protein"	a bioengineered polypeptide that joins the crystallizable fragment (Fc) domain of an antibody with another biologically active protein domain or peptide to generate a molecule with unique structure-function properties and significant therapeutic potential

"first-line therapy"	the first treatment option involving medicine, prescribed by physicians after diagnosis of a disease or disorder, and in some cases, such as diabetes, after life style management (without medicine) has failed to control or cure such disease or disorder
"gastric cancer"	also known as stomach cancer, a disease in which malignant cells form in the lining of the stomach
"GCP"	Good clinical practice, an international ethical and scientific quality standard, provided by the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, for the design, conduct, performance, monitoring, auditing, recording, analyzes, and reporting of clinical trials that provides assurance that the data and reported results are credible and accurate, and that the rights, integrity, and confidentiality of trial subjects are protected
"generic medications"	drugs which use the same active ingredients as the original products and are generally available in the same strengths and dosage forms as the original
"GMP" or "Good Manufacturing Practices"	Guidelines and regulations from time to time issued pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"GS"	glutamine synthetase, an enzyme that plays an essential role in the metabolism of nitrogen by catalyzing the reaction of condensation of glutamate and ammonia to form glutamine
"HL" or "Hodgkin's lymphoma"	a cancer that starts in white blood cells called lymphocytes, which are part of the body's immune system, while "NHL" refers to lymphoma other than HL

"hybridoma"	a hybrid cell produced by the fusion of an antibody-producing lymphocyte with a tumor cell and used to culture continuously a specific monoclonal antibody
"hyperglycemia"	a condition of the human body when blood glucose levels are elevated, commonly associated with diabetes
"hyperlipidemia"	abnormally elevated levels of any or all lipids or lipoproteins in the blood
"hypothyroidism"	also called underactive thyroid or low thyroid, a disorder of the endocrine system in which the thyroid gland does not produce enough thyroid hormone
"immune system"	a system of biological structures and processes within an organism that protects against disease. In order to function properly, an immune system must detect a wide variety of agents, from viruses to parasitic worms, and distinguish them from the organism's own healthy tissue
"immuno-oncology"	a type of immunotherapy that is specifically targeted to fight cancer
"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. In other words, immunogenicity is the ability to induce a humoral and/or cell-mediated immune responses
"immunotherapy"	use of the immune system to treat disease
"IND"	Investigational New Drug, an application and approval process required prior to commencing clinical trials
"inhibitor"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"innovative drugs"	new chemical or biochemical drugs that are different from existing drugs or therapies to treat diseases

"*in vivo*"	Latin for "within the living"; studies *in vivo* are those in which the effects of various biological entities are tested on whole, living organisms as opposed to a partial or dead organism, or those done *in vitro* ("within the glass"), i.e., in a laboratory environment using test tubes or petri dishes
"IRB"	an institutional review board, also known as an independent ethics committee (IEC), ethical review board (ERB), or research ethics board (REB), is a type of committee that applies research ethics by reviewing the methods proposed for research to ensure that they are ethical. Such boards are formally designated to approve (or reject), monitor, and review biomedical and behavioral research involving humans
"IWG"	International Working Group
"KOLs"	Key Opinion Leaders, who are physicians that influence their peers' medical practice, including but not limited to prescribing behavior
"LDL"	low-density lipoprotein, a class and range of lipoprotein particles that carry cholesterol in the blood and around the body, for use by cells
"LDL-C"	low-density lipoprotein cholesterol, a major contributor to the development of atherosclerosis that can form inside blood vessels and contribute to problems like stroke
"LDL-R"	low-density lipoprotein receptor, a mosaic protein of 839 amino acids (after removal of 21-amino acid signal peptide) that mediates the endocytosis of cholesterol-rich LDL
"leukopenia"	a decrease in the number of white blood cells (leukocytes) found in the blood, which places individuals at increased risk of infection
"lipase"	an essential enzyme for the digestion of lipid substances either in the diet or as a part of normal human metabolism. It is responsible for breaking down (hydrolyzing) fats into smaller components that can readily be absorbed through the intestines

"lipid"	a group of naturally occurring molecules including fats, waxes, sterols, fat-soluble vitamins, monoglycerides, diglycerides, triglycerides and phospholipids
"lymphocyte"	one of the subtypes of white blood cell in a vertebrate's immune system
"macromolecules"	a large molecule composed of thousands of atoms
"MAH"	Marketing Authorization Holder, a certification granted by the NMPA which allows the holder to contract production with qualified contract manufacturing organizations
"malignant melanoma"	the most dangerous type of skin cancer that develops from the pigment-containing cells known as melanocytes
"maximum tolerated dose" or "MTD"	the highest dose of a radiological or pharmacological treatment that will produce the desired effect without unacceptable toxicity
"mDOR"	median duration of response
"melanoma"	a type of skin cancer that develops from the pigment-containing cells known as melanocytes
"metabolism"	the sum of all the physical and chemical processes by which living organized substance is produced and maintained (anabolism), and also the transformation by which energy is made available for the uses of the organism (catabolism)
"migraine"	a primary headache disorder characterized by recurrent headaches that are moderate to severe
"monoclonal antibody" or "mAb"	an antibody generated by identical immune cells that are all clones of the same parent cell
"monotherapy"	treatment of a condition by means of a single drug
"mPFS"	median progression free survival
"mTTR"	median time to response

"multiple sclerosis"	a condition that can affect the brain and/or spinal cord, causing a wide range of potential symptoms, including problems with vision, arm or leg movement, sensation or balance
"National Medical Insurance Drug Catalogue"	a catalogue of the list of pharmaceutical products under the National Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance of the PRC (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) as determined by the PRC central government authorities for general application throughout the PRC, as amended, supplemented or otherwise modified from time to time
"NDA"	New Drug Application
"NSCLC"	non-small-cell lung cancer, any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung carcinoma
"oncology"	a branch of medicine dealing with the physical, chemical and biological properties of tumors, including study of their development, diagnosis, treatment and prevention
"ORR"	objective response rate, the proportion of patients with reduction in tumor burden of a predefined amount
"OS"	overall survival
"osteoporosis"	literally "porous bone", a disease in which the density and quality of bone are reduced, which occurs progressively
"PAT system"	process analysis technology mechanisms defined by the FDA to design, analyze, and control the pharmaceutical manufacturing processes
"PCSK9"	proprotein convertase subtilisin/kexin type 9
"PCT"	Patent Cooperation Treaty, which assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions

"PD"	progressive disease
"PD-1"	programmed cell death protein 1
"PD-L1"	PD-1 ligand 1, the principal ligand of PD-1.
"PD-L2"	PD-1 ligand 2, a cell surface protein expressed by activated macrophages and dendritic cells that binds PD-1 on T cells to inhibit immune responses
"pharmacodynamics"	the study of the biochemical and physiologic effects of drugs (especially pharmaceutical drugs). The effects can include those manifested within animals (including humans), microorganisms, or combinations of organisms (for example, infection)
"pharmacokinetics" or "PK"	a branch of pharmacology dedicated to determining the fate of substances administered to a living organism
"PI"	Principal investigators
"placebo"	a substance or treatment with no active therapeutic effect, commonly used in clinical trials as the administered substance for the control group
"plasma cells"	also called plasma B cells, plasmocytes, plasmacytes, or effector B cells, are white blood cells that secrete large volumes of antibodies. They are transported by the blood plasma and the lymphatic system
"plasmablasts"	immature plasma cells
"pneumonia"	an inflammatory condition of the lung affecting primarily the small air sacs known as alveoli
"PR"	partial response
"proteins"	large biological molecules or macromolecules, consisting of one or more long chains of amino acid residues
"proteinuria"	the presence of excess proteins in the urine, which is suggestive of illness

"psoriasis"	a common, chronic, relapsing/remitting, immune-mediated systemic disease characterized by skin lesions including red, scaly patches, papules and plaques, which usually itch
"RECIST"	Response Evaluation Criteria in Solid Tumors, a set of published rules that define when tumors in cancer patients improve, stay the same, or worsen during treatment
"RES"	response evaluable subtype
"Revlimid"	Lenalidomide, a derivative of thalidomide introduced in 2004 and sold under trade name Revlimid
"rheumatoid arthritis"	an autoimmune disease where the body's immune system attacks normal joint tissues, causing inflammation of the joints and surrounding tissues; it can also affect other organs
"R&D"	research and development
"SAE"	serious adverse event, any untoward medical occurrence in a patient during clinical trials that results in death, is life-threatening, requires impatient hospitalization or prolongation of existing hospitalization, results in persistent or significant disability/incapacity, or is a congenital anomaly/birth defect
"SD"	stable disease
"second-line therapy"	treatment that is given when first-line therapy doesn't work, or stops working
"SLE" or "systemic lupus erythematosus"	a systemic autoimmune disease in which the body's immune system attacks normal, healthy tissue and can result in symptoms such as inflammation and swelling
"statins"	a group of medicines that can help lower the level of LDL-C in the blood
"T cell"	a type of white blood cell which is an essential part of the immune system

"target"	a molecule in the body, usually a protein, that is intrinsically associated with a particular disease process and that could be addressed by a drug to produce a desired therapeutic effect
"TEAE"	treatment emergent adverse event, adverse event not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
"TNF-α"	tumor necrosis factor alpha
"TRAE"	treatment related adverse event, an adverse event present after medical treatment
"tyrosine"	one of the 20 standard amino acids that are used by cells to synthesize proteins. It is a non-essential amino acid with a polar side group

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

In this prospectus, statements of or references to our intentions or that of any of our Directors and our management are made as at the date of this prospectus. Any such intentions may change in light of future developments.

This prospectus contains forward-looking statements that state our intentions, beliefs, expectations or predictions for the future that are, by their nature, subject to significant known or unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include statements relating to:

- timing and likelihood of drug discovery, development and commercialization, completion and conclusion of clinical trials, regulatory filings and approvals such as IND and NDA;
- the efficacy and safety of our drug candidates, their pricing, market reception, market share;
- our strategies, plans, objectives and goals and our ability to successfully implement the same;
- our future operations, financial condition and performance and business prospects;
- our dividend policy;
- projects under development;
- our ability to attract and retain senior management and key employees;
- our future capital needs and capital expenditure plans;
- future developments, trends and conditions in the pharmaceutical industry in the PRC and other countries;
- market opportunities and competitive landscape for our products, and the actions and developments of our competitors;
- the regulatory environment and industry outlook in general for the industries discussed herein;

- general political and economic conditions, government actions or non-actions, capital markets developments, healthcare systems and industries in the PRC and other countries;

- exchange rate fluctuations and developing legal system, in each case pertaining to the PRC and other countries and the industries and markets in which we operate;

- outlook of regulations and restrictions, including tariffs and environmental regulations; and

- other statements in this prospectus that are not historical fact.

The words "aim", "anticipate", "believe", "could", "continue", "expect", "estimate", "going forward", "intend", "may", "plan", "predict", "project", "potential", "seek", "will", "would", the negative of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. Such statements reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. Actual results may differ materially from information contained in the forward-looking statement, and should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our business, results of operations and financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed or expected. Accordingly, such statements are not guarantees of future performance and you should not place undue reliance on such forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial condition and operating results. The trading price of our H Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ from that of other countries. For more information concerning the PRC and certain related matters discussed below, see "Regulatory Overview", "Appendix III – Summary of Principal Legal and Regulatory Provisions" and "Appendix IV – Summary of Articles of Association". You should seek professional advice from relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR FINANCIAL PROSPECTS

We depend substantially on the successful commercialization of our drug candidates in the future, which may fail or experience significant delays. Given our high risk of business failure as a new biopharmaceutical business, you may lose all or part of your investment if our business fails.

As a new biopharmaceutical business, we currently do not have any drugs available for commercial sales. Our ability to generate substantial revenue and become profitable in the future depends substantially on the future sales of our drug products, which in turn depends on the successful R&D, regulatory approval, commercialization and sales of our drug candidates for the treatment of patients. The ultimate success of our drug candidates is subject to our achieving certain milestones, including without limitation:

- identifying, assessing, acquiring and/or developing new drug candidates;
- obtaining IND approval or similar regulatory approval for, successful enrollment in, and completion of, clinical trials;
- obtaining NDA approval or similar regulatory approvals and marketing authorizations for drug candidates;
- developing a sustainable and scalable manufacturing process; and
- launching and commercializing drug candidates for which we have obtained regulatory approvals and marketing authorizations, either directly or with a collaborator or distributor.

If we do not achieve one or more of these milestones in a timely manner or at all, we could experience significant delays in our ability to obtain approval for and/or to successfully commercialize our drug candidates, which would materially harm our business and we may not be able to generate sufficient revenues and cash flows to continue our operations.

Even if we are able to generate revenues from the sale of our potential drugs, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of our Company and could impair our ability to raise capital, expand our business or continue our operations, which in turn may adversely affect our business, financial condition and results of operations.

We currently do not generate revenue from the commercial sales of drug products and may not become profitable as expected, or at all.

Our main business is the development and sales of drug products. As all of our drug candidates are still in the R&D stage, we currently do not generate revenue from the sales of drug products and recorded continued losses during the Track Record Period. If we fail to commercialize our drug candidates as planned, or at all, due to failures to complete clinical trials, obtain regulatory approval and conduct commercial manufacturing or any other reason, we may experience significant delays or failure in generating revenue and realizing profit from the commercial sales of our drug products.

Further, we expect to incur significant costs in the future, in particular for the research, development and commercialization of our drug candidates. Our R&D expenses amounted to RMB122.0 million, RMB275.3 million and RMB217.8 million, respectively, in 2016, 2017 and the six months ended June 30, 2018. As a drug candidate enters into clinical trial stage, costs associated with such drug candidate may increase significantly. In the future, as we move more drug candidates into the clinical trial stage, conduct more clinical trials for commercialized products to broaden their use and carry out commercial production of our drug products, the costs associated with such operations may increase significantly.

As we operate in the highly competitive biopharmaceutical market, we compete to commercialize our drug candidates ahead of our competitors, which may put us under pressure to incur R&D and other expenses with a potential negative impact on our short-term profitability. On the other hand, our commercialized drug products may fail to realize their sales potential as expected due to competition, insufficient market demand, product defect or any other reason. Therefore, even after we start to generate revenue from the sales of our commercialized drug products in the future, we may still not be profitable for an extended period of time or may not become profitable as expected, or at all.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are a biopharmaceutical company formed in December 2012 focused on the discovery and development of innovative drugs for the treatment of cancers and other diseases. Our limited operating history, particularly in light of the rapidly evolving monoclonal antibody field, may make it difficult to evaluate our current business and predict our future performance.

As a relatively new business, we have not yet demonstrated an ability to manufacture drugs at a commercial scale, or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful commercialization. We have not had any product approved for commercial sale and have not generated any revenue from product sales. Consequently, any assessment you make about our current business or future success or viability may not be as accurate as they could be if we had a longer operating history and had been able to reduce some of the uncertainties as set out above. Further, our limited financial track record, without any revenue yet from our expected future principal business, may be of limited reference value for your assessment of our business.

As a new biopharmaceutical business, we expect to encounter difficulties and complications as commonly experienced by early-stage companies operating in rapidly evolving fields as we seek to transition to a large-scale and mature company with self-sustainable commercial activities. There is no assurance that we will always be able to address the known and unknown risks and difficulties effectively and achieve our transition goals successfully, which may in turn have a material and adverse impact on our business, financial condition and results of operations.

We have incurred net losses during the Track Record Period and anticipate that we will continue to incur net losses in the near future.

Investment in pharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a drug candidate may fail to gain regulatory approval or become commercially viable. We have devoted most of our financial resources to R&D, including our non-clinical development activities and clinical trials. We have not generated any revenue from product sales to date, and we expect to 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 2012. We reported loss and total comprehensive expenses of RMB128.7 million, RMB326.9 million and RMB267.4 million, respectively, in 2016, 2017 and the six months ended June 30, 2018. Substantially all of our operating losses have resulted from costs incurred in connection with our R&D programs and from general and administrative costs associated with our operations.

We expect to continue to incur losses for the foreseeable near future, especially given that we expect our expenses to increase as we continue our development of, and seek regulatory approvals for, our drug candidates, and begin to commercialize approved drugs, if any. Typically, it takes many years to develop one new drug from the time it is discovered to when it is available for treating patients. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors during this process that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses, our ability to generate revenues and the timing and amount of milestones and other required payments to third parties in connection with our potential future arrangements with third parties. If any of our drug candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may not become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses and expected future losses have had, and will continue to have, an adverse effect on our working capital and shareholders' equity.

We expect our R&D expenses to continue to be significant in connection with our continued development of our drug candidates and our ongoing and planned clinical trials for our drug candidates. In particular, our R&D expenses may increase significantly once a drug candidate moves from pre-clinical R&D to clinical trials. As of the Latest Practicable Date, we had a total of five biologic drug candidates that have obtained IND approvals from NMPA to carry out clinical trials, which may require significant further investments to complete. Furthermore, we plan to bring two to three additional drug candidates into clinical trial stage each year going forward. We are also in the process of scaling up our production capacity in anticipation of the future sales of our products, which necessitate significant capital expenditures. If we commence sales of our drug candidates at all, we expect to incur sales and marketing expenses. As a result of the above, we may continue to incur significant and increasing operating losses and negative net cash flows for the foreseeable future, which may in turn have a material adverse effect on our financial condition and results of operations.

We recorded cash outflow from operating activities throughout the Track Record Period and may fail to obtain sufficient capital resources for future growth and other operational needs.

Our operations have consumed substantial amounts of cash since inception. Our net cash used in operating activities amounted to RMB185.2 million, RMB347.1 million and RMB263.6 million, respectively, in 2016, 2017 and the six months ended June 30, 2018. We expect to continue to spend substantial amounts on drug discovery, advancing the clinical development of our drug candidates and launching and commercializing any drug candidates for which we receive regulatory approval.

We have financed our operations with a combination of income generated from debt and equity securities offerings, loans, consulting and research services, collaboration agreements, capital contribution from our Shareholders and government grant. During the Track Record Period and up to the Latest Practicable Date, we carried out five rounds of equity issuance with total proceeds of RMB1,268.1 million and issued convertible loan notes with total proceeds of

RMB200.0 million. In October 2018, we entered into a four-year loan facility of up to RMB150.0 million with the Bank of Shanghai and drew down RMB80.0 million of guaranteed and secured loan under such facility as of November 30, 2018. We are in the process of drawing down the remaining amount of the loan facility. In October 2018, we received loans totalling RMB18.0 million from Independent Third Parties due in 12 months. For further details on our borrowings, see "Financial Information – Indebtedness". We have also received government grants and subsidies of RMB9.5 million, RMB41.4 million and RMB5.3 million in 2016, 2017 and the six months ended June 30, 2018, respectively.

We require additional capital resources to pursue our growth strategy through organic expansion as well as strategic investments and to remain competitive by responding in a timely manner to technological changes or market demand. In particular, we require significant capital to build, maintain, operate and expand our production facilities and engage in research and development activities.

We expect to meet our funding needs through cash flows from operations, securities offerings, bank borrowings and other external financing sources. In particular, we expect to use the funds generated from the sales of our drug products, which may be delayed or may fail to materialize. Our ability to obtain additional financing will depend on a number of factors, including our financial condition, results of operations and cash flows, China's economic development, costs of financing including changes in interest rates, prevailing conditions in the capital markets and regulatory requirements. Any failure to obtain sufficient funding on a timely basis on acceptable terms or, to the extent required, receive necessary approvals for our financing plans from the regulatory authorities may cause us to delay, limit, reduce or terminate pre-clinical studies, clinical trials or other R&D activities or commercialization of our drug candidates, which may in turn have a material and adverse impact on our business, financial position and results of operations.

We recorded net current liabilities as at November 30, 2018 and cannot assure you that we will not experience net current liabilities in the future.

We had a net current liabilities position as at November 30, 2018. As at November 30, 2018, we had net current liabilities of approximately RMB2.7 million, which was primarily due to a decrease in bank balances and cash of RMB211.5 million which was mainly used for our clinical trials, staff salary and welfare for research and development personnel and the construction of our production facilities, a decrease in other financial assets of RMB78.7 million which mainly reflected our redemption of our financial products, an increase in trade and other payables of RMB117.1 million and an increase in short-term borrowings of RMB92.1 million, both of which were mainly used to support our construction of production facilities. Please refer to the section headed "Financial Information – Current Assets and Liabilities" in this prospectus for details. We may have net current liabilities in the future. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to rely on additional external borrowing

for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

Raising additional capital may lead to dilution of shareholdings by our existing shareholders, restrict our operations or require us to relinquish rights to our technology or drug candidates.

We may seek additional funding through a combination of equity offerings, debt financings and collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of existing holders of the Shares will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of existing holders of the H Shares.

The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license IP rights and other operating restrictions that could adversely impact our ability to conduct our business.

In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of the H Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to third parties on unfavorable terms our rights to technology or drug candidates that we otherwise would seek to develop or commercialize ourselves or reserve for potential future arrangements when we might be able to achieve more favorable terms, which may in turn have a material adverse impact on our business, financial condition, results of operations and prospects.

We may not be able to receive government grants in the future.

We recorded government grants as other income during the Track Record Period. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we recorded total government grants of RMB13.7 million, RMB2.6 million and RMB1.0 million, respectively. Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognised as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities and (iii) other subsidies for listing on NEEQ, which are recognised upon meeting the attached conditions. The government grants we received during the Track Record Period are mostly non-recurrent in nature. We may not be able to receive government grants in the future, which may have a negative impact on our business, financial condition and results of operations.

We may not be able to continue to enjoy certain preferential tax treatments.

We enjoy certain preferential tax treatments. In particular, pursuant to Caishui [2015] circular No. 119, our Company and our three subsidiaries Jiangsu Union Biopharm, Suzhou Junmeng and Junshi Biotechnology enjoyed super deduction of 150% on qualifying research and development expenditures throughout the Track Record Period. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, our qualifying research and development expenditures amounted to RMB39.9 million, RMB167.6 million and RMB147.9 million, respectively. During the same period, we enjoyed an additional deduction of RMB5.0 million, RMB21.0 million and RMB18.5 million, respectively, arising from the tax effects on the aforementioned qualifying research and development expenditures. There is no assurance that we will continue to be qualified to enjoy such super deduction or other preferential tax treatments, or such treatments will not change in the future, which may have a negative impact on our business, financial condition and results of operations.

We are subject to the risk of inventories obsolescence.

Our inventories increased significantly from approximately RMB7.1 million as at December 31, 2016 to approximately RMB30.6 million as at December 31, 2017, and further increased to approximately RMB46.9 million as at June 30, 2018, mainly because we increased our purchase volumes of raw materials and consumables in line with our clinical trial progress and for NDA filing purpose. Such inventories mainly include raw materials, which accounted for 64.7%, 94.4% and 100.0% of our total inventories as at December 31, 2016 and 2017 and June 30, 2018, with the remainder being finished goods. As of November 30, 2018, 47.0% of our inventories as of June 30, 2018 had been utilized. In the event that a significant portion of our inventories becomes obsolete, this may have a negative impact on our business, financial condition and results of operations.

We are exposed to fair value change for convertible loan notes and valuation uncertainty due to the use of unobservable inputs.

We are exposed to fair value change for convertible loan notes and valuation uncertainty due to the use of unobservable inputs. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we recorded loss on fair value changes of convertible loan notes measured at FVTPL of nil, nil and RMB9.6 million, respectively. For the valuation of convertible loan notes designated at FVTPL, we used Binomial option pricing model, the key inputs of which are underlying share price, conversion price, discount rate, expected volatility, debt yield and risk-free rate. Further, the valuation of convertible loan notes designated at FVTPL involves significant unobservable inputs including expected volatility and discount rate. Such exposure to fair value change for convertible loan notes and valuation uncertainty due to the use of unobservable inputs may have a negative impact on our business, financial condition and results of operations.

We are exposed to fair value change for other financial assets measured at FVTPL and foreign exchange forward contracts.

We are exposed to fair value change for other financial assets measured at FVTPL and foreign exchange forward contracts. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we recorded net gains from fair value changes of other financial assets measured at FVTPL of RMB10.2 million, RMB6.2 million and RMB3.6 million, respectively. For the year ended December 31, 2016, we recorded net gains on fair value changes of foreign exchange forward contracts of RMB4.6 million. For the year ended December 31, 2017 and the six months ended June 30, 2018, we recorded net losses on fair value changes of foreign exchange forward contracts of RMB31.1 million and RMB6.4 million, respectively. Future fair value change for other financial assets measured at FVTPL and foreign exchange forward contracts may negatively impact our financial condition and results of operations.

RISKS RELATING TO OUR DRUG CANDIDATES

We may fail to identify, discover or prioritize the development of additional drug candidates.

We plan to continue our exploration for new drug candidates through our R&D to supplement our product pipeline. Research programs to identify new drug candidates and disease targets and to pursue the development of our drug candidates for additional indications require substantial technical, financial and human resources without guaranteed ultimate success. Our research programs 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:

- the research methodology used may not be successful in identifying potential drug candidates and/or indications;

- potential drug candidates may, after further study, be shown to have harmful adverse effects or other characteristics that indicate they are unlikely to be successful 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 programs than we will possess, thereby limiting our ability to diversify and expand our drug portfolio.

Because we have limited financial and managerial resources, we focus on research programs and drug candidates 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 or a greater likelihood of success. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities.

Accordingly, there can be no assurance that we will ever be able to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs, which could materially and adversely affect our future growth and prospects. We may focus our efforts and resources on potential drug candidates or other potential programs that ultimately prove to be unsuccessful, which may have a material and adverse impact on our business, financial condition and results of operations.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures and protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocol elements and the rate of drop out among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be favorable.

Also, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial procedures set for the 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. In the case of any trials we conduct, results may differ from early trials due to differences in the number of patients, clinical trial

sites, countries and regions and populations involved in such trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials.

Even if our future clinical trial results show favorable efficacy and impressive durability of antitumor responses, not all patients may benefit. For certain drugs, including checkpoint inhibitors, and in certain indications, it is likely that the majority of patients may not respond to the agents at all, some responders may relapse after a period of response and certain tumor types may appear particularly resistant.

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and nature of the patient population and the patient eligibility criteria defined in the protocol.

Our clinical trials will likely compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

Some of our drug candidates represent a novel approach to therapeutic needs that could result in delays in clinical development, regulatory approval or commercialization.

Some of our drug candidates represent a novel approach to therapeutic needs compared with more commonly used medical methods, which carries inherent development risks. Any modification to the protocols related to the demonstration of safety or efficacy of our drug candidates may delay the clinical program, regulatory approval or commercialization, if approved, and we may be required to supplement, modify, or withdraw and refile our applications for regulatory approval. In addition, potential patients and their doctors may be inclined to use conventional standard-of-care treatments rather than trying out a novel approach. Further, given the novelty of our drug candidates, patients and medical personnel

may require a substantial amount of education and training. This may have a material impact on our ability to generate revenue from our drug candidates, which in turn may adversely affect our business, financial condition and results of operations.

We may fail to complete the regulatory approval processes for our drug candidates, which are lengthy, time consuming and inherently unpredictable.

The time required to obtain approval by the FDA, the NMPA, the EMA, and other comparable regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical studies and clinical trials and depends on numerous factors, including the substantial discretion of the regulatory authorities.

Our drug candidates could fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a drug candidate is safe and effective or that a biologic candidate is safe, pure, and potent for its proposed indication;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- regulatory requests for additional analyses, reports, data, nonclinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our drug candidates or other products;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

The FDA, NMPA, EMA or a comparable regulatory authority may require more information, including additional preclinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Amendments may require us to resubmit clinical trial protocols to IRBs or ethics committees for re-examination, which may impact the costs, timing or successful completion of a clinical trial.

If we experience delays in the completion of, or the termination of, a clinical trial of any of our drug candidates, the commercial prospects of that drug candidate will be harmed, and our ability to generate product sales revenues from any of those drug candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our drug candidate development and approval process, and jeopardize our ability to commence product sales and generate related revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates.

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

The NMPA issued the Technical Guideline for the Research, Development and Evaluation of Biosimilars (Tentative) (the "Biosimilars Guideline") on February 28, 2015. The Biosimilars Guideline outlines the regulatory framework for biosimilars, aiming to move toward a clear industry structure for the development of biosimilars. The Biosimilar Guideline does not offer an alternative pathway for launching biosimilar products in China; rather, biosimilars are essentially subject to the same approval pathway as innovative biologics, only with a different set of data requirements. Applicants must mark in their IND and NDA applications that submissions are intended to be reviewed as biosimilars. No products are known to have obtained approval in China under the Biosimilar Guideline. In addition, various uncertainties surrounding the application and interpretation of the Biosimilars Guideline could adversely affect the regulatory approval of our existing biosimilar drug candidate, namely UBP1211. Uncertainties surrounding the approval pathway for biosimilars in China include:

- the Biosimilars Guideline is a technical guidance only and cannot address several fundamental issues for the administration of biosimilars in the absence of a clear legislative authorization, e.g., the interchangeability with reference products, the naming rules and the labelling requirements for biosimilars;

- although the Biosimilars Guideline adopted a stepwise comparability approach, it does 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; and

- while under the Biosimilars Guideline biosimilars are subject to the same approval pathway as innovative biologics with a set of different 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.

As such, there can be no certainty or assurance that our UBP1211 will be approved under the Biosimilars Guideline, in a timely manner or at all, and we may not ultimately be able to develop and market it successfully.

Our drug candidates may cause undesirable AEs or have other properties that could delay or prevent their regulatory approval, limit their commercial profile or result in significant post-approval negative consequences.

Undesirable AEs caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval. Results of our trials could reveal a high and unacceptable severity or prevalence of AEs. In such an event, our trials could be suspended or terminated and the regulatory authority may order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications. For example, undesirable AEs caused by JS001 may include, but are not limited to, albuminuria, increased lipase, increased amylase and increased bilirubin. TRAEs could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly.

Additionally, if one or more of our drug candidates receives regulatory approval, and we or others later identify undesirable AE caused by such drugs, a number of potentially significant negative consequences could result, including:

- we may suspend marketing of the drug;

- regulatory authorities may withdraw approvals or revoke licenses of the drug;

- regulatory authorities may require additional warnings on the label;

- we may be required to conduct post-market studies;

- we could be sued and held liable for harm caused to subjects or patients; and

- our reputation may suffer.

Further, combination therapy involves unique AEs that could be exacerbated compared to AEs from monotherapies. These types of AEs could be caused by our drug candidates and could also cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval. Results of our trials could reveal a high and unacceptable severity or prevalence of AEs. Any of these events could prevent us from achieving or maintaining market acceptance of the particular drug candidate, if approved, and could significantly harm our business, results of operations and prospects.

We may fail to comply with ongoing regulatory requirements or continued regulatory reviews after the commercial launch of our products, which may result in significant additional expenses, penalties and other negative consequences.

If our drug candidates are approved, they may be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-market studies, and submission of safety, efficacy, and other post-market information, including requirements in the PRC, the United States and other comparable regulatory authorities.

Manufacturers and manufacturers' facilities are required to comply with extensive NMPA, FDA and comparable regulatory authority requirements, including, ensuring that quality control and manufacturing procedures conform to GMP and applicable regulations. As such, we and our contract manufacturers may be subject to continual reviews and inspections to assess compliance with GMP and adherence to commitments made in any NDA or BLA, other marketing application, and previous responses to inspection observations. Accordingly, we and others with whom we work are expected to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any regulatory approvals that we receive for our drug candidates may be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-market testing, including Phase 4 clinical trials and surveillance to monitor the safety and efficacy of the drug candidate. In addition, if the NMPA, FDA, or a comparable regulatory authority approves our drug candidates, we may have to comply with requirements including, for example, submissions of safety and other post-market information and reports, registration, as well as continued compliance with GMP, for any clinical trials that we conduct post-approval.

Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, FDA, and other regulatory authorities enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the NMPA, FDA, and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. We cannot predict the likelihood, nature or extent of government

regulations that may arise from future legislation or administrative action, either in the PRC or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability, which in turn may adversely affect our business, financial condition and results of operations.

Our business may be affected by the amendments to the Drug Administrative Law of the PRC.

The Draft Amendments of the Drug Administration Law of the PRC (中華人民共和國藥品管理法修正草案) (the "DALDA") was discussed at the Sixth Session of the Standing Committee of the 13th National People's Congress on October 26, 2018. On November 1, 2018, the Legislative Affairs Commission of the Standing Committee of the National People's Congress solicited the opinions from the public on the DALDA. As of the Latest Practicable Date, the DALDA had not been approved by the National People's Congress or its Standing Committee.

According to the DALDA released on November 1, 2018, the major changes proposed include: (1) improving the supervision system for the whole process of drugs; (2) clarifying the responsibilities in drug supervision; (3) strengthening the punishment of illegal behaviours; (4) implementing the MAH system; and (5) reforming the drug approval system.

More stringent requirements may be imposed on our daily operations, if the above amendments under the DALDA are adopted by the legislative departments and implemented in the future. There is no assurance that we will always be able to comply with the DALDA and related regulations or future amendment, if any, to the Drug Administration Law of the PRC. We could incur additional compliance costs. Further, as the DALDA had not been approved as of the Latest Practicable Date, its content may be subject to further changes. Even after the approval of the DALDA, there may be uncertainties as to its interpretation and implementation as the changes will be new. Any of these factors may have a material adverse effect on our business, financial condition, results of operations and prospects.

A Category 1 designation by the NMPA may be revoked or may not be granted for any of our drug candidates or may not lead to faster development or regulatory review or approval process and does not increase the likelihood that our drug candidates will receive regulatory approval.

We believe the local drug registration pathway, Category 1, is a faster and more efficient path to approval in the Chinese market than the other drug registration pathways. Companies are required to obtain clinical trial application approval before conducting clinical trials in China. This registration pathway has a fast track review and approval mechanism if the drug candidate is on a national priority list. Four of our five biologic drug candidates that have obtained IND approval are new therapeutic agents and we have built both R&D, clinical trial

capacities, and commercial manufacturing facilities in China. As a result, we expect these four drug candidates to fall within the Category 1 application process, but cannot be sure we will be granted or be able to maintain Category 1 designation.

Our drug candidates may not be well-received by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

If any of our drug candidates receives regulatory approval, it may nonetheless fail to gain sufficient acceptance by physicians, patients, third-party payers and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well established in the medical community, and doctors may continue to rely on these treatments to the exclusion of our drug candidates. In addition, physicians, patients and third-party payers may prefer other novel products to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable. The market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- the safety and efficacy of the product;
- our ability to build and maintain strong medical affairs and medical liaison teams;
- the cost of the product;
- the prevalence and severity of AE of the product; and
- the perceived advantages and disadvantages of the product relative to competing products or treatments.

If our products fail to attain market acceptance among the medical community, our business and profitability would be adversely affected.

We face substantial competition, and others may discover, develop or commercialize competing drugs before or more successfully than we do.

The development and commercialization of new drugs is highly competitive. We face competition with respect to our current drug candidates, and may face competition with respect to any drug candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of diseases for which we are developing our drug candidates. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for

R&D, manufacturing and commercialization. Specifically, there are a large number of companies developing or marketing treatments for cancer, including many major pharmaceutical and biotechnology companies. For details, please refer to "Business – Our Product Pipeline".

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer and more effective, have fewer or less severe side effects, or are more convenient or are less expensive than any drugs that we may develop. Our competitors also may obtain approval from the NMPA, FDA or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties may compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as acquiring technology complementary to, or necessary for, our programs.

The market opportunities for our drug candidates may be limited to those patients who are ineligible for or have failed prior treatments and the relevant potential markets may be small.

Our projections of the number of people who have the diseases we are targeting and who have the potential to benefit from treatment with our drug candidates, are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations or market research and may prove to be incorrect. Further, new studies may change the estimated incidence or prevalence of these cancers. Additionally, the potentially addressable patient population for our drug candidates may be limited or may not be amenable to treatment with our drug candidates. 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.

If safety, efficacy or other issues arise with any medical product that is used in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We plan to develop certain of our drug candidates for use as a combination therapy. If the NMPA, FDA, EMA or another comparable regulatory agency revokes its approval of another therapeutic we use in combination with our drug candidates, we will not be able to market our drug candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our drug candidates in the future, we may experience significant regulatory delays, 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 component of our combination drug candidates we may not be able to complete clinical development of our drug candidates on our current timeline or at all.

Even if we are able to commercialize any drug candidates, the drugs may become subject to unfavorable pricing regulations or healthcare reform initiatives, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period may begin after marketing or licensing approval is granted. As a result, we may obtain regulatory approval for a drug in a particular country, but then be subject to price regulations that may 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 have already obtained regulatory approval.

The PRC market has gone through significant reforms of its pharmaceutical industry in recent years and may be subject to further reform measures. As an example, according to the *Opinions on Reforming the Review and Approval Process for Pharmaceutical Products and Medical Devices* issued by the State Council in August 2015, enterprises applying for the NDA approval will be required to undertake that the selling price of new drug in the PRC market shall not be higher than the comparable market prices of the product in its country of origin or the PRC's neighboring markets, as applicable.

Our ability to commercialize any drugs successfully may also 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 organizations. Government authorities and other third-party payers could decide which medications they will pay for and establish reimbursement levels. Government authorities and these other third-party payers may control costs by limiting coverage and the amount of reimbursement for particular medications.

Gradually, third-party payers may require that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot guarantee that reimbursement will be available for any drug that we commercialize and, if reimbursement is available, the level of reimbursement. Reimbursement may impact the demand for, or the price of, any drug for which we obtain regulatory approval. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidate that we successfully develop.

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 or other comparable regulatory authorities outside the PRC. 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, including R&D, manufacturing, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payers. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payers for new drugs that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize drugs and our overall financial condition.

We may fail to establish marketing and sales capabilities or fail to enter into agreements with third parties to market and sell our drug candidates.

We started to build our medical affairs and medical liaison teams in 2018. Maintaining such in-house teams may require significant expenses, management resources and time. We will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain suitable personnel.

For certain drug products, we may choose to pursue collaborative arrangements regarding the sales and marketing of our drugs. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend upon the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than commercializing our drug candidates ourselves. We also face competition in our search for third parties to assist us with the sales and marketing efforts of our drug candidates.

There can be no assurance that we will be able to develop in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any product, and as a result, we may not be able to generate product sales revenue.

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 drug candidates, if approved, depend on the availability of adequate coverage and reimbursement from third-party payers. In addition, because our drug candidates represent new approaches to the treatment of cancer, we cannot accurately estimate the potential revenue from our drug candidates. Patients who are provided with medical treatment for their conditions generally rely on third-party payers to reimburse all or part of the costs associated with their treatment. Adequate coverage and reimbursement from governmental healthcare programs and commercial payers are critical to new drug acceptance.

Government authorities and third-party payers such as private health insurers, decide which drugs and treatments they will cover and the amount of reimbursement. Coverage and reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that use of the 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.

Under the national medical insurance program in China, patients purchasing pharmaceutical products that are listed in the Medical Insurance Drugs Catalogues or the National Essential Drug List (together, the "Catalogues and List") are entitled to reimbursement for all or a portion of their purchase costs from the social medical fund. Therefore, inclusion in such Catalogues and List will significantly affect the demand for such products in China. We plan to pursue reimbursement opportunities at both national and provincial levels. However, there is no assurance for the availability and level of reimbursement regarding any drug that we commercialize. Obtaining reimbursement for our drugs may be particularly difficult due to the higher prices often associated with drugs administered under the supervision of a physician, which are expected to apply on our drug candidates. If reimbursement is not available or is at limited levels, we may not be able to realize the full commercial value of our drug products, which may in turn have a material and adverse effect on our business, financial position and results of operations. Further, we may be obliged to agree to lower the prices of our drug products in order for them to be included in the Catalogues and List. Such reductions in prices may not be adequately compensated by the increased demand for our drug products due to their inclusion in the Catalogues and List.

We intend to seek approval to market our drug candidates in the PRC, the United States and in other selected jurisdictions. If we obtain approval in one or more non-PRC jurisdictions for our drug candidates, we will be subject to rules and regulations in those jurisdictions. In some non-PRC countries, particularly those in the European Union, the pricing of drugs and biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining regulatory approval of a

drug candidate. In addition, market acceptance and sales of our drug candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payers for our drug candidates and may be affected by existing and future health care reform measures.

We may explore the licensing of commercialization rights or other forms of collaboration worldwide, which will expose us to additional risks.

Non-PRC markets are a component of our growth strategy. If we fail to obtain licenses or enter into collaboration arrangements with third parties in these markets, or if these parties are not successful, our revenue-generating growth potential will be adversely affected. Moreover, international business relationships subject us to additional risks that may materially and adversely affect our ability to attain or sustain profitable operations, including:

- efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution efforts which may increase our expenses or divert our management's attention from the acquisition or development of drug candidates;
- changes in a specific country's or region's political and cultural climate or economic condition;
- differing regulatory requirements for drug approvals and marketing internationally;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potentially reduced protection for IP rights;
- potential third-party patent rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation or political instability;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable non-PRC tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incidental to doing business in another country;

- workforce uncertainty and labor unrest, particularly in non-PRC countries where labor unrest is more common than in the PRC;

- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and

- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially and adversely affect our ability to attain or sustain revenue from international markets.

RISKS RELATING TO OUR IP RIGHTS

We may fail to obtain and maintain IP rights for the protection of our technology and drugs.

Our success depends largely on our ability to obtain and maintain patent protection in the PRC, the United States and other countries with respect to our proprietary technology and drug candidates. We have sought to protect our proprietary position by filing patent applications in the PRC, the United States and other countries related to drug candidates and novel technology that we consider important to our business. As at June 30, 2018, we had two issued PRC patents and seven pending PRC patent applications as well as corresponding patents and patent applications internationally. However, we are exposed to various limitations and risks and may fail to obtain and maintain IP rights for the protection of our technology and drugs.

Firstly, we may fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection. Assuming all other requirements for patentability are met, the first to file a patent application is entitled to the patent. Publications of discoveries in the scientific literature may lag behind the actual discoveries, and patent applications in the PRC and other jurisdictions may not be published until months after filing or, in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. We may become involved in inter partes review, post-grant review, ex parte re-examination, derivation, opposition or other similar proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such proceeding could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or drug candidates and compete directly with us, or result in our inability to manufacture or commercialize drug candidates without infringing third-party patent rights.

Secondly, the IP right application process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. There can be no assurance that our pending patent applications will result in issued patents in the PRC or other jurisdictions in which such applications are pending.

Thirdly, even if our applications result in the granting of IP rights, they may not be in a form that will provide us with sufficient, or any meaningful protection of our technology or drug candidates, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our patents may be challenged in the courts or patent offices in the PRC and abroad. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or commercializing similar or identical technology and drug candidates, or limit the duration of the patent protection of our technology and drug candidates. The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Further, changes in either the patent laws or interpretation of the patent laws in the PRC and other countries may diminish the value of our patents or narrow the scope of our patent protection.

Periodic maintenance fees on any issued patent are due to be paid to the relevant patent agencies in several stages over the lifetime of the patent. The various governmental patent agencies may require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process. Although an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Noncompliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees, and failure to properly legalize and submit formal documents. In any such event, our competitors might be able to enter the market, which could have a material adverse effect on our business.

Lastly, our competitors may be able to circumvent our patents by developing similar or alternative technology 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 commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing drug candidates similar or identical to ours.

We may not be able to protect our IP rights throughout the world.

Filing, prosecuting, maintaining and defending patents on drug candidates in all countries throughout the world could be prohibitively expensive for us, and our IP rights in some non-PRC countries can have a different scope and strength than those in the PRC. In addition, the laws of certain non-PRC countries do not protect IP rights to the same extent as the PRC laws do. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the PRC, or from selling or importing drugs made using our inventions in and into the PRC or non-PRC jurisdictions.

Competitors may use our technology to develop and sell drugs in jurisdictions where we have not obtained IP rights or where IP right protection may be inadequate. These drugs may compete with our drug candidates and our patent rights or other IP rights may not be effective or adequate to prevent them from competing.

We currently have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors increases and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending IP rights in certain jurisdictions. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other IP, particularly those relating to biopharmaceutical products, which could make it difficult in those jurisdictions for us to stop the infringement or misappropriation of our patents or other IP rights, or the marketing of competing drugs in violation of our proprietary rights. Proceedings to enforce our patent and other IP rights in non-PRC jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business.

Furthermore, such proceedings could put our patents at risk of being invalidated, held unenforceable, or interpreted narrowly, could put our patent applications at risk of not being granted, and could provoke third parties to assert claims of infringement or misappropriation against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our IP rights around the world may be inadequate to preserve the significant commercial advantage that we may obtain from the IP that we develop.

We may become involved in legal proceedings to protect or enforce our IP, which could be expensive, time consuming and unsuccessful.

Competitors may infringe our patent rights or misappropriate or otherwise violate our IP rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our IP rights, to protect our trade secrets or to determine the validity and scope of our own IP rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their IP rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their IP rights than us. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our IP. Litigation could result in substantial costs and diversion of management resources, which could harm our business and financial results. In addition, in an infringement proceeding, a court may decide that patent rights or other IP rights owned by us are invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the ground that our patent rights or other IP rights do not cover the technology in question. An adverse result in any litigation proceedings could put our patent, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

If we initiate legal proceedings against a third party to enforce our patent, or any patents that may issue in the future from our patent applications, that relates to one of our drug candidates, the defendant may counterclaim that such patent rights are invalid or unenforceable. In patent litigation in the PRC, defendants could counterclaim invalidity or unenforceability. Third parties may also raise similar claims before administrative bodies in the PRC or abroad, even outside the context of litigation. Such mechanisms include ex parte re-examination, inter partes review, post-grant review, derivation and equivalent proceedings, such as opposition proceedings. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our drug candidates. The outcome following legal assertions of invalidity and unenforceability can be unpredictable. With respect to the validity of our patents, for example, we cannot be certain that there is no invalidating prior art of which we, our patent counsel, and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we may lose part or all of the patent protection on our drug candidates. Such a loss of patent protection could have a material adverse impact on our business.

We may not be able to prevent misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as in the PRC. Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

We may be subject to claims challenging the inventorship or ownership of our patents and other IP.

Although we are not currently experiencing any claims challenging the inventorship of our patents or ownership of our IP, we may in the future be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other IP as inventors or co-inventors. For example, we may have inventorship disputes arising from conflicting obligations of others who are involved in developing our drug candidates. Litigation may be necessary to defend against these and other claims challenging inventorship. If we fail in defending any such claims, in addition to paying monetary damages, we may lose rights such as exclusive ownership of, or right to use, our patent rights or other IP. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees.

The terms of our patents may not be sufficient to effectively protect our drug candidates and business.

In most countries in which we file applications for patents, the term of an issued patent is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country. Although various extensions may be available, the life of a patent and the protection it affords are limited. Even if patents covering our drug candidates are obtained, we may be open to competition from other companies as well as generic medications once the patent life has expired for a drug. In particular, there is no currently effective law or regulation providing patent term extension, patent linkage, or data exclusivity (referred to as regulatory data protection) in China. Therefore, a lower-cost generic drug can emerge onto the market much more quickly. Chinese regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension. To be implemented, this framework will require adoption of regulations. To date, no regulations have been issued. These factors result in weaker protection for us against generic competition in China than could be available to us in the United States. For instance, the patents we have in China are not yet eligible to be extended for patent term lost during clinical trials and the regulatory review process. If we are unable to obtain patent term extension or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

As of the Latest Practicable Date, we had been granted two invention patents in each of the PRC and the United States and one invention patent in each of Japan, Russia and South Africa. Our invention patents will expire between 2032 and 2037. We also had seven pending patent applications in China and four international patent applications under the PCT as of the Latest Practicable Date. If patents are issued on these pending patent applications, the resulting patents will be expected to expire between 2033 and 2038, excluding any potential patent term

extension or adjustment. Upon the expiration of our issued patent or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information to maintain our competitive position and to protect our drug candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers and other third parties. We also enter into confidentiality agreements with our employees. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Some of our employees were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that we or these employees have used or disclosed IP, including trade secrets or other proprietary information, of any such employee's former employer. We are not aware of any threatened or pending claims related to these matters or concerning the agreements with our senior management, but in the future litigation may be necessary to defend against such claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable IP rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

RISKS RELATING TO OUR OPERATIONS

Our business depends on our executive Directors and key R&D personnel; if we lose any of them and are unable to find proper replacements in a timely fashion, our business prospects could be adversely affected.

We are highly dependent on our executive Directors, four of which are also our key R&D personnel, to manage our business and develop new products, technology and applications and to enhance our existing products. We do not have key man life insurance on any of our executive Directors. The loss of any one of them would have a material adverse effect on our business and operations.

We compete for qualified personnel with other pharmaceutical and biotechnology companies, universities and research institutions. The pool of suitable candidates is limited, and we may be unable to locate a suitable replacement for any executive Director that we lose. Intense competition for these personnel could cause our compensation costs to increase significantly, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

We have significantly increased the size and capabilities of our organization, and we may experience difficulties in managing our growth.

As at June 30, 2018, we had 354 employees. As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, medical affairs and medical liaison, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining, and motivating additional employees;

- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our drug candidates, while complying with our contractual obligations to contractors and other third parties; and

- improving our operational, financial and management controls, reporting systems and procedures.

Our future financial performance and our ability to commercialize our drug candidates will depend, in part, on our ability to effectively manage our recent growth and any future growth, and our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop and commercialize our drug candidates and, accordingly, may not achieve our research, development and commercialization goals.

Delays in completing, and receiving regulatory approvals for, our manufacturing facilities could delay our development plans and thereby limit our revenues and growth.

We currently carry out our manufacturing for preclinical and clinical trial purposes at our Wujiang Production Base, which has obtained the drug production license. We are carrying out an upgrade of Wujiang Production Base. Our other manufacturing base, Lingang Production Base, is under construction. Our upgrade of Wujiang Production Base and construction of Lingang Production Base are subject to potential cost overruns and delays in the progress due to a number of factors such as accidents, change of design and delay in obtaining necessary regulatory approvals. In such cases, we may not be able to manufacture sufficient quantities of our drug candidates for preclinical, clinical or commercialization purposes, which would limit our development activities and our opportunities for growth.

Our manufacturing facilities will be subject to ongoing and periodic inspection by the NMPA, FDA or other comparable regulatory agencies to ensure compliance with GMP or cGMP standards, as applicable. We may not supply adequate and clinical-grade materials that meet NMPA, FDA or other comparable regulatory agency standards or may suffer from shortages of qualified personnel, raw materials or key contractors. Our failure to follow and document our adherence to such standards or other regulatory requirements may lead to significant delays in the availability of drug candidates for preclinical research, clinical trials and future commercialization, which may further result in the termination of or a hold on a clinical trial, or may delay or prevent our drug candidates from obtaining approvals for clinical trials or commercialization.

Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our drug candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of drug candidates, operating restrictions and criminal prosecutions, any of which could harm our business. In addition, developing advanced manufacturing techniques and process controls is required to fully utilize our facilities. Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, which may in turn have a material adverse effect on our business, financial condition and results of operations.

If our manufacturing facilities are damaged or destroyed or production at such facilities is otherwise interrupted, our business and prospects would be negatively affected.

If our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to quickly or inexpensively replace our manufacturing capacity or replace it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need NMPA, FDA, or/and other comparable regulatory agency approval before selling any drugs manufactured at that facility. Such an event could delay our clinical trials or reduce our product sales if and when we are able to successfully commercialize one or more of our drug candidates.

Any interruption in manufacturing operations at our facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. A number of factors could cause interruptions, including equipment malfunctions or failures, technology malfunctions, work stoppages, damage to or destruction of either facility due to natural disasters, regional power shortages, product tampering or terrorist activities. Any disruption that impedes our ability to manufacture our drug candidates in a timely manner could materially harm our business, financial condition and results of operation.

Currently, we maintain insurance coverage against damage to our automobiles and plan to purchase insurance policies against other property damages. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer.

Business disruptions could seriously harm our future revenue and financial condition and increase our costs and expenses.

Our operations, and those of our third-party research institution collaborators, CROs, suppliers and other contractors, could be subject to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. In addition, we partially rely on our third-party research institution collaborators for conducting R&D of our drug candidates, and they may be affected by government shutdowns or withdrawn funding. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses. Damage or extended periods of interruption to our corporate, development or research facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay development of some or all of our drug candidates. Our insurance might not cover all losses under such circumstances and our business may be seriously harmed by such delays and interruption.

If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to limit commercialization of our drug candidates.

We face an inherent risk of product liability as a result of the clinical trials of our drug candidates and will face an even greater risk if we commercialize any drugs. For example, we may be sued if our drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates.

Even successful defenses would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in decreased demand for our drugs, injury to our reputation, withdrawal of clinical trial participants and inability to continue clinical trials, initiation of investigations by regulators, costs to defend the related litigation, a diversion of management's time and our resources, substantial monetary awards to trial participants or patients, product recalls, withdrawals or labeling, marketing or promotional restrictions, loss of revenue, exhaustion of any available insurance and our capital resources and the inability to commercialize any drug candidate.

Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of drugs we develop, alone or with collaborators. We intend to obtain our insurance coverage for products to include the sale of commercial products if we obtain marketing approval for our drug candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. Such insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed such coverage limitations or that are not covered by such insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future corporate collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

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

We maintain property insurance policies covering physical damage to, or loss of automobiles. We hold employer's liability insurance generally covering death or work-related injury of employees. We do not maintain other insurance on our assets, key-man life insurance on any of our senior management or key personnel, or business interruption insurance. As we have not commenced commercial sales of drug products, we have not insured against product liability. Our insurance coverage may be insufficient to cover any claim for damage to our

fixed assets or employee injuries, or product liability in the future. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We may pursue collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements, which may fail to produce anticipated benefits and adversely affect our business.

We are collaborating with third party pharmaceutical companies such as CSPC and Betta. See "Business – Cooperation with Third Parties". We may pursue other opportunities for collaboration, in-licensing, joint ventures, acquisitions of products, assets or technology, strategic alliances, or partnerships that we believe would be complementary to or promote our existing business. Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

We have limited experience with respect to these business development activities. Management and integration of a licensing arrangement, collaboration, joint venture or other strategic arrangement may disrupt our current operations, decrease our profitability, result in significant expenses, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any such transaction or arrangement.

Furthermore, partners, collaborators or other parties to such transactions or arrangements may fail to fully, or at all, perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons, including risks or uncertainties related to their business and operations. There may be conflicts or other collaboration failures and inefficiencies between us and the other parties.

Such transactions or arrangements may also require actions, consents, approvals, waivers, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders or other stakeholders or interested parties. There is no assurance that such third parties will be cooperative as we desire, or at all, in which case we may be unable to carry out the relevant transactions or arrangements.

If we engage in future acquisitions or strategic partnerships, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

We may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, IP rights, technology or businesses. Any potential acquisition or strategic partnership may entail various risks, including:

- increased operating expenses and cash requirements;
- assumption of additional indebtedness or contingent liabilities;
- issuance of our equity securities;
- assimilation of operations, IP and products of an acquired company, including difficulties associated with integrating new personnel;
- diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including without limitation the prospects of that party and their IP portfolio, existing drugs or drug candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expenses. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

If we fail to comply with applicable anti-bribery laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to the anti-bribery laws of various jurisdictions, particularly China. As our business has expanded, the applicability of the applicable anti-bribery laws to our operations has increased. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we, due to

either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

We are subject to environmental regulations and may be exposed to liability and potential costs for environmental compliance.

We are subject to national and local environmental laws and regulations of the PRC. During our manufacturing processes, we must comply with PRC laws and regulations concerning the discharge of air, water and solid waste as well as noise control. In addition, manufacturers engaging in any new construction project must prepare an environmental impact study report setting forth the potential environmental impact of the proposed construction project and proposing measures to prevent or mitigate such impact for approval by the government authority prior to the commencement of new construction project. Please refer to the section headed "Regulatory Overview – Other Laws and Regulations in Relation to Our Business – Environment Protection" in this prospectus for details on PRC environmental laws and regulations we are subject to.

We may not at all times comply fully with environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligation to take corrective measures. Costs of complying with current and future environmental protection laws and regulations and liabilities that may potentially arise from the discharge of effluent water and solid waste may adversely affect our business, financial condition and results of operations.

We may rely on third parties to conduct parts of our preclinical studies and clinical trials, who may in turn fail to carry out contractual duties properly, timely or at all.

We have relied upon and plan to continue to rely upon third-party CROs for execution of our preclinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocols, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We and our CROs are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA, FDA and other comparable regulatory authorities for all of our drugs in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the relevant regulatory authority may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with GCP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs 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.

If any of our relationships with these third-party CROs terminates, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical, non-clinical and preclinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the 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 commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and requires our management's time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially influence our ability to meet our desired clinical development timelines. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse effect on our business, financial condition and prospects.

Our internal computer systems, or those used by our CROs or other contractors, may fail or suffer security breaches.

Despite the implementation of security measures, our internal computer systems and those of our future CROs and other contractors are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any such material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Likewise, we partially rely on our third-party research institution collaborators for R&D of our drug candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our drug candidates could be delayed.

There are legal defects regarding some of our properties.

As of the Latest Practicable Date, we have purchased 52 apartments intended for employee dormitories with a total gross floor area of 6,008.85 sq.m. and acquired land use right to one parcel of land with a total site area of 14,201.55 sq.m.. As of the Latest Practicable Date, we were in the process of obtaining the relevant building ownership certificates and land use right certificate. However, we cannot assure you that we will eventually obtain all of the required title certificates. If we are not able to use the relevant properties or lands due to our failure to obtain such title certificates, we may incur additional costs as a result of finding alternative properties, and our business, financial condition and results of operations may also be adversely affected.

As of the Latest Practicable Date, we leased from third parties 15 properties with an aggregate gross floor area of approximately 8,173.10 sq.m. The lease agreements had not completed lease registration with the relevant regulatory authorities. According to PRC law, the nonregistration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. Further, we cannot assure you that we would be able to renew our leases on acceptable terms upon their expiration. If we are not able to renew them upon expiration, or if relevant leases are terminated as a result of challenges therewith by third parties, we may be forced to relocate from affected properties and incur additional costs, and our business, financial condition and results of operations may be adversely affected. For details of our properties, see "Business – Land and Properties".

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in China's economic, political and social conditions as well as governmental policies could affect our financial condition and results of operations.

The majority of our business, assets and operations are located in China. China's economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign currency and allocation of resources.

For the past four decades, the PRC government authorities have implemented economic reform measures to emphasize the utilization of the market as a determining factor in resource allocation. The PRC government authorities from time to time implement various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of or in anticipation of changes in China's economic conditions, with an overall purpose of sustaining economic stability and utilizing new sources of economic growth. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country, as economic reform is a developing process. As a result, we may be adversely affected by the

implementation of such measures. In addition, it cannot be accurately predicted whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

Our business may be adversely affected by trade or import protection policies.

We rely on certain overseas suppliers, including suppliers in the U.S., for the supply of certain raw materials, R&D and manufacturing equipment and tools. In the event that the Chinese government imposes import tariffs, trade restrictions or other trade barriers affecting the importation of such raw materials, equipment or tools, we may not be able to find alternative suppliers on comparable terms, or at all, which may lead to an increase in our costs or significant delays in our R&D and manufacturing processes. We may also in the future sell some of our products in the U.S. and other overseas jurisdictions. In the event that any of these jurisdictions imposes trade sanctions on China or enforces import restriction or tariffs, this may reduce the competitiveness of our products in such jurisdictions or prevent us from selling our products in such jurisdictions, and our business and operations may be materially and adversely affected.

Extraordinary events such as natural calamities, public health epidemics, political unrest, terrorist attacks and other catastrophes could adversely affect our business operations and financial performance.

The PRC has experienced natural calamities in recent years such as earthquakes, floods, droughts, extreme rain, snow and freezing weather and typhoons. Further, an outbreak of any widespread public health problem in the PRC, such as Severe Acute Respiratory Syndrome, avian influenza or H1N1 and H7N9 influenza, could negatively affect our business, financial condition and results of operations. Our operations may be affected by a number of health-related factors, including quarantines of our facilities and employees and travel restrictions.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

While our audited consolidated financial statements are prepared in Renminbi, a small portion of our expenses, assets and liabilities during the Track Record Period, respectively, was denominated in other currencies, in particular the U.S. dollar, mainly in relation to our wholly owned subsidiary TopAlliance incorporated in the U.S. that carries out biotechnology R&D. As a result, we are exposed to foreign currency exchange risk. We have entered into several foreign exchange forward contracts with banks in order to manage our foreign currency exposure in relation to USD. The last of such contracts reached maturity in May 2018. During the Track Record Period, we recorded the changes in fair value of foreign exchange forward contracts of net gains of RMB4.6 million in 2016, net loss of RMB31.1 million in 2017 and net loss of RMB6.4 million in the six months ended June 30, 2018. As at June 30, 2018, we had cash and cash equivalent of RMB196.5 million and financial liabilities of RMB7.6 million

denominated in USD. Any significant revaluation of the RMB may materially and adversely affect the value of our net assets and earnings in foreign currency terms, as well as our ability to service our foreign currency obligations.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the governments of the relevant countries. Specifically in the PRC, on July 21, 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the RMB to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. In April 2012, the PRC government announced that it would allow more RMB exchange rate fluctuation. On August 11, 2015, China's central bank executed a 2% devaluation in the RMB. Over the following two days, the RMB fell 3.5% against the dollar. However, it remains unclear what further fluctuations may occur or what impact this will have on the currency.

It is difficult to predict how market forces or the PRC, the U.S. or other government policies may impact the exchange rate between the RMB, U.S. dollar and other currencies in the future. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in greater fluctuation of the RMB against the U.S. dollar. If our research, development, sales and business operations continue to expand outside of China, our exposure to foreign exchange risk may increase. We cannot predict the impact of foreign currency fluctuations and currently do not engage in hedging transactions to protect against uncertainty in future exchange rates between RMB and particular foreign currencies such as the U.S. dollar. Future foreign currency fluctuations may adversely affect our financial condition, results of operations and cash flows.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payments to holders of our H Shares.

Currently, the RMB cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the Global Offering, do not require prior approval from SAFE, but we are required to comply with certain procedural requirements regarding such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out such foreign exchange business and other procedural requirements. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE and other appropriate government authorities.

Under the existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we could not rule out the possibility that the PRC government may, at its own discretion, take measures to restrict relevant foreign exchange policies regarding payment of dividends in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements.

It may be difficult to effect service of process in relation to disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

Part of our assets are located in the PRC. As the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgement made by courts of most other jurisdictions, there is no assurance that you will be able to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our management who reside in the PRC.

On July 14, 2006, the Supreme People's Court of the PRC and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (the "**Arrangement**"). Under such Arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgement. The Arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the Arrangement is still uncertain.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

A large portion of our operations are conducted in the PRC through our PRC subsidiaries, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC

regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. 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, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

Investors of our H Shares may become subject to PRC income tax.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us or the gains realized upon the sale or other disposition of H Shares. In general, non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under China's Individual Income Tax Law. We are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdictions in which the foreign individuals reside reduce or provide an exemption for the relevant tax obligations.

For non-PRC resident enterprises that do not have establishments or premises in China, or have establishments or premises in China but their income is not related to such establishments or premises, under the EIT Law, dividends paid by us and the gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 10% rate subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

There remains uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including the taxation of capital gains by non-PRC resident enterprises, and individual income tax on gains realized on the sale or other disposition of H Shares. The PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and interpretation or application with respect to such laws, the value of your investment in our H Shares may be materially affected.

RISKS RELATED TO THE GLOBAL OFFERING

No public market currently exists for our H Shares; the market price of our Shares may be volatile and an active trading market for our H Shares may not develop. Market price of our Domestic Shares on the NEEQ may not be indicative of our H Shares.

No public market currently exists for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Lead Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering.

In addition, the trading price and trading volume of the H Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in China healthcare market;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our H Shares;
- additions to or departures of, our executive officers and other members of our senior management;

- release or expiry of lock-up or other transfer restrictions on our H Shares;
- sales or anticipated sales of additional H Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Our Domestic Shares are currently listed on NEEQ. The historic and future market price of Domestic Shares on NEEQ may not be indicative of the performance of our H Shares after the Global Offering due to different characteristics of the PRC capital markets and the Hong Kong capital market.

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$5.68 per Share, based on the mid-point of the Offer Price range of HK$19.88. There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional H Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per Share of their H Shares if we issue additional H Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

Future sales or perceived sales of our H Shares in the public market by major Shareholders following the global offering could materially and adversely affect the price of our H Shares.

Prior to the Global Offering, there has not been a public market for our H Shares. Future sales or perceived sales by our existing Shareholders, or issuance by us of significant amounts of our H Shares after the Global Offering, could result in a significant decrease in the prevailing market prices of our H Shares. Only a limited number of the H Shares currently outstanding will be available for sale or issuance immediately after the Global Offering due to contractual and regulatory restrictions on disposal and new issuance. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price for our H Shares and our ability to raise equity capital in the future.

The conversion of a significant number of Domestic Shares into H Shares may seriously harm the prevailing market price of our H Shares.

The Domestic Shares can be converted into H Shares, if the conversion and trading of H Shares so converted shall have been duly completed pursuant to requisite internal approval process and the approval from the relevant PRC regulatory authorities, including the CSRC. In addition, such conversion and trading must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council and the regulations, requirements and procedures of the Stock Exchange. If a significant number of Domestic Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing market price of our H Shares.

There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the offer price.

The initial price to the public of our H Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the H 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.

Because we do not expect to pay dividends in the foreseeable future after the Global Offering, you must rely on price appreciation of our Shares, if any, for a return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and commercialization of our pipeline drug candidates. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our H Shares as a source for any future dividend income.

Our Board has complete discretion as to whether to distribute dividends. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our H Shares will likely depend entirely upon any future price appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value after the listing or even maintain the Offer Price of the H Shares. You may not realize a return on your investment in our H Shares and you may even lose your entire investment in our H Shares.

Facts, forecasts and statistics in this prospectus relating to the PRC economy and healthcare industry may not be fully reliable.

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare industry in China are obtained from various sources including official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

Certain statistics contained in this prospectus are derived from third-party reports and publicly available official sources and they may not be reliable.

Certain statistics contained in this prospectus including those relating to the clinical data results of our Core Product and our other drug candidates have been derived from various official government publications or other third-party reports. Further, certain clinical results of competing drugs from other companies included in this prospectus are derived from publicly available historical data from various studies rather than head-to-head comparisons. They are not directly comparable to our clinical results given the different stages of clinical trials and number of evaluated patients. In particular, certain clinical results of MNC competing drugs are derived from their respective drug labelling filed with FDA and the relevant clinical trials may differ significantly from our clinical trials conducted in the PRC in terms of applicable regulations, the clinical trial sites involved and the composition of patients enrolled. We have taken reasonable care in the reproduction or extraction of the official government publications or other third-party reports for the purpose of disclosure in this prospectus; however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Sponsor or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further. there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts.

You should only rely on the information included in this prospectus to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. We have not authorized the disclosure of any information concerning the Global Offering in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation of the Global Offering, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The non-exempt continuing connected transaction described under the section headed "Connected Transactions" in this prospectus are expected to continue on a recurring basis after the Listing and have been entered into prior to the Listing Date. Given details of such transactions have been disclosed in this prospectus and potential investors will participate in the Global Offering on the basis of such disclosure, hence our Directors consider that strict compliance with the announcement requirement would be unduly burdensome, and would add unnecessary administrative costs upon us.

Accordingly, our Company has applied for, and the Stock Exchange has granted to our Company, a waiver from strict compliance with the announcement requirement under Rule 14A.105 of the Listing Rules in respect of the non-exempt continuing connected transaction. The waiver granted by the Stock Exchange will expire on December 31, 2020. Upon expiry of the waiver, such non-exempt continuing connected transaction will be subject to the then applicable Listing Rules. Further information including the annual caps, basis and conditions of the waiver is set forth in the section headed "Connected Transaction" in this prospectus.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be 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. The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- a member of The Hong Kong Institute of Chartered Secretaries;
- a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or
- a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

We have appointed Ms. Yuen Wing Yan Winnie as one of the joint company secretaries. Ms. Yuen Wing Yan Winnie 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 and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

We have appointed Ms. Chen Yingge as our joint company secretary. Ms. Chen has been the secretary of the Board of our Company since January 8, 2018. She joined our Group in April 2017 and is in charge of our Company's compliance of relevant securities rules and requirements in respect of our Company's listing on NEEQ. She is experienced in corporate governance and is familiar with our business.

Whilst Ms. Chen does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, given Ms. Chen's background and experience, in particular, her role in and familiarity with our Company and its corporate governance, our Directors consider Ms. Chen to be capable of discharging her duties as a joint company secretary of our Company, and that appointing Ms. Chen to act as a joint company secretary would be beneficial to us. Accordingly, we have applied to the Stock Exchange 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 such that Ms. Chen may be appointed as a joint company secretary of our Company.

The waiver was granted for a three year period on the condition that Ms. Yuen, as joint company secretary, will work closely with, and provide assistance to, Ms. Chen in discharge of her duties as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. In addition, Ms. Chen will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Chen has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. At the end of the three-year period, the qualifications and experience of Ms. Chen and the need for on-going assistance of Ms. Yuen will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Chen, having benefited from the assistance of Ms. Yuen for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors, Supervisors and Senior Management" in this prospectus for further information regarding the biographies of Ms. Chen and Ms. Yuen.

WAIVER IN RELATION TO MANAGEMENT PRESENCE

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Since the business operations of our Group are substantially in the PRC, with part of its R&D located in the United States, and all of our executive Directors and senior management ordinarily reside outside Hong Kong, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules on the condition of the following arrangements for maintaining regular communication with the Stock Exchange:

(a) we have appointed Dr. Li Ning, an executive Director, and Ms. Chen Yingge, a joint company secretary of our Company, as authorized representatives of our Company for the purpose of Rules 3.05 and 19A.07 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with the contact details of these authorized representatives, and they can be readily contactable to deal promptly with inquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact the Directors on any matters, both of these authorized representatives have the means for contacting all Directors (including the independent non-executive Directors) promptly at all times;

(b) we have implemented such measures that (i) each Director must provide his mobile phone number, office phone number, facsimile number and email address to these authorized representatives; and (ii) in the event that a Director expects to travel or otherwise be out of the office, he will provide the phone number of the place of his accommodation to these authorized representatives;

(c) we have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office telephone number, fax number and e-mail address) to facilitate communication with the Stock Exchange. Furthermore, 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 after receiving requests from the Stock Exchange; and

(d) we have appointed Somerley Capital Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules to act as our additional channel of communication with the Stock Exchange, and be available to answer inquiries from the Stock Exchange. The compliance advisor will have reasonable access at all times to our Company's authorized representatives, the Directors and the other officers to ensure that it is in a position to provide prompt responses to any inquiries or requests from the Stock Exchange in respect of our Group.

WAIVER IN RELATION TO PUBLIC FLOAT

Rule 8.08(1)(a) 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 shall be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Rule 8.08(1)(b) of the Listing Rules states that where an issuer has one class of securities or more apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total number of issued shares. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total number of issued shares, having an expected market capitalization at the time of listing of not less than HK$125,000,000. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules that the minimum public float be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of:

(a) 16%;

(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,

but the percentage of minimum public float so decided above shall be reduced as a result of any increase in our Company's issued share capital following any issue of Domestic Shares by our Company upon exercise of any Pre-IPO Options and/or the 2018 Convertible Bonds, provided that (i) the market capitalization of the portion of the total number of our Company's issued shares held by the public shall exceed HK$375 million at the time of Listing pursuant to Rule 18A.07 of the Listing Rules and (ii) the minimum percentage of public float from time to time shall not be lower than 15.71% of our Company's issued share capital.

Upon Listing, RMB200 million of the 2018 Convertible Bonds, convertible into a maximum of 8,613,274 Domestic Shares (assuming the Over-allotment Option is not exercised and based on the low-end of the Offer Price), representing approximately 1.12% of the issued share capital of our Company upon full conversion (for illustration purpose only and before exercise of the Over-allotment Option) are outstanding.

For illustration purpose only, assuming the Over-allotment Option is not exercised and based on the low-end of the Offer Price, the public float of our Company is expected to be (i) not below 15.83% assuming 8,613,274 Domestic Shares to be issued upon full conversion of the 2018 Convertible Bonds, and (ii) not below 15.71% assuming 8,613,274 Domestic Shares to be issued upon full conversion of the 2018 Convertible Bonds, and 5,798,000 Domestic Shares to be issued upon full exercise of the Pre-IPO Options.

Conversion of the 2018 Convertible Bonds is also subject to terms and conversion restrictions, among others, if the number of our Shareholders exceeds 200, the holder(s) of the 2018 Convertible Bonds may not submit any conversion application. For further details of the 2018 Convertible Bonds, including number of Domestic Shares that may be issued and its conversion restriction, see "Our History and Development – Issuance of the 2018 Convertible Bonds".

Based on the minimum Offer Price of HK$19.38 and assuming no exercise of the Over-allotment Option and without regard to the 2018 Convertible Bonds and the Pre-IPO Options, we expect our market capitalization will be over HK$10 billion.

In support of such application, we have confirmed to the Stock Exchange that we will:

(a) make appropriate disclosure of the lower prescribed percentage of public float in this prospectus in accordance with Rule 8.08(1)(d) of the Listing Rules;

(b) as soon as practicable announce the percentage of H Shares held by the public immediately after completion of the Global Offering (but before the exercise of the Over-allotment Option), such that the public will be informed of the minimum public float requirement applicable to us;

(c) confirm sufficiency of public float in our successive annual reports after the Listing in accordance with Rule 8.08(1)(d) of the Listing Rules;

(d) implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float prescribed by the Stock Exchange;

(e) continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules;

(f) comply with Rule 8.08 of the Listing Rules to ensure that there is an open market for the H Shares; and

(g) comply with Rule 18A.07 of the Listing Rules in respect of the public float of HK$375 million at the time of Listing.

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

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that all prospectuses are required to include the matters specified in Part I of the Third Schedule thereto and the reports specified in Part II of the Third Schedule thereto. According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Company during each of the three financial years immediately preceding the issue of this prospectus, including an explanation of the method used for the computation of such income or turnover, and a reasonable breakdown between 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, our Company is required to include in this prospectus a report by our auditor with respect to profits and losses and assets and liabilities of our Company in respect of each of the three financial years immediately preceding the issue of this prospectus.

Pursuant 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 any or all of the requirements of the relevant provisions 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 on the ground that our Company is a biotech company (as defined in the Listing Rules) and is subject to the requirements under Chapter 18A of the Listing Rules. According to Rule 18A.06 of the Listing Rules, a biotech company (as defined in the Listing Rules) must 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. Our Company has complied with Rule 18A.06 of the Listing Rules by the inclusion of the accountant's report covering the two years ended December 31, 2016 and 2017 and the six months ended June 30, 2018 in this prospectus. We had not commercialized any drugs and therefore did not record any revenue from drug product sales as of the Latest Practicable Date. Including audited financial information for the year ended December 31, 2015 in this prospectus would require our Company and its reporting accountant to undertake work beyond the requirements of Rule 18A.06 of the Listing Rules and would be unduly burdensome. Our Company considers that the accountants' report in Appendix I, covering the Track Record Period, together with other disclosure in this prospectus, provide potential investors with reasonably adequate and up-to-date information in the circumstances to form a view on our track record, and all information that is necessary for potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been included in this prospectus. As such, our Company is of the view that any exemption with respect to Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the above requirements will not prejudice the interest of the investing public.

A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding up and Miscellaneous Provisions) Ordinance in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the condition that the particulars of the exemption be set forth in this prospectus and that this prospectus will be issued on or before December 11, 2018.

WAIVER AND EXEMPTION IN RELATION TO THE SHARE INCENTIVE SCHEME AND PRE-IPO OPTIONS

Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance require our Company to disclose, among other things, details of the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

Our Company adopted the Share Incentive Scheme in May 2018. Our Company has granted the Pre-IPO Options to the Grantees to subscribe for Shares pursuant to the respective Share Incentive Agreements. As of the Latest Practicable Date, 5,798,000 Pre-IPO Options were outstanding, entitling 255 Grantees to subscribe for an aggregate of 5,798,000 Domestic Shares, representing approximately 0.96% of the total number of Domestic Shares in issue, and 0.76% of the total number of Shares immediately following completion of the Global Offering (assuming none of the Pre-IPO Options has been exercised, none of the 2018 Convertible

Bonds has been exercised and without taking into account any Shares which may be issued upon the exercise of the Over-Allotment Option). Pre-IPO Options in respect of 225,000 Domestic Shares were granted to 13 Grantees who had already left our Group, thus a total of 225,000 Pre-IPO Options had lapsed following cessation of their employment. The salient terms of the Share Incentive Scheme and of the Share Incentive Agreements are set out in the section headed "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V to this prospectus.

Among the 5,798,000 outstanding Pre-IPO Options granted to 255 Grantees, 280,000 Pre-IPO Options were granted to three connected persons (namely, (i) to Ms. Wang Shixu (an associate of Mr. Wu Hai (our executive Director)), (ii) to Mr. Liu Hongchuan (our Supervisor) and to Mr. Gao Yucai (our Supervisor)), and to one senior management (namely, Ms. Chen Yingge (our company secretary)). These Pre-IPO Options relate to an aggregate of 280,000 Domestic Shares, representing approximately 0.04% of our issued share capital of 760,310,000 Shares immediately after the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the 2018 Convertible Bonds and before exercise of the Pre-IPO Options). The remaining 251 Grantees are all existing employees of our Group as of the Latest Practicable Date. For further details of the Pre-IPO Options granted to them, please refer to "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives – 4. Summary of Grantees" in Appendix V to this prospectus.

Our Company has applied to (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the requirements of Paragraphs 10(d) of Part I of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the ground that strict compliance with the said requirements would be unduly burdensome for our Company because given that 268 Grantees are involved, strict compliance with disclosure requirements in setting out full details of all the Grantees in this prospectus will require substantial number of pages of additional disclosure, and would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for document preparation and printing.

Our Directors are of the view that the grant of such waivers and exemption sought will not prejudice the interests of the investing public because disclosure of key information of the Share Incentive Agreements, the Share Incentive Scheme and the Pre-IPO Options granted in "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V to this prospectus should provide potential investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the Pre-IPO Options in their investment decision making process, and short of full compliance with the disclosure requirements under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and under paragraph 10 of Part I of the Third

Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prevent our Company from providing its potential investors with an informed assessment of our Group's activities, assets, liabilities, financial position, management and prospects.

The Stock Exchange has granted to our Company a waiver under the Listing Rules on the following conditions:

(a) on an individual basis, full details of all the Pre-IPO Options granted to our Company's connected persons (including the Directors, Supervisors and their associates) and members of the senior management and Grantees holding 100,000 or more Pre-IPO Options, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be disclosed in this prospectus;

(b) in respect of the Pre-IPO Options granted by our Company to the remaining Grantees, (i) the aggregate number of the remaining Grantees, (ii) the number of outstanding Pre-IPO Options and number of Domestic Shares subject to such options, (iii) the number of grants lapsed, (iv) the consideration paid for the grant of such Pre-IPO Options, (v) the exercise period of the Pre-IPO Options and (vi) the exercise price for the Pre-IPO Options will be disclosed in this prospectus;

(c) the aggregate dilution effect and impact on earnings per Share upon full exercise of all outstanding Pre-IPO Options will be disclosed in this prospectus;

(d) the aggregate number of Domestic Shares subject to the outstanding Pre-IPO Options and the percentage of our Company's total number of Domestic Shares and our Company's total issued Shares of which such number represents will be disclosed in this prospectus;

(e) a summary of the principal terms of the Share Incentive Agreements and the Share Incentive Scheme will be disclosed in this prospectus;

(f) our Company will disclose in its future annual reports, among other things, (i) the number of Shares to be issued pursuant to the Share Incentive Agreements and the Share Incentive Scheme for the following financial year; and (ii) the maximum dilution effect on the Shareholders as a result of such issue;

(g) a list of all the Grantees (including remaining Grantees), containing all details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, together with the Share Incentive

Scheme, will be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents available for inspection" in Appendix VI to this prospectus;

(h) the certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the disclosure requirements provided under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance to be granted by the SFC; and

(i) the particulars of the waiver will be disclosed in this prospectus.

The SFC has granted to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the following conditions:

(a) on an individual basis, full details of all the Pre-IPO Options granted to our Company's connected persons (including the Directors, Supervisors and their associates), members of the senior management and Grantees holding 100,000 or more Pre-IPO Options, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be disclosed in this prospectus;

(b) in respect of the Pre-IPO Options granted by our Company to the remaining Grantees, (i) the aggregate number of the remaining Grantees, (ii) the number of outstanding Pre-IPO Options and number of Domestic Shares subject to such options, (iii) the number of grants lapsed, (iv) the consideration paid for the grant of such Pre-IPO Options, (v) the exercise period of the Pre-IPO Options and (vi) the exercise price for the Pre-IPO Options will be disclosed in this prospectus;

(c) a list of all the Grantees (including remaining Grantees), containing all details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, together with the Share Incentive Scheme, be made available for public inspection in accordance with "Documents Delivered to the Registrar of Companies and Available for Inspection – Documents available for inspection" in Appendix VI to this prospectus;

(d) the particulars of the exemption from strict compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements granted by the SFC will be disclosed in this prospectus; and

(e) this prospectus will be issued on or before December 11, 2018.

WAIVERS AND CONSENT IN RELATION TO CORNERSTONE SUBSCRIPTION BY CORE CONNECTED PERSONS AND/OR EXISTING SHAREHOLDERS

Rule 9.09 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, from four clear business days before the expected hearing date until listing is granted (the "**Relevant Period**").

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if 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. 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.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 9.09 and 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to permit certain entities of LVC Funds (close associates of Mr. Lin Lijun (our non-executive Director) and Shanghai Tanying (our existing Shareholder)) and Wang Shujun (our existing Shareholder) to participate as cornerstone investors in the Global Offering, subject to the conditions that:

(a) we will comply with the public float requirements of Rules 8.08(1) and 18A.07 of the Listing Rules;

(b) the Offer Shares to be subscribed by and allocated to them 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 lock up arrangement following the listing); and

(c) the subscription of the Offer Shares by them in the Global Offering as cornerstone investors and this waiver will be disclosed in this Prospectus.

For further information (including details of LVC Funds and Wang Shujun and their cornerstone investment), please refer to the section headed "Cornerstone Investors" in this prospectus.

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 with regard to us. Our 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 ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

CSRC APPROVAL

The CSRC issued an approval letter on November 20, 2018 for the Global Offering and the making of the application to list our H Shares on the Stock Exchange. In granting this approval, the CSRC does not accept responsibility for our financial soundness, or for the accuracy of any of the statements made or opinions expressed in this prospectus and the Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the Offer Price. If, for any reason, the Offer Price is not agreed among us and the Lead Global Coordinator (on behalf of the Underwriters) by Friday, December 21, 2018, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERS AND SALES OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. 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 and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

The Listing is sponsored by the Sole Sponsor. We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed in this prospectus, and that our Domestic Shares are listed on the NEEQ and the 2018 Convertible Bonds are listed on the Shanghai Stock Exchange, no part of our share capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on our H Share Registrar in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us for permission by or on behalf of the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional in Hong Kong at or before 8:00 a.m. in Hong Kong on Monday, December 24, 2018, it is expected that dealings in our H Shares on the Stock Exchange will commence on Monday, December 24, 2018. The H Shares will be traded in board lots of 1,000 H Shares each, the stock code of the H Shares will be 1877.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance 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 as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange 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. All necessary arrangements have been made for the H Shares to be admitted into CCASS.

Investors should seek the advice of their stockbrokers or other professional advisers for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect their rights and interests.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing to, purchasing, holding or disposing of, and/or dealing in the H Shares (or exercising rights attached thereto). None of us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents, employees or

advisers or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription to, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the H Shares or exercising any rights attached to them.

H SHARE REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register of members will be subject to the Hong Kong stamp duty. See "Statutory and General Information – 4. Other Information – I. Taxation of holders of H Shares" in Appendix V. Investors should seek professional tax advice for further details of Hong Kong stamp duty.

Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders' risk in Hong Kong dollars.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Tricor Investor Services Limited, our H Share Registrar, and our 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 and until such holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

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

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we act for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which arbitration shall be final and conclusive. See "Appendix III – Summary of Principal Legal and Regulatory Provisions" and "Appendix IV – Summary of Articles of Association";

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association. Persons applying for or purchasing H Shares under the Global Offering are deemed, by their making an application or purchase, to have represented that they are not Associates of any of our Directors or existing Shareholder or a nominee of any of the foregoing.

STABILIZATION AND OVER-ALLOTMENT OPTION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus has been derived from official government publications and other sources, including information or data provided by Frost & Sullivan. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. While reasonable caution has been made in the process of reproducing the data and statistics extracted from such official government publications or other sources, the Sole Sponsor and our Company, or any of their directors, employees, agents, and representatives make no representation to the appropriateness, accuracy, completeness or reliability of any such statistical and market share information.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Xiong Jun (熊俊)	Room 1202, Unit 1 Building No. 5 No. 388-38 Lumo Road Hongshan District, Wuhan the PRC	Chinese
Dr. Li Ning (李寧)	Room 1802 No. 2 Lane 2 Weifang West Road Shanghai, the PRC	American
Dr. Feng Hui (馮輝)	No. 10, Building No. 12 Hongxin Commerce City Shengli Street, Xiaogang Town Dongxiang County, Fuzhou City Jiangxi Province, the PRC	Chinese
Mr. Zhang Zhuobing (張卓兵)	Room 902, No. 6 Lane 315 Wudong Road, Yangpu District Shanghai, the PRC	Chinese
Dr. Wu Hai (武海)	2342 Middlefield Road Palo Alto, CA 94301 the United States of America	American
Dr. Yao Sheng (姚盛)	11748 Bryce-Overlook Ct Columbia, MD 21044 the United States of America	American
Non-executive Directors		
Mr. Tang Yi (湯毅)	10E, Weiyuan Building No. 57 Gongye 7th Road Nanshan District, Shenzhen Guangdong Province, the PRC	Chinese

Name	Address	Nationality
Mr. Li Cong (李聰)	Room 1201, No. 16 Lane 903 Hutai Road, Jingan District Shanghai, the PRC	Chinese
Mr. Yi Qingqing (易清清)	57 Paterson Road, #03-06 Singapore, 238551	Singaporean
Mr. Lin Lijun (林利軍)	No. 6, Lane 455, Lanan Road Pudong New Area Shanghai, the PRC	Chinese
Independent Non-executive Directors		
Dr. Chen Lieping (陳列平)	51 Canterbury Road Hamden, CT 06514-2016 the United States of America	American
Dr. He Jia (何佳)	Flat 2D, Block 1 The Paramount 23 Shan Tong Road Tai Po, New Territories Hong Kong	Chinese
Mr. Chen Xinjun (陳新軍)	Room 1201, No. 2 Lane 138 Tian Shan Zhi Road Changning District, Shanghai the PRC	Chinese
Mr. Qian Zhi (錢智)	Room 401, No. 1-1 Jingyou Park Phoenix Garden City Gulou District Nanjing City Jiangsu Province the PRC	Chinese
Dr. Roy Steven Herbst	51 Alston Avenue New Haven Court 06515-2702 the United States of America	American

SUPERVISORS

Name	Address	Nationality
Mr. Gao Yucai (高玉才)	Room 2702, Building 3 Huarun Kaixuanmen Dongmei Road 188 Wujiang District Suzhou City Jiangsu Province the PRC	Chinese
Mr. Liu Hongchuan (劉洪川)	Room 6-606 Guoxin East Road No. 199 Wuzhong District Suzhou City Jiangsu Province the PRC	Chinese
Ms. Wang Pingping (王萍萍)	Room 1108, Building 11 Lane 169, Jinzhouwan Road Yangpu District Shanghai the PRC	Chinese
Mr. Yan Jiawei (嚴佳煒)	No. 900 Yanan West Road Changning District Shanghai the PRC	Chinese
Mr. Wu Yu (鄔煜)	Room 1006 No 1231 Zhongshan West Road Changning District Shanghai the PRC	Chinese

For further information regarding our Directors and Supervisors, see "Directors, Supervisors and Senior Management".

PARTIES INVOLVED

Sole Sponsor	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Lead Global Coordinator	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Global Coordinators	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong Citigroup Global Markets Asia Limited 50th Floor, Champion Tower Three Garden Road Central Hong Kong Credit Suisse (Hong Kong) Limited Level 88 International Commerce Centre 1 Austin Road West Kowloon Hong Kong Fosun Hani Securities Limited Suite 2101-2105 21/F Champion Tower 3 Garden Road Central Hong Kong
Joint Bookrunners and Joint Lead Managers	China International Capital Corporation Hong Kong Securities Limited 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong

	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only) 50th Floor, Champion Tower Three Garden Road Central Hong Kong
	Citigroup Global Markets Limited (in relation to the International Placing only) 33 Canada Square Canary Wharf London E14 5LB United Kingdom
	Credit Suisse (Hong Kong) Limited Level 88 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Fosun Hani Securities Limited Suite 2101-2105 21/F Champion Tower 3 Garden Road Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	Caitong International Securities Company Limited Unit 2401-03, 24/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Legal Advisers to our Company	*as to Hong Kong and U.S. law:* Jones Day 31st Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	as to PRC law: Jia Yuan Law Offices F408 Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing the PRC

Legal Advisers to the Sole Sponsor and the Underwriters	*as to Hong Kong and U.S. law:* Herbert Smith Freehills 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *as to PRC law:* Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza B 28 Fengsheng Lane, Xicheng District Beijing the PRC
Auditors	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F Bund Center 222 Yan An Road East Shanghai, PRC
Reporting Accountants	Deloitte Touche Tohmatsu *Certified Public Accountants* 35/F, One Pacific Place 88 Queensway Hong Kong
Industry Consultant	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. 1014-1018, Tower B Greenland Hui Center No. 500 Yunjin Road Xuhui District Shanghai, the PRC
Compliance Advisor	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong *(Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO)*
Receiving Bank	CMB Wing Lung Bank Limited 45 Des Voeux Road Central Hong Kong

Registered Address, Headquarters and Principal Place of Business in the PRC	Room 602, No. 781, Cai Lun Road China (Shanghai) Pilot Free Trade Zone the PRC
Principal Place of Business in Hong Kong under Part 16 of the Companies Ordinance	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Website Address	**www.junshipharma.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Chen Yingge (陳英格) 610, No. 780, Cai Lun Road Pudong New Area Shanghai, the PRC Ms. Yuen Wing Yan Winnie (袁頴欣) *FCIS, FCS (PE)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Dr. Li Ning (李寧) Room 1802 No. 2 Lane 2 Weifang West Road Shanghai, the PRC Ms. Chen Yingge (陳英格) 610, No. 780, Cai Lun Road Pudong New Area Shanghai, the PRC
Board Committees	*Audit Committee* Mr. Chen Xinjun (陳新軍) *(Chairman)* Mr. Qian Zhi (錢智) Mr. Li Cong (李聰) *Nomination Committee* Mr. Xiong Jun (熊俊) *(Chairman)* Mr. Chen Xinjun (陳新軍) Mr. Qian Zhi (錢智)

Remuneration Committee
Dr. He Jia (何佳) *(Chairman)*
Mr. Xiong Jun (熊俊)
Mr. Chen Xinjun (陳新軍)
Mr. Qian Zhi (錢智)
Dr. Li Ning (李寧)

Strategic Committee
Mr. Xiong Jun (熊俊) *(Chairman)*
Dr. Chen Lieping (陳列平)
Dr. Roy Steven Herbst
Dr. He Jia (何佳)
Dr. Li Ning (李寧)

H Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Shanghai Zhangjiang High-tech Park Sub-branch
No.185, Zhangjiang Road
Pudong New District
Shanghai, the PRC

Bank of China
China (Shanghai) Pilot Free Trade Zone Branch
No. 50, Tainan West Road
Free Trade Zone
Shanghai, the PRC

Bank of Shanghai
Lingang Sub-branch
No. 2940, Hongyin Road
Pudong New District
Shanghai, the PRC

Certain information and statistics set out in this section and elsewhere in this prospectus relating to the industry in which we operate are derived from the F&S Report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information extracted from the F&S Report should not be considered as a basis for investments in the H Shares or as an opinion of Frost & Sullivan as to the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of the F&S Report which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. Unless and except for otherwise specified, the market and industry information and data presented in this section is derived from the F&S Report.(1)

OVERVIEW OF THE BIOLOGICS MARKET

Biologics are a type of pharmaceuticals and include, among others, monoclonal antibodies, recombinant proteins, vaccines, and gene and cell therapies. Compared to chemical drugs, biologics have superior efficacy and safety profile, fewer side effects and lower toxicity. With the characterization of structural diversity, selective binding to targets and better interactions with proteins and other molecules, biologics may be used to treat a variety of medical conditions for which no other treatments are available.

Biologics are currently the top-selling pharmaceutical products in the world. Among the ten top-selling drugs in 2017, eight are biologics. The total sales revenue of these eight biologics was US$67.8 billion, accounting for 82.5% of the aggregated sales revenue of the ten top-selling drugs in 2017.

Entry barriers to the biologics market are relatively high:

Knowledge-intensive – Development of biologics is a very complex process and requires integration of knowledge from multiple disciplines and special skill sets.

Note:

(1) The contract sum to Frost & Sullivan is RMB580,000 for the preparation and use of the F&S Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes healthcare, automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

In compiling and preparing the F&S Report, Frost & Sullivan has adopted the following assumptions: (i) the social, economic and political environments in China will remain stable during the forecast period, which will ensure a sustainable and steady development of the pharmaceutical industry in China; (ii) the pharmaceutical market in China is expected to grow as expected due to increasing medical demand and healthcare expenditure as well as improving R&D capabilities of domestic biotechnology companies; (iii) the PRC government will continue to support healthcare reform by favorable policies, such as expansion of national medical insurance system, reducing entry barriers for domestic innovative pharmaceutical products listed as reimbursable drugs.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with leading industry participants and industry experts. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the projected total market size from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

Hard to Copy – Biologics are more difficult to replicate than traditional small-molecule pharmaceuticals. Unlike traditional small-molecule pharmaceuticals, biologics usually have large and complex molecular structures and specifics of the manufacturing process may influence the molecular structure of the biologics produced. Even slight differences in the structure can result in significant differences in safety efficacy profile.

Challenging Manufacturing – The living cells used to manufacture biologics are fragile and sensitive to external environment. The characteristics of living cells impose high technical requirements on the manufacturing process of biologics.

Heavy Capital Investment – Large-scale biologics manufacturing facilities may require significantly more investment to build compared with similar-scale small-molecule facilities.

Stringent Regulation – Biologics regulations are still evolving. Currently the approval for biologics generally involves a more complex registration process, including requirements for more comprehensive clinical data.

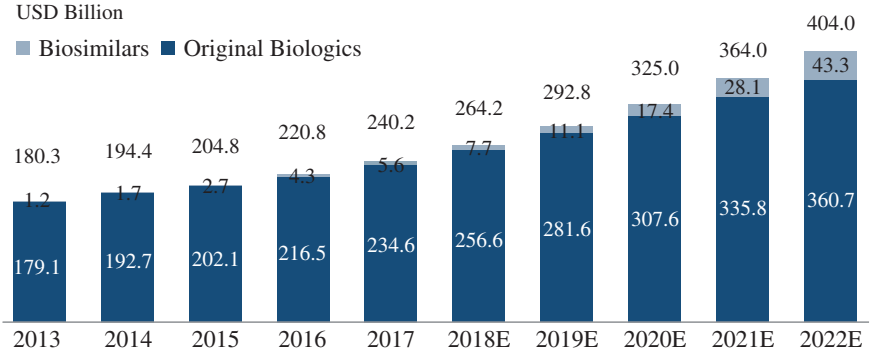
Global Biologics Market

Riding on the superior efficacy of biologics, the significant development in biotechnology, and the increasing R&D investments, the global biologics market witnessed a rapid growth from 2013 to 2017 at a CAGR of 7.4%. It is expected that the global biologics market will further grow to USD404.0 billion in 2022, representing a CAGR of 11.0% from 2017 to 2022.

Driven by a combination of increasing R&D investments, significant developments in biotechnology and favorable policies, original biologics market is expected to continuously grow in the near future. At the same time, the global market for biosimilars has also increased rapidly driven by factors such as the expiry of patents protecting original biologics, increasing demand for lower-priced drugs with similar efficacy, evolvement of regulatory systems and improving R&D of biosimilar manufacturers.

Breakdown of Global Biologics Market, 2013-2022E

CAGR	Total	Biosimilars	Original Biologics
2013-2017	7.4%	46.9%	7.0%
2017-2022E	11.0%	50.8%	9.0%

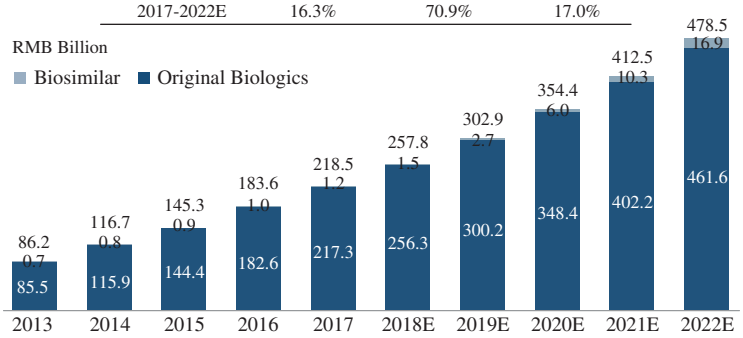


PRC Biologics Market

The PRC biologics market is still at an early stage of development but has strong growth potentials, growing from 8.7% of the overall PRC pharmaceutical market in 2013 to 15.3% in 2017. The market size of PRC biologics market is expected to reach RMB478.5 billion in 2022, representing a CAGR of 17.0% between 2017 to 2022.

Breakdown of PRC Biologics Market, 2013-2022E

CAGR	Original Biologics	Biosimilars	Biologics
2013-2017	26.3%	12.0%	26.2%
2017-2022E	16.3%	70.9%	17.0%



Market drivers of PRC biologics market

Enlarging patient pool. In the PRC, the disease spectrum is transforming from infectious diseases to chronic diseases, among which oncological diseases are getting increasingly prevalent. Incidence of cancers has achieved 4.2 million in 2017 and is projected to reach 4.8 million in 2022. The cancer treatment features high cost and long-term medication demand. Since biologics have demonstrated good efficacy in the treatment of an increasing number of diseases with long-term medication need, the increasing prevalence of chronic diseases such as cancers is expected to spur the demands for biologics.

Increasing capital investment. The biologics market is capital-intensive and requires heavy investment in both R&D and manufacturing process. Capital investment in the PRC pharmaceutical industry in 2017 has achieved USD24.9 billion, accounting for 22.2% of the global investment. The investment has provided abundant capital for biologics R&D and construction of manufacturing facilities.

Favorable policies. The PRC government promulgated a series of policies to speed up the review and approval process for innovative drugs. In addition, priority review is implemented, which accelerates the commercialization process for drugs with potential to address urgent clinical need. Patent protection is greatly enhanced as well. Such reforms will attract multinational pharmaceutical companies to market more innovative biologics in the PRC market and stimulate domestic players to invest more on R&D. Consequently, available biologics become increasingly diverse and boost consumption in the future.

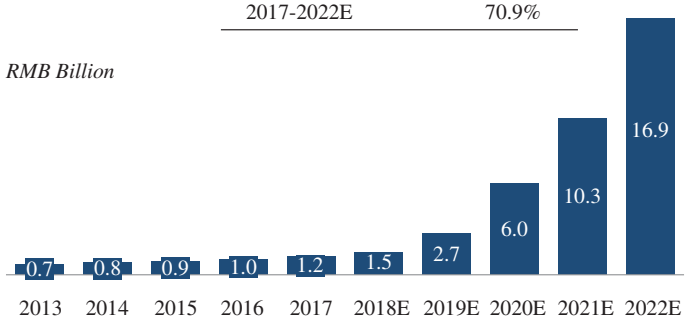
Increasing affordability and healthcare awareness. Biologics that feature strong efficacy and fewer side effects are normally priced at a much higher level compared with their chemical counterparts. The continuous increase of disposable income of residents due to economic growth keeps increasing has a positive effect on the health awareness and purchasing willingness. Moreover, updated China's National Reimbursement Drug List and price negotiation mechanism include more biologics for reimbursement, which has further expanded the biologics market.

PRC biosimilar market

The PRC biosimilar market remained relatively small in recent years, growing from RMB0.7 billion in 2013 to RMB1.2 billion in 2017. The growth of such market is projected to accelerate significantly with a CAGR of 70.9% from 2017 to 2022, reaching RMB16.9 billion in 2022. The significant projected acceleration of the PRC biosimilar market will be driven by (i) the growth of biologics market in the PRC generally along with the aging of the population, the rising of chronic diseases and the improving R&D and manufacturing capabilities of PRC biopharmaceutical companies; (ii) the cost advantage of biosimilars that allows them to reach wider groups of patients and enhances the likelihood of their inclusion in the medical insurance reimbursement lists in China in the near future; (iii) the recent establishment of regulatory pathways in the PRC for biosimilars and favourable government policies encouraging biosimilars; and (iv) a large number of blockbuster biologics with near-term or mid-term expiration.

Historical and Forecasted PRC Biosimilar Market, 2013-2022E

	CAGR
2013-2017	12.0%
2017-2022E	70.9%



MONOCLONAL ANTIBODIES

Monoclonal antibodies bind to the ligand or receptor that is expressed on the cell surface, thereby inhibiting the binding between such ligand and its specific receptor, blocking the target signalling pathway and preventing downstream effects . Monoclonal antibodies and mAb-like drugs are the largest segment of the global biologics market in 2017, representing a 43.2% market share by sales revenue. Monoclonal antibodies are widely used in different therapeutic areas with oncology and autoimmune diseases being the two largest therapeutic areas accounting for 42.8% and 40.0% of the total monoclonal antibodies market in 2017, respectively.

ANTI-PD-1/PD-L1 THERAPY

Cancer treatment has come a long way since the first successful surgery performed for gastric cancer and continued to evolve over time. Today, major treatments include surgery, radiotherapy, chemotherapy, targeted therapy and immunotherapy. In particular, immuno-oncology therapy is a type of cancer treatment that helps one's immune system fight cancers, and immunotherapies targeting checkpoint inhibitors PD-1 and PD-L1 can be applied to a variety of indications with fewer side effects.

Global market size of PD-1 and PD-L1 inhibitors

PD-1 and PD-L1 inhibitors are emerging immunotherapies in cancer treatment. There are currently three PD-1 inhibitors and three PD-L1 inhibitors marketed worldwide. The global PD-1/PD-L1 inhibitors market has experienced rapid growth ever since the first anti-PD-1 monoclonal antibody was commercially launched, and the market size will continue to grow in the next ten years due to the expansion of indications and launch of combination therapies. Sales revenue of PD-1/PD-L1 inhibitors in the global market increased at a CAGR of 154.2% from USD1.6 billion in 2015 to USD10.1 billion in 2017, and is expected to further increase to USD78.9 billion in 2030. See below table setting forth historical and forecast global PD-1/PD-L1 inhibitors market size starting from 2015, the first full year of PD-1 sales.

Historical and Forecast Global PD-1 & PD-L1 Inhibitors Market Size, 2015-2030E

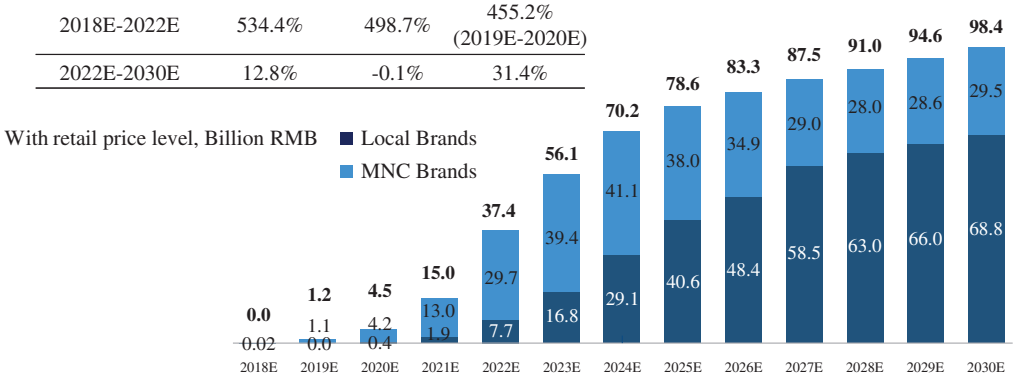
Period	CAGR
2015-2017	154.2%
2017-2022E	29.3%
2022E-2030E	10.1%

Potential market size of PD-1 and PD-L1 inhibitors in the PRC

The PRC PD-1/PD-L1 inhibitors market is still at an early stage of development but has strong growth potentials. PD-1/PD-L1 products are expected to cover different indications in clinical therapies. The proportion of addressable patients for PD-1/PD-L1 drugs in China in 2017 was around 81.5%. The addressable patients are calculated based on the targeted patients who have been recruited for the Phase III clinical trial or trials that have been used for NDA submission in China, and the patients who have been approved to be treated globally as of June 2018. The market size of PD-1 and PD-L1 inhibitors together is estimated to grow to RMB37.4 billion in 2022, representing a CAGR of 534.4% from 2018 to 2022, and further increase to RMB98.4 billion in 2030, representing a CAGR of 12.8% from 2022 to 2030.

Forecast PRC PD-1 & PD-L1 Inhibitors Market Size, 2018E-2022E[(1)(2)]

Period	Total CAGR	MNC CAGR	Local CAGR
2018E-2022E	534.4%	498.7%	455.2% (2019E-2020E)
2022E-2030E	12.8%	-0.1%	31.4%



	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
PD-1/PD-L1 Addressable Patients, Thousand	3,525	3,628	3,731	3,837	3,947	4,065	4,192	4,330	4,475	4,625	4,431	4,547	4,664
Treatment Rate, %	0%	0%	1%	2%	6%	9%	12%	14%	14%	15%	17%	18%	18%
Treated Patients, Thousand[(3)]	0.1	6.6	27	92	241	380	501	589	648	708	753	802	854
Volume of Patients (MNC), Thousand[(4)]	0.1	6.3	24	77	181	247	266	253	240	207	204	214	231
Estimated Annual Cost per Patient (MNC), Thousand RMB	300	180	175	169	164	159	155	150	145	140	137	134	128
Forecasted PD-1/PD-L1 Market Size (MNC), Billion RMB	**0.0**	**1.1**	**4.2**	**13.0**	**29.7**	**39.4**	**41.1**	**38.0**	**34.9**	**29.0**	**28.0**	**28.6**	**29.5**
Volume of Patients (Local Brand), Thousand[(4)]	–	0.3	3	15	60	133	236	336	408	501	549	588	624
Estimated Price per Patient (Local Brand), Thousand RMB	210	137	134	131	128	126	123	121	118	116	114	112	110
Forecasted PD-1/PD-L1 Market Size (Local Brand), Billion RMB	**–**	**0.0**	**0.4**	**1.9**	**7.7**	**16.8**	**29.1**	**40.6**	**48.4**	**58.5**	**63.0**	**66.0**	**68.8**

Notes:

(1) Key assumptions include (i) PD-1 inhibitors from the Company, Hengrui, BeiGene and Innovent will be launched in 2019 based on their respective timing of submission, past approval durations for MNC PD-1 inhibitors and assuming no significant difference between PD-1 inhibitor approval durations for MNCs and local pharmaceutical companies; (ii) the annual treatment cost of local pharmaceutical companies in China will be 70% of MNC brands based on statistics of historical biologics pricing differences between MNC and local brands; (iii) In 2019, both MNC and local PD-1 inhibitors will be added to the NRDL. MNC PD-1 inhibitor annual treatment cost will decrease by 40% upon its addition to the NRDL and further decrease by 3% in each subsequent year , while local PD-1 inhibitor annual treatment cost will decrease by 35% upon its addition to the NRDL and further decrease by 2% in each subsequent year based on statistics of historical pricing trends of biologics upon and after addition to the NRDL. By 2030, there will be no significant difference in annual treatment cost between MNC and local PD-1 inhibitors; and (iv) Combination therapies will be a major growth driver for the China PD-1/PD-L1 antibody market based on the latest published research results global wide.

(2) The estimates have not taken into account off-label prescriptions.

(3) There is no significant difference in the treatment rates for patients with different indications. The treatment rate is projected on the basis of total addressable patients. In clinical practice, the same drug product (for instance, JS001, upon requisite approvals) could be prescribed for different types of cancer patients and, therefore, the expected market size for PD-1 inhibitors and PD-L1 inhibitors cannot be reliably or meaningfully broken down by indications.

(4) The main driver for local anti-PD-1/PD-L1 products to capture the market share is price advantage. It is estimated that the price gap between MNC and local anti-PD-1/PD-L1 products is around RMB90,000 before anti-PD-1/PD-L1 products are included in the reimbursement drug list, and the gap is estimated

to be RMB43,500 after the anti-PD-1/PD-L1 products get into the reimbursement drug list in 2019. Moreover, PD-1 products from domestic companies, such as JS001, showed favorable safety and efficacy profile based on clinical data. Therefore, the patient share of domestic companies is expected to rapidly increase once approved. Over time, the prices for both MNC and local anti-PD-1/PD-L1 products will decrease accordingly and the annual cost gap will decrease to less than RMB20,000 in 2030. Since the medical insurance will pay for the majority of drug cost at that time, the patient share between MNC and local anti-PD-1/PD-L1 products will not have obvious changes since then. In addition, policy support such as the application of Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices is another factor that encourages the expansion of local brand products. The favorable policies are conducive to the rapid development of domestic pharmaceutical companies and launch of new products.

In addition to monotherapies, PD-1/PD-L1 inhibitors have shown significant potential in combined therapies. As of the Latest Practicable Date, there were only two approved combination therapies globally for PD-1 products. However, there are 698 and 321 global PD-1 and PD-L1 ongoing combination therapy clinical trials, respectively. Of such clinical trials, 56.9% of PD-1 inhibitor clinical trials and 59.5% of PD-L1 inhibitor clinical trials are in Phase I. In the PRC, there are currently 11 and 27 combination therapy clinical trials in Phase II and III, respectively, for PD-1/PD-L1. In particular, two MNCs and two PRC companies are conducting Phase III clinical trials for PD-1 inhibitor combination therapies in the PRC including the Company.

Because the PD-1/PD-L1 checkpoint functions at the last step of effector T cell activation, PD-1/PD-L1 inhibitors can potentially serve as the backbone of a great number of combination therapies. Combined therapies of PD-1 and PD-L1 inhibitors have shown superior efficacy over monotherapies and will be major growth drivers in the PD-1 and PD-L1 inhibitors market in the future.

Epidemiology of PD-1/PD-L1 Antibody Sensitive Cancers in China

Incidence of all cancers in China increased from 3.7 million in 2013 to 4.2 million in 2017, representing a CAGR of 3.4%. Driven by a combination of factors such as unhealthy lifestyle and increasing pollution, it is estimated that the incidence of all cancers in China will reach 4.8 million in 2022 at a CAGR of 2.6% from 2017 to 2022, and further reach 5.8 million in 2030 at a CAGR of 2.3% from 2022 to 2030. Among all types of cancers, lung, liver, gastric, colorectal, breast and esophageal cancers are the six cancers with the highest incidences in China and accounted for 20.6%, 11.7%, 10.8%, 9.8%, 7.1% and 6.8% of the total incidence in China in 2017, respectively. Moreover, the incidences of lung, colorectal and esophageal cancers tend to grow faster than that of other cancers in China. The incidence of non-small cell lung cancer, a sub-type of lung cancer, increased at a CAGR of 3.5% from 0.6 million in 2013 to 0.7 million in 2017. The chart below shows the incidence by cancer types in the periods indicated.

Incidence by Cancer Types in China, 2013-2030E

(in thousands)

Cancer Type	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Lung	753.6	781.4	809.6	837.1	863.9	889.8	914.7	938.5	962.0	987.0	1,014.6	1,045.0	1,081.6	1,120.6	1,156.4	1,191.1	1,225.0	1,258.7
Liver	440.2	453.4	466.1	477.6	489.1	501.4	513.7	526.4	539.8	553.6	567.7	582.1	596.9	612.0	630.5	648.2	665.0	681.6
Gastric	395.7	410.3	425.1	439.9	454.5	468.6	482.1	495.6	508.5	521.2	538.5	553.5	569.0	584.4	600.8	618.2	636.7	656.5
Colorectal	357.2	370.4	383.9	397.6	411.1	424.2	437.2	449.8	462.2	474.5	488.9	503.6	519.2	535.3	550.8	567.4	583.8	600.7
Breast	271.9	279.0	286.0	292.8	299.6	306.0	312.1	317.8	322.8	327.4	331.9	336.6	341.3	346.1	350.9	355.8	360.8	365.9
Esophageal	248.2	257.8	267.4	276.5	285.3	293.9	302.1	310.4	318.8	327.2	338.7	348.9	359.3	370.1	381.2	392.6	404.4	416.6
Brain, CNS	98.6	101.2	103.7	106.3	108.8	111.1	113.3	115.4	117.5	119.5	121.5	123.6	125.7	127.8	130.0	132.2	134.5	136.8
Cervix	100.3	102.0	103.8	105.7	107.4	109.0	110.5	112.0	113.5	114.9	116.2	117.5	118.5	119.5	120.3	121.0	121.6	122.2
Pancreas	89.2	92.2	95.2	98.3	101.4	104.5	107.4	110.3	113.2	116.0	119.1	122.6	126.4	130.3	134.2	138.2	142.5	147.1
Non hodgkin lymphoma	73.8	75.9	77.9	79.8	81.8	83.5	85.3	86.9	88.5	90.1	91.8	93.8	96.0	98.0	100.0	101.9	103.8	105.8
Nasopharynx	43.5	44.6	45.8	46.8	47.7	48.5	49.2	49.9	50.6	51.3	52.0	52.8	53.5	54.3	55.0	55.8	56.6	57.4
Melanoma	**7.5**	**7.8**	**8.0**	**8.2**	**8.5**	**8.7**	**8.9**	**9.1**	**9.3**	**9.6**	**9.8**	**10.1**	**10.4**	**10.7**	**11.0**	**11.4**	**11.7**	**12.1**
Hodgkin lymphoma	5.2	5.4	5.5	5.6	5.7	5.8	5.9	6.0	6.1	6.1	6.2	6.3	6.5	6.6	6.7	6.7	6.8	6.9
Others	787.0	826.1	857.3	892.9	930.5	966.2	999.5	1,031.4	1,059.4	1,078.1	1,079.8	1,068.3	1,034.8	1,024.3	1,040.5	1,075.3	1,125.0	1,188.6
Total	**3,671.8**	**3,804.0**	**3,935.2**	**4,065.1**	**4,195.2**	**4,321.0**	**4,442.0**	**4,559.7**	**4,673.7**	**4,781.2**	**4,876.9**	**4,964.6**	**5,039.1**	**5,139.9**	**5,268.4**	**5,415.9**	**5,578.4**	**5,756.9**

Competitive landscape

The three marketed anti-PD-1 monoclonal antibodies in the global biologics market are Opdivo, Keytruda and Libtayo. From 2014 to 2017, sales revenue of Opdivo and Keytruda increased from USD20 million to USD5,753 million and from USD55 million to USD3,809 million, respectively. Main factors driving their growth include the increasing recognition of treatment value and expansion of indications for PD-1 inhibitors.

The three marketed anti-PD-L1 monoclonal antibodies are Tecentriq, Bavencio and Imfinzi. Due to the relatively late launch of PD-L1 inhibitors and limited indications, the global sales revenue of PD-L1 inhibitors reached only USD160 million and USD537 million in 2016 and 2017, respectively. The sales revenue is expected to surge up with expansion of indications in the future.

As of the Latest Practicable Date, both Keytruda and Opdivo had received NDA approval from the NMPA. In addition, four PRC companies have filed the NDAs. All these four PD-1 inhibitors by PRC companies are expected to be marketed in 2019. The following table sets forth the information about the PD-1 products that have been approved by or have filed the NDAs to the NMPA, with our Company being the first PRC company to file a PD-1 inhibitor NDA in China:

1 Domestic Companies

Sponsor	PD-1 & PD-1 Product	Indications	NDA Submitted Time	NDA Approved Time	Registration No.
Our Company	**JS001 (Toripalimab)**	**Unresectable local progression or metastatic melanoma**	**2018.3**	**N.A.**	**CXSS1800006**
Innovent	IBI308 (Sintilimab)	Relapsed or refractory classical Hodgkin's Lymphoma	2018.4	N.A.	CXSS1800008
Hengrui	SHR-1210 (Camrelizumab)	Classical Hodgkin's Lymphoma	2018.4	N.A.	CXSS1800009
Beigene	BGB-A317 (Tislelizumab)	Classical Hodgkin's Lymphoma	2018.8	N.A.	CXSS1800019

2 Multinational Corporation

Sponsor	PD-1 & PD-1 Product	Indications	NDA Submitted Time	NDA Approved Time	Registration No.
BMS	Nivolumab	Second Line NSCLC	2017.11	2018.6	JXSS1700015 JXSS1700016
MSD	Pembrolizumab	Melanoma	2018.2	2018.7	JXSS1800002

The first few marketed drugs in a class tend to have a better performance and a larger market share because physicians will have more experience in the usage of these drugs and may be more likely to prescribe them. The longer the lead time before the entry of rivals, the higher the likelihood of achieving the first-mover advantages. In the long run, pricing will also play a significant role in terms of market penetration.

ANTI-PCSK9 THERAPY

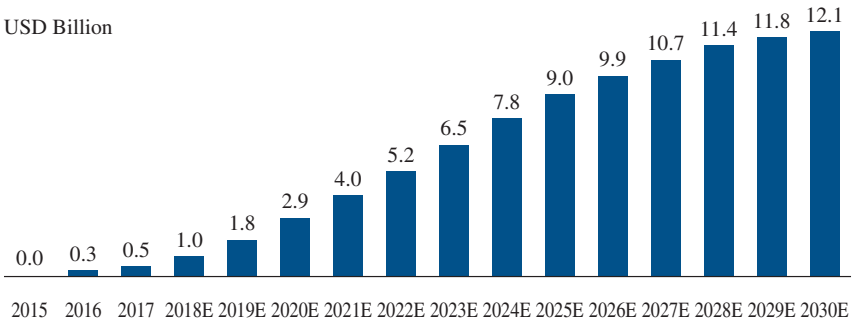
Cardiovascular diseases are chronic diseases and remain the leading cause of death for human populations globally. Hypercholesterolemia has been a big issue in the PRC. It has been increasingly prevalent in recent years due to unhealthy diet, absence of exercise and population aging. The prevalence of hypercholesterolemia grew from 66.8 million in 2013 to 79.3 million in 2017, and is expected to further increase to 95.9 million in 2022. PCSK9 inhibitors for the treatment of hypercholesterolemia have been demonstrated to be effective for lowering LDL-C levels and benefit other patients at risk for cardiovascular diseases.

Global market size of PCSK9 inhibitors

As of the Latest Practicable Date, there had been two PCSK9 inhibitors marketed globally. The global PCSK9 inhibitors market reached USD0.5 billion in 2017, representing a CAGR of 406.7% from 2015 to 2017. Driven by a combination of factors including large addressable patient pool, excellent clinical results and increased market penetration, PCSK9 inhibitors market is expected to grow rapidly in the following years to USD5.2 billion in 2022 and USD12.1 billion in 2030, respectively.

Historical and Forecast Global PCSK9 Inhibitors Market Size, 2015-2030E

	15-17	17-22E	22E-30E
CAGR	406.7%	58.1%	11.1%

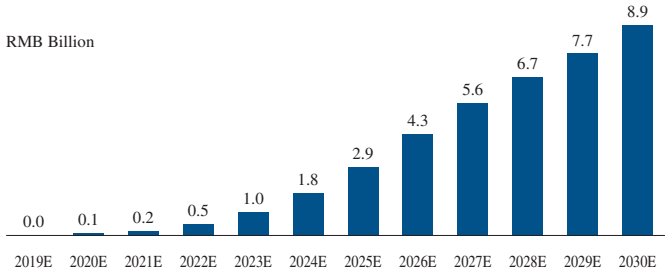


Potential market size of PCSK9 inhibitors in the PRC

According to the F&S Report, the first PCSK9 inhibitor is expected to launch in the PRC market in 2019. The number of hypercholesterolemia patients in China was 79.3 million in 2017, of which about 30.5 million were statins intolerance hypercholesterolemia patients, accounting for 38.5% of the total hypercholesterolemia patients. The addressable patients are calculated based on the hypercholesterolemia patients who are statins intolerance in China. Benefiting from the large patient pool, excellent clinical results and expansion of coverage by third-party payers in the PRC, the market of PRC PCSK9 inhibitors is estimated to reach RMB0.5 billion in 2022 and further increase to RMB8.9 billion in 2030.

Forecast PRC PCSK9 Inhibitors Market Size, 2019E-2030E[(1)(2)]

	19E-22E	22E-30E
CAGR	154.6%	43.5%



Notes:

(1) The key assumption of these estimates is that the retail price of evolocumab in China as the only approved PCSK9 antibody in China as of the Latest Practicable Date will be 60% of that in the U.S., which is equivalent to approximately 85% of that in the E.U.

(2) The estimates have not taken into account off-label prescriptions.

Competitive landscape

As of the Latest Practicable Date, there was one PCSK9 inhibitor approved in China, namely evolocumab, while five anti-PCSK9 biologics and one chemical drug had received IND approvals by the NMPA. The following table sets forth the information about anti-PCSK9 drugs marketed or under clinical trials in the PRC, with our Company being the first PRC company to obtain IND approval regarding PCSK9 biologics in PRC:

	Category	Product	Company	Indication	NMPA Status	IND Approval
China Overview	Biologics	Evolocumab	Amgen	Hypercholesterolemia	Approved	2015-01
		Alirocumab	Sanofi-Aventis	Hypercholesterolemia	Phase 3	2015-12
		JS002	**Junshi**	**Hypercholesterolemia**	**Phase 1**	**2017-08**
		IBI306	Innovent	Hypercholesterolemia	Phase 1	2017-09
		AK-102	Akeso, Dawnrays	Hypercholesterolemia	Phase 1	2018-04
		SHR-1209	Hengrui	Hypercholesterolemia	Phase 1	2018-06
	Small molecule drug	CVI-LM001	CVI Pharmaceuticals	Hypercholesterolemia	Phase I	2016-03

ANTI-BLyS THERAPY

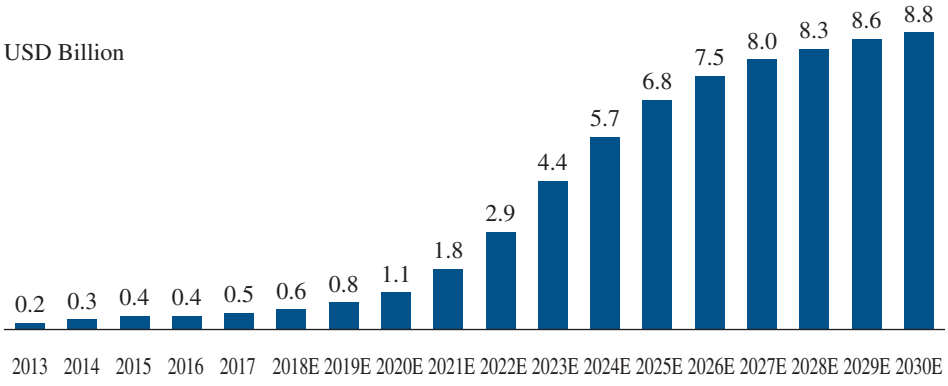
Systemic lupus erythematosus ("SLE") is a multisystem autoimmune disease affecting a population of more than 8.0 million in the world, for which there is no clear cause or cure. The prevalence of SLE in the PRC grew steadily, with the number of patients reaching 1,043,200 in 2017 and 1,073,200 in 2022.

Global market size of BLyS inhibitors

There has been only one BLyS inhibitor specifically developed and approved for SLE in the past 50 years. The global BLyS inhibitors market reached USD0.5 billion in 2017, and is expected to grow to USD2.9 billion in 2022 and USD8.8 billion in 2030, respectively.

Historical and Forecast Global BLyS Inhibitors Market Size, 2013-2030E

	13-17	17-22E	22E-30E
CAGR	20.6%	43.3%	14.8%

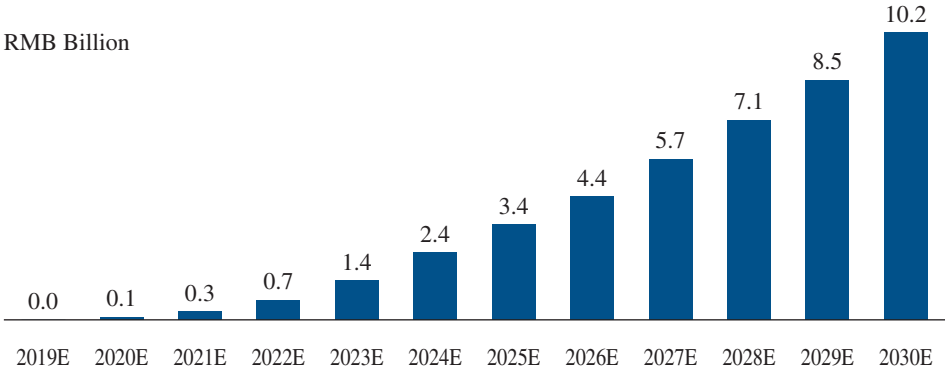


Potential market size of BLyS inhibitors in the PRC

According to the F&S Report, the first BLyS inhibitor is estimated to be commercialized in the PRC in 2019. Addressable patients for anti-BLyS products include all SLE patients except for the patients with severe active lupus nephritis or severe active central nervous system lupus, and was 90.2% in PRC in 2017. Benefiting from the large addressable patient pool without effective treatment regime, excellent clinical results and expansion of coverage by third-party payers in the PRC, the market of PRC BLyS inhibitors is expected to reach RMB0.7 billion in 2022 and further increase to RMB10.2 billion in 2030.

Forecast PRC BLyS Inhibitors Market Size, 2019E-2030E[(1)(2)]

	19E-22E	22E-30E
CAGR	223.2%	40.4%



Notes:

(1) The key assumption of these estimates is that the retail price of belimumab in China will be 60% of that in the U.S.

(2) The estimates have not taken into account off-label prescriptions.

Competitive landscape

As of the Latest Practicable Date, there was only one marketed BLyS inhibitor globally while more than five BLyS inhibitors were under different phases of clinical trials globally. Two pharmaceutical companies have obtained IND approvals from the NMPA for monoclonal antibody BLyS inhibitor and one for fusion protein BLyS inhibitor. The following table sets forth the information about monoclonal antibody BLyS inhibitors under clinical trials in the PRC, with our Company being the only PRC company to obtain IND approval regarding a monoclonal antibody BLyS inhibitor in China:

	Target	Product	Company	Indication	FDA Status
Global Pipelines	BAFF/BLyS	Belimumab	GSK	SLE	Marketed
	APRIL, BAFF/BLyS	TACI-Ig	ZymoGenetics,Merck Serono	SLE,RA,optic neuritis, B-cell malignancies	Phase 3
	BAFF/BLyS	Atacicept	Anthera, Zenyaku Kogyo	SLE	Phase 2
	ICOS ligand, BAFF/BLyS	MEDI-0700	MedImmune	SLE	Phase 1
	ICOS ligand, BAFF/BLyS	Blisibimod	AstraZeneca, Angen	SLE	Phase 1
	IL17, BAFF/BLyS	BAFF/IL-17 bispecific antibody	Lilly	Autoimmune Disease	Phase 1

	Target	Product	Company	Indication	NMPA Status	IND Approval
China Pipelines	BAFF/BLyS	Belimumab	GSK	SLE	NDA submission	2014-08
		UBP-1213	**Junshi Biosciences**	**SLE**	**Phase 1**	**2016-10**

ANTI-TNF-α THERAPY

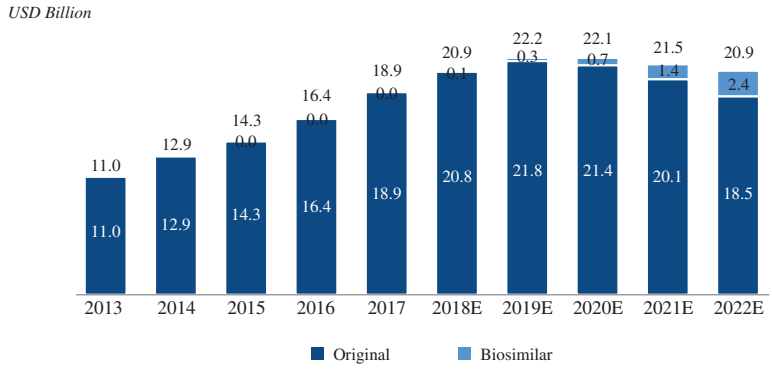
Anti-TNF-α monoclonal antibody is for treating immune-mediated inflammatory diseases with high efficacy, safety and convenient application methods. Benefiting from the huge patient pool, there are several blockbuster biologics targeting TNF-α worldwide, with Humira being the best-selling global drugs by sales revenue in 2017. Dozens of followers are attracted to join the competition with the patent protection of the originals drawing to the end.

Global market size of Humira and its biosimilars

Humira, the original biologic,was the best-selling drug in the world in 2017, growing at a CAGR of 14.4% from USD11.0 billion in 2013 to USD18.9 billion in 2017. It is expected to reach its sales peak in 2019 with a revenue of USD21.8 billion. After the patent expiration of Humira and upon the launch of biosimilars to Humira, it is estimated that the biosimilars segment will reach USD2.4 billion in 2022, representing a CAGR of 191.1% from 2017 to 2022.

Historical and Forecasted Global Adalimumab Market, 2013-2022E

CAGR	Original	Biosimilar	Total
2013-2017	14.4%	15-17, 265.3%	14.5%
2017-2022E	-0.4%	191.1%	2.0%

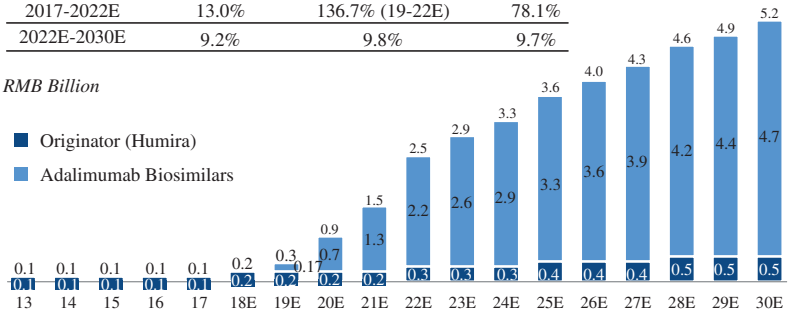


Market size of Humira and its biosimilars in the PRC

Humira has been approved by the NMPA for the treatment of moderate-to-severe rheumatoid arthritis (RA), ankylosing spondylitis (AS) and psoriasis (PS). The number of moderate-to-severe RA patients are 4,147.9 thousand, while the number of moderate-to-severe psoriasis and AS are 3,360.3 thousand and 1,912.9 thousand, respectively, in 2017. Addressable patients for anti-TNF-α in China was 58.1% in 2017 for moderate-to-severe rheumatoid arthritis (RA), ankylosing spondylitis (AS) and psoriasis (PS). RA patients are the main composition of the addressable patients for Humira in China. The sales revenue of Humira in the PRC is expected to increase from RMB0.14 billion in 2017 to RMB0.25 billion in 2022, representing a CAGR of 13.0%. There are five Humira biosimilars that are in or beyond Phase III trials from PRC companies, including UBP1211. After the first Humira biosimilar is launched in the PRC market in 2019, the market size of Humira biosimilar is estimated to grow to RMB2.22 billion in 2022, representing a CAGR of 136.7% from 2019 to 2022.

Historical and Forecast PRC Adalimumab Market, 2013-2030E[(1)(2)]

CAGR	Originator	Biosimilars	Total
2013-2017	9.3%	NA	9.3%
2017-2022E	13.0%	136.7% (19-22E)	78.1%
2022E-2030E	9.2%	9.8%	9.7%



Notes:

(1) Key assumptions include (i) TNF-α inhibitors from the Company, Henlius and some other PRC companies will be launched in 2019; (ii) the retail prices of biosimilars from local companies in China will be 70% of Humira; (iii) In 2019, both Humira and its biosimilars will be added to the NRDL. Humira annual treatment cost will decrease by 40% upon its addition to the NRDL and further decrease by 2% in each subsequent year; (iv) Humira biosimilars will account for 93.0% of addressable patient population in China when they reach the peak of sales with a 90.3% market share by sales revenue

(2) The estimates have not taken into account off-label prescriptions.

Competitive landscape

There are five FDA approved TNF-α original biologics marketed in the United States, while most of the ongoing clinical trials for TNF-α inhibitors are focused on biosimilars. As of the Latest Practicable Date, there had been five Humira biosimilars under Phase III clinical trials in the United States.

As of the Latest Practicable Date, there were two anti-TNF-α fully human or humanized monoclonal antibodies, marketed in the PRC, namely Humira and Simponi, both of which were developed by multinational companies. In addition, there were nine anti-TNF-α monoclonal antibodies undergoing clinical trials in the PRC as shown in the table below.

Pipeline of anti TNF-α monoclonal antibodies in the PRC

Drug Name	mAb Category	Applicant	Indication	Phase	IND Approval
UBP1211	**Humanized anti-TNF α mAb**	**Jiangsu Union Biopharma, the Company**	**Rheumatoid Arthritis**	**III**	**2016-05**
HS016	Humanized anti-TNF α mAb	Zhejiang Hisun Pharmaceutical Co., Ltd	Ankylosing Spondylitis	NDA submission	2016-01
IBI303	Fully Human anti-TNF α mAb	Innovent Biologics, Inc	Ankylosing Spondylitis	NDA submission	2016-01
BAT1406	Fully Human anti-TNF α mAb	Bio-Thera Solutions, Ltd.	Ankylosing Spondylitis	NDA submission	2016-01
			Rheumatoid Arthritis	Ia	
HLX03	Fully Human anti-TNF α mAb	Henlius Biotech Co., Ltd.	moderate-severe Plaque psoriasis	III	2017-04
			Rheumatoid Arthritis	I	2016-01
AT132	Humanized anti-TNF α mAb	Livzon Mabpharm Inc.	Rheumatoid Arthritis	II	2016-11
DB101	Fully Human anti-TNF α mAb	Dongbao Pharmaceutical Co., Ltd.	Rheumatoid Arthritis	I	2017-03
-	Humanized anti-TNF α mAb	3S bio Inc.	Rheumatoid Arthritis	I	2014-11
HL01	Fully Human anti-TNF α mAb	Hualan Genetic Engineering Co., Ltd.	Rheumatoid Arthritis,Ankylosing Spondylitis,Psoriasis	I	2017-02

There are different licensed patents for Humira (adalimumab) which may cover the molecule, dosage form and indications. Among all the patents, the main molecule patent, US6090382, which greatly determines the legal usage of Humira, expired in 2016 in the U.S. The corresponding China patent, CN101302515, expired in 2017 in China. The main patent of Simponi, CN1468308B and CN101980017B, will both expire in 2021 in China. With the patent expiration of Humira and Simponi in China, Adalimumab and golimumab biosimilar can go to the market legally. Adalimumab biosimilars are expected to launch in China in 2019.

REGULATORY ENVIRONMENT

This section will introduce the major regulatory authorities and the summary of principal laws and regulations relevant to the operation of our Company.

MAJOR REGULATORY AUTHORITIES

The pharmaceuticals industry in the PRC is mainly regulated and administrated by the State Administration for Market Regulation (國家市場監督管理總局), the National Health Commission (國家衛生健康委員會) and the Bureau of National Health Care (國家醫療保障局).

Pursuant to the Decision of the First Session of the Thirteenth National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) promulgated by the PRC National Congress on March 17, 2018, (1) the State Administration for Market Regulation shall be established; the CFDA shall cease to exist, while the NMPA was established as a department under the State Administration for Market Regulation. (2) the National Health and Family Planning Commission shall cease to exist, while the National Health Commission shall be established as a department under the State Council, incorporating duties of supervision and management which had been assigned to relevant departments. (3) the Bureau of National Health Care shall be established as a bureau directly subordinate to the State Council.

The main regulatory duties of these departments in the pharmaceutical industry are as follows:

State Administration for Market Regulation

The NMPA, a department under the State Administration for Market Regulation, is responsible for the registration, supervision and administration of the drugs, cosmetics and medical devices. The State Drug Administration is in charge of drafting laws and regulations on drugs administration; enacting, promulgating drug standard regulations and supervising the implementation of drug standard such as the Pharmacopoeia of the PRC (《中華人民共和國藥典》) and rules on classified management; establishing and implementing the inspection system on drug administration.

National Health Commission

The National Health Commission is responsible for drafting national health policy; coordinating and promoting the deepening reform of medicine and health; establishing a national essential drug system; regulating and administrating public health, medical services and health contingency systems; and is responsible for the administration of family planning; drawing up measures to cope with the aging population and the combination of recuperation and treatment.

Bureau of National Health Care

The Bureau of National Health Care is responsible for drafting and implementing policies, plans and standards on medical insurance, maternity insurance and medical assistance; administrating relevant health care fund; optimizing the national administration and settlement platform for medical treatment received in different places; establishing and adjusting the price and charging standard of drugs and medical services; drafting and supervising the implementation of the policy on bidding and purchasing of drugs and medical disposables; regulating and administrating medical services and medical expenditure covered by medical insurance.

LAWS AND REGULATIONS IN RELATION TO NEW DRUG REGISTRATION APPLICATION

Drug registration application includes application for registration of new drugs, generic drugs, imported drugs and the supplemental application thereof, as well as the application for re-registration. An applicant within the territory of China shall make application for drug registration in compliance with the procedures and requirements for new drugs and generic drugs.

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), which came into effect on October 1, 2007, application for new drugs refers to application for registration of drugs that have never been previously marketed within the territory of the PRC. Application for changing the dosage form or route of administration, or claiming a new indication for marketed drugs, shall be submitted in compliance with the procedure of a new drug application.

All new drugs must go through four stages before being marketed: pre-clinical research, application for clinical trial, clinical trial and approval for production.

Pre-Clinical Research

Pre-clinical research of a drug shall be conducted to comply with corresponding regulations, and the study of drug safety evaluation shall be conducted in accordance with the Good Laboratory Practices for Non-clinical Laboratory Studies of Drugs (《藥物非臨床研究質量管理規範》).

Application for Clinical Trial

After completing the pre-clinical research, the applicant must obtain approval for clinical trials of drugs (including bioequivalence tests) from the NMPA before the conduction of new clinical drug trials. According to the Decision of the NMPA on Adjusting the Approval Procedures of the Administrative Approval Items for Certain Drugs promulgated by the NMPA (《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》) on March 17, 2017, the decision on the approval of clinical trials of drugs enacted by the NMPA can be

made by the CDE in the name of the NMPA from May 1, 2017. In July 2018, the NMPA promulgated the Announcement of the State Drug Administration 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》), or the Announcement, which further adjusted for those who apply for drug clinical trials in China, if an applicant does not receive any negative or questioning opinions from the CDE 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 the approval of a clinical trial, the applicant shall select qualified institutions to conduct the clinical trial. According to the Procedures for Determination of Eligibility of Institutions for Drug Clinical Trials (Trial Implementation) (《藥物臨床試驗機構資格認定辦法(試行)》), which came into effect on March 1, 2004, the administrative departments will conduct a systematic evaluation on the organizational structure, management, investigators, equipment and facilities, management systems, and standard operating procedures of any medical institution that has applied for undertaking drug clinical trials and then make a decision on whether the institution is eligible to conduct the drug clinical trials.

Before conducting the clinical trial, the applicant shall file a series of detailed documents with the NMPA, and send a copy to the competent provincial drug administration department. According to the Announcement on Drug Clinical Trial Information Platform promulgated by the NMPA (《國家食品藥品監督管理總局關於藥物臨床試驗信息平臺的公告》), which came into effect on September 6, 2013, all clinical trials approved by the NMPA and conducted in the PRC shall complete the clinical trial registration and information disclosure on the Drug Clinical Trial Information Platform.

Clinical Trial (Four Phases)

In compliance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), clinical trials are divided into Phase I, Phase II, Phase III and Phase IV:

- Phase I: The preliminary clinical pharmacology and human safety evaluation studies. The purpose is to observe the tolerance degree of human bodies and pharmacokinetics, and to provide a basis for the formulation of dosage regimen.

- Phase II: The preliminary evaluation period on the therapeutic efficacy. The purpose is to preliminarily evaluate the safety and efficacy of a drug on the target patients, including providing the basis for the Clinical Trial of Phase III and determining a drug administration program. Clinical Trial of Phase II may be conducted in various ways including random blind controlled clinical trial complying with the specific study purpose.

- Phase III: The phase to confirm the therapeutic efficacy. The purpose is to further verify the safety and efficacy of a drug for patients with targeted indication, to evaluate the relationship between benefits and risks, and finally to provide sufficient basis for the registration approval of the drug. The trials usually are random, blind and controlled clinical trial with sufficient samples.

- Phase IV: The applicability study period of new drug after been marketed. The objective is to investigate the efficacy and adverse reactions under the conditions of wide use, and to evaluate the relationship between benefits and risks when used by ordinary and special groups of patients and to improve the dosage of the drug.

Clinical trials shall be conducted for the application of new drug registration, and the Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) shall be implemented. The Good Clinical Practice for Drug Trials (《藥物臨床試驗質量管理規範》) stipulates the criteria for the entire procedure of the clinical trial including pre-clinical trial preparation and the necessary conditions, protection of testees' rights and interests, protocols, duties of researchers, duties of sponsors, duties of monitors, trial record and trial report, data management and statistical analysis, administration of drug products for trial, guarantee for quality, polycentric trials, with reference to the internationally recognized principles.

New Drug Application

Upon the completion of clinical trials, the applicant can submit a new drug application for approval to manufacture and launch such new drugs as follows. Upon the acceptance of the approval, the applicant shall be granted New Drug Certificate and drug approval number.

- Subsequent to the completion of a clinical trial, the applicant shall fill out the Application Form for Drug Registration, and submit application dossier for production to the competent provincial drug administration department. At the same time, the applicant shall submit the raw material for the preparation of the standard product and the relevant standard substance to the National Institute for Food and Drug Control.

- The competent provincial drug administration department shall, within five days upon acceptance of the application, organize and conduct on-site inspection for the production and research of the drug and preliminary examination, and shall issue Examination and Approval Opinions. For drugs other than biological products, the competent provincial drug administration department shall take sample drugs of three batches, and notify the drug control institute for re-inspection of standard.

- The competent provincial drug administration department shall, within the prescribed time limit, submit the Examination and Approval Opinions, inspection report and application documents to the CDE, and notify the applicant.

- The notified drug control institute shall inspect the sample taken for registration inspection, and submit the drug inspection report within the prescribed time, send copies to the CDE, the competent provincial drug administration department and the applicant.

- Upon receipt of the application documents, the CDE shall organize pharmaceutical, medical and other technical personnel to examine the application documents, and may request the applicant to provide supplemental information with explanations.

- For an application which meets the requirements, the CDE shall notify the applicant to apply for on-site production inspection and notify the Certification Committee for Drugs of NMPA ("CCD").

- The applicant shall, within six months upon receipt of notification of on-site production inspection, submit the on-site inspection application to the CCD.

- The CCD shall, within 30 days upon receipt of the notification of on-site production inspection, organize on-site inspection of the batch production process of samples and confirm the feasibility of the approved production process. At the same time, the CCD shall select one batch of sample (three batches of samples for biological products) and send them to the drug control institute for standard review inspection. The institution shall submit the review report to the CDE within ten days after the on-site inspection.

- The Institute for Drug Control shall inspect the selected samples in compliance with the approved drug standards, and submit the drug registration inspection report to the CDE within the prescribed time limit, and send copies to the competent provincial drug administration department and the applicant.

- The CDE shall, based on the technical examination, on-site inspection report of sample production and sample test results, form a comprehensive opinion and submit it together with the relevant document to the NMPA. The NMPA shall make decision on approval in accordance with the comprehensive opinions. If requirements are satisfied, a certificate of new drug shall be issued. Drug approval number shall be granted at the same time to enterprises with Manufacturing License for Drugs and productive conditions.

Biosimilars Guideline

In February 2015, the NMPA released the Technical Guideline for the Research, Development and Evaluation of Biosimilars (for Trial Implementation) (《生物類似藥研發與評價技術指導原則(試行)》), or the Biosimilars Guideline, which outlines the regulatory framework for biosimilars in China. It sets forth the definition of biosimilars and their reference products, 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 Biosimilars Guideline, a biosimilar drug should in principle have the same amino acid sequence as the reference product. The CDE examines comparability between a biosimilar and its reference product through comparative pharmacology data, non-clinical studies and clinical studies. Under the Biosimilars Guideline, the CDE expects a structural and functional characterization of the biosimilar drug when comparing the same to the reference product. The CDE also adopts a stepwise approach to examine comparability through comparative pharmacology data, non-clinical studies, and clinical studies.

Prioritized Examination and Approval for Registration of New Drugs

According to the Opinions of the State Council on Reform of the System of Evaluation, Review and Approval of Drugs and Medical Devices (《國務院關於改革藥品醫療器械審評審批制度的意見》) promulgated by the State Council in August 2015, innovation of drugs oriented toward clinical value shall be encouraged, and the procedure for review, evaluation and approval of innovative drugs shall be improved, with acceleration of review and evaluation of innovative drugs that are imperatively needed clinically.

According to the Announcement of the NMPA on Several Policies on the Appraisal and Approval of Drug Registration (《國家食品藥品監督管理總局關於藥品註冊審評審批若干政策的公告》) promulgated by the NMPA in November 2015, (1) as to the clinical trial applications for new drugs, one-time approval is implemented and no declaration, appraisal or approval at different levels will be adopted. (2) as to the registration applications which meet specific conditions, the applications can be handled in a separate line so as to facilitate their appraisal and approval.

According to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices promulgated by the General Office of the CPC Central Committee and the General Office of the State Council (《中共中央辦公廳、國務院辦公廳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》) in October 2017, the evaluation and approval of drugs and medical devices urgently needed for clinical practice shall be accelerated..

According to the Opinions on Encouraging the Prioritized Evaluation and Approval for Drug Innovations promulgated by the NMPA (《國家食品藥品監督管理總局關於鼓勵藥品創新實行優先審評審批的意見》) in December 2017, the NMPA would prioritize the examination and approval on applications of new drugs in particular cases, including (1) applications of new drugs with significant clinical value satisfying particular conditions; (2) applications of new drugs with significant clinical advantages preventing or treating particular diseases; (3) other particular conditions.

According to the Announcement on Optimizing the Evaluation and Approval of Drug Registration promulgated by the NMPA and the National Health Commission (《國家藥品監督管理局、國家衛生健康委員會關於優化藥品註冊審評審批有關事宜的公告》) in May 2018, the PRC government seeks to further simplified and accelerated the clinical trial approval process.

Pilot Plan for the Drug Marketing Authorization Holder Mechanism

In May 2016, the General Office of the State Council promulgated the Pilot Plan for the Drug Marketing Authorization Holder Mechanism (《藥品上市許可持有人制度試點方案》), which provides a detailed pilot plan for the drug marketing authorization holder mechanism (MAH) in 10 provinces and municipalities. Under the MAH System, drug research institutes or researchers in the pilot administrative regions may serve as the applicants for the drug registration and file applications for clinical drug trials and drug marketing; and any applicant granted the drug marketing permit and a drug approval number may become a drug marketing authorization holder. The applicants and the holders shall correspondingly assume the relevant legal liability for clinical drug trials and drug manufacturing and marketing specified in laws and regulations. The aforesaid pilot plan shall be implemented from the date of issuance to November 4, 2019, according to the Decision of the Standing Committee of the National People's Congress on Extending the Period of Authorizing the State Council to Carry out the Pilot Program of Drug Marketing Licenses Holders System in Certain Areas (《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》).

In August 2017, the NMPA promulgated the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorization Holder System (《國家食品藥品監督管理總局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》), which aims at carrying out the marketing authorization holder system pilot program and further making exploration in respect of the rights, obligations and legal liability of the holder, the quality management system in entrusted manufacturing and the responsibility system for the whole manufacturing and marketing chain, cross-regional regulatory coordination between the drug regulators, division of duties and assumption of responsibilities.

Draft Amendments of the Drug Administration Law of the PRC (Draft for Comments)

The Legislative Affairs Commission of the Standing Committee of the NPC released the Draft Amendments of the Drug Administration Law of the PRC (Draft for Comments) (《中華人民共和國藥品管理法修正草案(徵求意見稿)》) on Nov. 1, 2018, to seek comments from the public, and as compared to the current Drug Administration Law, mainly includes the following key highlights:

- The supervision for the whole process of drugs will be improved by emphasizing the responsibility of the enterprise, strengthening the management of drug production process and clarifying the traceability requirements of drug quality and safety;

- The responsibility for drug supervision will be clarified, and the supervision measures will be improved;

- The punishment of illegal behaviors will be aggravated by increasing the fine limit, strengthening the punishment for the relevant personnel of pharmaceutical production enterprises, and supplementing the responsibility of the MAH holder;

- The MAH system will be implemented, which will cause the MAH holder to undertake the responsibility of the safety and effectiveness of drugs and to bear legal responsibility during the whole process of development, production, management and use of drugs;

- The drug approval system will be reformed, including the abolishment of a separate GMP and GSP certification.

As of the Latest Practicable Date, the DALDA had not been approved by the National People's Congress or its Standing Committee. There is no specific timeline for the official enactment of the DALDA.

Measures for the Administration of Drug Registration (Draft for Comments)

The NMPA released the revised Measures for the Administration of Drug Registration (Draft for Comments) (《藥品註冊管理辦法(徵求意見稿)》) on July 22, 2016 and October 23, 2017 respectively, to seek comments from the public, which as compared to the current Measures for the Administration of 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 authorization 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 I, II and III, or in flexible manners based on the characteristics and applicability 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;

Although there is no definitive timeline for the official enactment of the revised Measures for the Administration of Drug Registration, it embodies a regulatory trend of promoting drug innovation, accelerating the drug registration process and setting forth higher quality and technical requirements.

Category 1 New Drug and Category 2 Therapeutic Biological Product

Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) makes different classifications of registration with regard to traditional Chinese medicines (TCMs), natural medicines, chemical drugs and biological products according to multiple elements of the drugs which are going to be applied for registration in the PRC, and it also requires differentiated registration martials for specific registration classification. The elements for different registration classifications include but are not limited to the following:

(1) Whether or not the drug has been marketed at home and abroad;

(2) Whether or not there is a change (e.g., the change of dosage form, the route of administration, or the pharmacological action) to the marketed drug;

(3) Whether or not there is a national drug standard for the drug;

(4) Whether or not there is a different preparation method for the drug;

(5) Other multiple elements.

The Category 1 new drugs refer to the drugs which are classified as the first category in classification of the drug registration. The Category 1 TCMs and natural medicines refer to the effective ingredients and their preparations that are extracted from plants, animals, minerals and other substances, which have not been marketed domestically; The Category 1 chemical drugs refer to the drugs which have not been marketed at home and abroad; The Category 1 therapeutic biological products refer to the biological products which have not been marketed at home and abroad; The Category 1 preventive biological products refer to the vaccines which have not been marketed at home and abroad.

There are 15 kinds of registry categories of therapeutic biological products in total, and the Category 2 therapeutic biological products are monoclonal antibodies. Compared to the therapeutic biological products from other registry categories, the requirements of application documents (e.g., the pharmaceutical research data, the data on pharmacological and toxicological studies, etc.) for Category 2 therapeutic biological products are different.

According to Announcement of the China Food and Drug Administration on Promulgating the Guiding Principles for the Research and Development and Evaluation Techniques concerning Bio-similar Drugs (《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 the basis of the product nature and preparation methods, biosimilar drugs can be declared as the Category 2 therapeutic biological products in the application procedures.

In addition, on October 23, 2017, the office of NMPA publicly solicited opinions for Measures for the Administration of Drug Registration (Draft for Comments) (《藥品註冊管理辦法(徵求意見稿)》), and Registration Classification of Biological Products and Its

Requirements for Application Material (trial) (《生物製品註冊分類及申報資料要求(試行)》) intended to classify therapeutic biological products into the following 5 categories according to different levels of product maturity: Category 1 new drug (New biological products); Category 2 (Improved biological products); Category 3 (Biological products which have been marketed abroad, but have not been marketed domestically); Category 4 (Biological products marketed domestically), Category 5 (Imported biological products). The above solicited opinions, which are made in the context of the reform of drug registration and classification and the reform of optimizing the evaluation and approval of drug registration, aim to facilitate the registration declaration and management of biological products.

LAWS AND REGULATIONS IN RELATION TO DRUG MANUFACTURE

Drug Manufacturing Certificate

Pursuant to the Drug Administration Law of the PRC (2015 revision) (《中華人民共和國藥品管理法(2015年修訂)》), a pharmaceutical manufacturer must obtain a Drug Manufacturing Certificate from the provincial drug administration department before it starts to manufacture pharmaceutical products. No one may manufacture drugs without a Drug Manufacturing Certificate. To establish a pharmaceutical production enterprise, the following requirements must be satisfied:

- It shall be staffed with legally certified pharmaceutical technical personnel, engineering technical personnel, as well as corresponding skilled workers;
- It shall have factory premises, facilities and a sanitary environment suitable for the medicines produced;
- It shall have a unit or competent personnel capable of inspecting the quality of the medicines produced, as well as necessary instruments and equipment;
- It shall have rules and regulations to ensure the quality of medicines.

According to the Regulations on the Implementation of the Drug Administration Law of the PRC (2016 revision) (《中華人民共和國藥品管理法實施條例 (2016年修訂)》), the valid term of the Drug Manufacturing Certificate is five years. The certificate holder should apply for renewal of the Drug Manufacturing Certificate in compliance with the regulation of the drug regulatory department under the State Council six months prior to the expiration date of the certificate.

Good Manufacturing Practices or GMP

Pursuant to the Certification Measures on GMP (2011 revision) (《藥品生產質量管理規範認證管理辦法(2011年修訂)》), in the case of establishing a pharmaceutical manufacturer or expanding the production range or building a new factory, the pharmaceutical manufacturer should apply for GMP certification in accordance with the Regulations for the Implementation

of the Drug Administration Law of the PRC (2016 revision) (《中華人民共和國藥品管理法實施條例(2016年修訂)》). The pharmaceutical manufacturer which has obtained the certificate of GMP shall reapply for the GMP certification 6 months prior to its expiration date.

GMP certification for pharmaceutical products is a measure of regulation and inspection on the pharmaceutical production quality by the drug administration department, and an administrative procedure of inspection and evaluation on the implementation of GMP and decision on the issuance of GMP certification.

A certificate of GMP that a manufacturer's factory has met certain criteria in the Good Manufacturing Practice for Pharmaceutical Products (2010 revision) (《藥品生產質量管理規範(2010年修訂)》), which includes institution and staff qualifications, manufacture premises and facilities, equipment, hygiene conditions, manufacture management, product management, maintenance of sales records and the procedure of handling customer complaints and adverse reaction reports.

Commissioned Production of Drugs

According to the Drug Administration Law of the PRC (2015 revision) (《中華人民共和國藥品管理法(2015年修訂)》), pharmaceutical manufacturers may accept the commission to produce drugs upon the approval of provincial drug administration department. The Regulations on the Implementation of the Drug Administration Law of the PRC (2016 revision) (《中華人民共和國藥品管理法實施條例(2016年修訂)》)and the Administrative Measures on Supervision of Pharmaceutical Production (2017 revision) (《藥品生產監督管理辦法(2017年修訂)》)defined the qualification of the entrusting party and the entrusted party, namely the entrusting party must be a pharmaceutical manufacturer with a corresponding drug approval number while the entrusted party of drug production must be a pharmaceutical manufacturer with a corresponding certificate of GMP. The entrusting and entrusted party of the drug should sign the contract stipulating the general rights and obligations, and specific rights and obligations on the technique and quality control of entrusted production of the drug in accordance with the laws and regulations on drug administration of the PRC.

OTHER LAWS AND REGULATIONS IN RELATION TO DRUG

New Drug Technology Transfer

The Administrative Regulations for Registration of Drug Technology Transfer(《藥品技術轉讓註冊管理規定》) applies to the filing, evaluation, examination, and monitoring of the applications for registration of drug technology transfer. Drug technology transfer refers to the process of transferring drug production technology from its owner to a drug manufacturing enterprise whereby the transferee shall apply for the registration of drug. Drug transfer technology is classified into new drug technology transfer and drug production technology transfer. The drug technology transfer shall meet the specified application condition and carry

out the corresponding procedure. Drugs manufactured by the transferee shall be consistent with those produced by the transferor in terms of, inter alia, formula, manufacturing process and quality specifications in order to guarantee the quality of the drug.

Drug Recall

The NMPA enacted Measures on the Administration of Recall of Drugs (《藥品召回管理辦法》) in 2007. According to the Measures, pharmaceutical manufacturers shall establish and improve the drug recall system, collect information on drug safety, conduct investigation and evaluation of drugs that may possibly have potential safety hazards, and recall drugs with potential safety problems. Depending on the severity of the potential drug safety hazards, drug recall is divided into level-one recall, level-two recall and level-three recalls. Pharmaceutical manufacturers should voluntarily recall the drugs once discovering potential safety hazards. In the event that a drug regulatory authority believes that any drug has the potential safety hazards while the drug manufacturer concerned fails to conduct a drug recall as required, the drug regulatory authority shall order the manufacturer to recall the drug.

Drug Price

According to the Drug Administration Law of the PRC (2015 revision) (《中華人民共和國藥品管理法 (2015年修訂)》), for drugs of which the prices are adjustable by the market in compliance with the law, drug manufacturers, drug distributors and medical institutions shall set its price in compliance with the principles of fairness, rationality, good faith and commensuration of price with quality, in order to provide the consumers with drugs at a reasonable price; set and indicate retailing prices in accordance with the regulations on administration over drug prices formulated by the competent pricing department under the State Council.

On May 4, 2015, the National Development and Reform Commission, the National Health and Family Planning Commission, the Ministry of Human Resources and Social Security, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce and the NMPA jointly issued the Notice Regarding Reforms to the Price of Medical Products (《推進藥品價格改革的意見》). Based on the Notice, from June 1, 2015, except anesthetics and Class 1 psychotropic drugs, government pricing will be lifted and drug procurement mechanism will be improved; medical insurance will play its role to control medical expenses and the actual drug trading prices will come about mainly through market forces.

Insert Sheets, Labels and Packaging

The insert sheets and product labels for any drugs marketed in the PRC must be in compliance with the requirements of the Provisions on the Administration of the Insert Sheets and Labels of Drugs (《藥品說明書和標籤管理規定》). The insert sheets and labels of drugs shall be subject to the ratification of the NMPA, and the literal expression of any drug insert sheets and labels must be scientific, accurate and normative. With regard to the same drug

product produced by the same drug product manufacturer, the drug specification and package must remain consistent, and the label content, format and color must remain consistent. The packaging colors for the same drug product produced by the same drug manufacturer should be distinctly different if such drugs are classified as prescription medicine and over-the-counter medicine.

According to the Provisions for the Administration of Drug Packaging (《藥品包裝管理辦法》), the packaging for drugs marketed in the PRC must comply with national standards and professional standards. In absence of such standards, the drug packaging standards should be established by the manufacturer and implemented after being approved by the provincial drug administration department and the standardization administration. If any packaging standards need to be revised, such manufacturer must reapply to the relevant authorities. Drugs without packaging standard shall not be marketed in the PRC (except drugs specially needed by the military).

Drug Advertisement

According to the Measures for the Examination of Drug Advertisements (《藥品廣告審查辦法》), which came into effect on May 1, 2007, all the advertisements containing drug names, diseases to which the drugs are applicable (functions and indications) or other drug-related content, that are published through various medias or in various drug advertisement forms would be deemed to be drug advertisements, which shall be examined in accordance with laws and regulations. An enterprise seeking to advertise its drugs must apply for an approval number for a drug advertisement, and the approval number's period of validity shall be one year. When publishing an approved drug advertisement, the content of the advertisement may not be altered. If any content of an approved drug advertisement needs to be amended, a reapplication for an approval number is required.

Commercial Briberies in Pharmaceutical Industry

Pursuant to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (2013 revision) (《關於建立醫藥購銷領域商業賄賂不良記錄的規定(2013年修訂)》), where a manufacturer of drugs, medical devices and medical disposables, an enterprise, an agency or an individual offers staff of a medical institution any items of value or other benefits, the enterprise should be listed in the adverse records with respect to commercial bribery in the event of the following circumstances: (1) where the act has constituted a crime of bribery as determined by the ruling of a people's court, or where the circumstance of crime is not serious enough for the imposition of criminal punishment and criminal punishment is exempted as decided by the people's court in accordance with the Criminal Law; (2) where the circumstance of the crime of bribery is minor and the relevant people's procuratorate has decided not to lodge a prosecution; (3) where a discipline inspection and supervision authority has initiated a case of bribery and conducted investigation, and punishment has been imposed in accordance with the law; (4) where

administrative penalties against the act of bribery have been imposed by, inter alia, the finance administration, the industrial and commercial administration, the NMPA; (5) any other circumstances specified by laws, regulations and rules.

Coverage and Reimbursement

Historically, most of the medical expenses in the PRC have been borne by patients out-of-pocket, which has limited the growth of more expensive pharmaceutical products. However, in recent years, the number of people covered public and private insurance has increased. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that cover both rural and urban citizens by 2020. Participants of the national medical insurance program and their employers, if any, are required to contribute to the insurance program on a monthly basis. Program participants are eligible for full or partial reimbursement of the costs of medicines included in the National Reimbursement Drug List (《國家基本醫療保險藥品目錄》), or the NRDL.

Reimbursement under the national medical insurance program

The national medical insurance program was first adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《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 December 14, 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The national medical insurance program was further developed according to the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In addition, on January 3, 2016, the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents issued by the State Council (《國務院關於整合城鄉居民基本醫療保險制度的意見》) required the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents expect for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

Medical Insurance Catalogue

Participants of the national medical insurance program and their employers (if any), are required to contribute to the payment of an insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalogue. Pursuant to the Interim Measures on the Administration of the Drug Scope for Basic Medical Insurance of Urban Employees (《城鎮職工基本醫療保險用藥

範圍管理暫行辦法》), the drugs included in the National Medical Insurance Drug Catalogue must be necessary, safe, effective, easy to use and commercially available at a reasonable price for clinical purposes while satisfying at least one of the following requirements:

- contained in the Pharmacopoeia of the PRC (《中華人民共和國藥典》);
- in accordance with the standards issued by the NMPA;
- approved by the NMPA to be imported.

The National Medical Insurance Drug Catalogue is the disbursement criteria for the basic medical insurance, work-related injury insurance and maternity insurance. This Catalogue, which classifies the drugs into Class A and Class B, and requires that the social security administration departments of all provinces shall not adjust the scope of Class A drugs in the Catalogue and must adjust the scope of Class B drugs strictly following the rules and regulations in force. The quantity involved in adjustments shall not exceed 15% of the quantity of national drugs of Class B. The contents of Part B of the provincial medical insurance catalogues may differ from region to region in the PRC. Patients purchasing medicines included in Part A of the National Medical Insurance Drug Catalogue shall reimburse the purchase price through the basic medical insurance program in full, and Patients purchasing medicines included in Part B of the National Medical Insurance Drug Catalogue are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price through the basic medical insurance program. The percentage of reimbursement for Part B medicines differs from region to region in the PRC.

On February 21, 2017, the Ministry of Human Resources and Social Security of the PRC released the 2017 National Medical Insurance Drug Catalogue, the scope of which had been expanded to cover 2,535 drugs in total, including 339 drugs that had been newly added. In July 2017, the Ministry of Human Resources and Social Security of the PRC announced that the 2017 National Medical Insurance Drug Catalogue would be expanded to include an additional 36 innovative drugs, classified as Part B medicines. In September, 2018, the Ministry of Human Resources and Social Security of the PRC announced that the 2017 National Medical Insurance Drug Catalogue would be expanded to include an additional 17 anti-cancer drugs, classified as Part B medicine. The 2017 National Medical Insurance Drug Catalogue and its amendments reflects an emphasis on innovative drugs and drugs that treat cancer and other serious diseases.

OTHER LAWS AND REGULATIONS IN RELATION TO OUR BUSINESS

Intellectual Property

According to the Patent Law of the PRC (2008 revision) (《中華人民共和國專利法(2008年修訂)》), there are three kinds of patent protection: patent for an invention, patent for utility models and design patent. The protection term for an invention is 20 years; the protection term for a utility model or a design patent is ten years and such patent become effective after the State Intellectual Property Office makes an announcement of approval. Any individual or entity

that uses such patent or conduct any other acts which infringe the patent rights without any authorization of such patent owners will be liable to indemnify such patent owners and will be fined or be prosecuted for criminal responsibility (as appropriate) by any administrative authorities.

According to the Trademark Law of the PRC (2013 revision) (《中華人民共和國商標法(2013年修訂)》), the Trademark Office of the State Council's administrative department for industry and commerce is responsible for the trademark registration and administration throughout the country. A registered trademark is valid for ten years, commencing from the date of registration approval. Where a trademark registrant intends to continue using the registered trademark upon expiry of its validity period, the trademark registrant shall go through renewal procedures within 12 months prior to the date of expiry in accordance with relevant provisions, failing which a grace period of six months may be granted. Each renewal of registration is valid for ten years immediately following the date of expiry of the last validity period of the trademark. If no application for renewal is filed upon expiry of the grace period, the registered trademark will be deregistered. Each renewal of registration shall be valid for ten years commencing from the date immediately following the date of expiry of the last validity period of the trademark. If any individuals or entities use the registered trademarks or conduct any other acts which infringe the rights of the trademarks without any authorization of the holders, such individuals or entities will be liable to indemnify the trademark holder and will be fined or be prosecuted for criminal responsibility (as appropriate) by any administrative authorities.

Product Liability and Consumer Protection

According to the Product Quality Law of the PRC (2009 revision) (《中華人民共和國產品質量法(2009年修訂)》), the earnings made by the producer and the distributors from sales of any defective products may be confiscated and the business license of such producer or distributors may be revoked; and if the case constitutes a crime, the offender will be investigated for criminal responsibility according to the law.

The Law on the Protection of the Rights and Interests of Consumers of the PRC (2013 revision) (《中華人民共和國消費者權益保護法(2013年修訂)》) is designed to protect the legitimate rights and interests of consumers when such consumers purchase or use any goods or accept any services and all operators must comply with such law when they produce or sell any goods or provide any services to customers. A consumer has the right to safety of person and property guaranteed in the purchase or use of a commodity or receipt of a service and also has the right to the knowledge of the true facts concerning commodities purchased and used or services received. If any personal injuries or property losses are suffered as a result of any defective commodities, a consumer or other aggrieved parties may require the seller to compensate, but they may also require the producer to compensate. Where the responsibility lies with the producer, the seller, after settling the compensation, has the right to recover from the producer. Where the responsibility lies with the seller, the producer, after settling the compensation, has the right to recover such compensation from the seller.

According to the Tort Law of the PRC (《中華人民共和國侵權責任法》), a producer must be liable for any losses caused to others as a result of any defective products and the aggrieved parties may recover any indemnifications from the producer or the seller for any such losses. If any product defects originate from the negligence on the part of the producer or any other third party, the seller may recover the amount equivalent to the amount of compensation from such producer or the third party after such compensation has been paid; if any product defects originate from the negligence on the part of the seller or any other third party, the producer may recover the amount equivalent to the amount of compensation from such seller or third party after such compensation has been paid. In the event of death or serious damage to health arising from a product that is manufactured or sold when it is known to be defective, the infringee shall be entitled to claim corresponding punitive compensation.

Labor Protection and Social Insurance

According to the Labor Law of the PRC (2009 revision) (《中華人民共和國勞動法(2009年修訂)》), the Labor Contract Law of the PRC (2012 revision) (《中華人民共和國勞動合同法(2012年修訂)》) and the Regulations on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), an employer must enter into a written labor contract with employees and the wages paid by employers to employees shall not be lower than the local standards of minimum wages. In addition, an employer must establish a system related to occupational health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employing unit recruits a worker, it shall truthfully inform him of the job description, the working conditions, the place of work, occupational hazards, conditions for work safety, labor remuneration and other matters which the worker requests to be informed of.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》)and so on, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing Provident Fund (2002 revision) (《住房公積金管理條例(2002年修訂)》), an employer must open a housing fund account with the department responsible for the administration of housing fund for its employees and make contributions to such housing fund.

Environment Protection

According to the Environment Protection Law of the PRC (2014 revision) (《中華人民共和國環境保護法(2014年修訂)》), the Law of the PRC on Prevention and Control of Water Pollution (2017 revision) (《中華人民共和國水污染防治法(2017年修訂)》), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (2016 revision) (《中華人民共和國固體廢物污染環境防治法(2016年修訂)》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (2018 revision) (《中華人民共和國大氣污染防治法(2018年修訂)》) and Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), any facilities which are

used to prevent and control pollution for a construction project should designed, constructed and used at the same time when the main part of a project is designed, constructed and used. Such prevention and control facilities must be in compliance with the requirements of the environment evaluation documents approved and such facilities must not be removed or leave unused. An enterprise must report to and file record with the administrative environmental protection authorities in respect of any pollutant discharge. Such enterprise must comply with the national and local discharge standards in its daily operations in respect of water pollutants, solid waste, exhaust gas, noise and other pollutants.

According to the Law of the PRC on Environmental Impact Assessment (2016 revision) (《中華人民共和國環境影響評價法(2016年修訂)》), the Regulations on the Administration of Construction Project Environmental Protection (2017 revision) (《建設項目環境保護管理條例(2017年修訂)》) and the Classified Management Directory of the Construction Project Environmental Impact (2017 revision) (《建設項目環境影響評價分類管理名錄(2017年修訂)》), classification management is implemented in respect of any environmental impact of a construction project on the basis of degree of such impact of the construction project on the environment. The environmental impact assessment of the construction project should be made by a qualified institution by preparing an environmental impact report, an environmental impact report form or an environmental impact registration form on the basis of the following principles: (1) where considerable effects may be exerted on the environment, preparing a written report on environmental effects, in which a comprehensive evaluation of the effects on the environment shall be made; (2) where mild effects may be exerted on the environment, preparing a statement on the effects, in which an analysis or special evaluation of the effects shall be made; (3) where the effects on the environment are very little and therefore it is not necessary to make an evaluation of them, filling out a registration form of environmental effects. Where the environmental impact assessment documents of a construction project are not reviewed by the relevant examination and approval department pursuant to the law or are not approved after review, the construction unit concerned shall not commence the construction of the said project.

GOVERNMENT REGULATION – UNITED STATES

We operate in a highly regulated industry that is subject to significant federal, state, and local regulation. Our business has been, and will continue to be, subject to a variety of laws including the Federal Food, Drug, and Cosmetic Act, or FFDCA, and the Public Health Service Act, or PHS Act, among others. Biologics are subject to regulation under the FFDCA and PHS Act.

In the United States, biopharmaceutical products are subject to extensive regulation by the U.S. Food and Drug Administration, or FDA. The FFDCA, PHS Act, and other federal and state statutes and regulations, govern, among other things, the research, development, testing, manufacture, storage, recordkeeping, regulatory approval, license or clearance, labeling, promotion and marketing, distribution, post-approval monitoring and reporting, sampling, and import and export of these products. Failure to comply with applicable U.S. requirements may subject a company to a variety of administrative or judicial sanctions, such as FDA refusal to

approve pending license or marketing applications, warning letters and other enforcement actions, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties and criminal prosecution.

U.S. Biological Products Development Process

The process required by the FDA before a biological product may be marketed in the United States generally involves the following:

- completion of nonclinical laboratory tests and animal studies according to Good Laboratory Practices, or GLPs, and applicable requirements for the humane use of laboratory animals or other applicable regulations;

- submission to the FDA of an Investigational New Drug Application, or IND, which must become effective before human clinical trials may begin;

- performance of adequate and well-controlled human clinical trials to establish the safety and efficacy of the proposed biological product for its intended use, according to the FDA's regulations, commonly referred to as good clinical practices, or GCPs, and any additional requirements including those for the protection of human research subjects and their health and other personal information;

- submission to the FDA of a Biologics License Application, or BLA, for marketing approval that includes substantive evidence of safety, purity and potency from results of nonclinical testing and clinical trials;

- satisfactory completion of an FDA inspection of the manufacturing facility or facilities where the biological product is produced to assess compliance with current Good Manufacturing Practices, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the biological product's identity, strength, quality and purity;

- potential FDA audits of the nonclinical study and clinical trial sites that generated the data in support of the BLA; and

- FDA review and approval of the BLA.

Preclinical Studies

Biological product development in the United States typically involves preclinical laboratory and animal tests. Preclinical tests include laboratory evaluation of product chemistry, formulation, and toxicity, as well as animal trials to assess the characteristics and potential safety and efficacy of the product. The conduct of the preclinical tests must comply with federal regulations and requirements including GLPs, among other requirements. The results of preclinical testing are submitted to the FDA as part of an IND along with other

information, including information about product chemistry, manufacturing and controls, and a proposed clinical trial protocol. Long-term preclinical tests, such as animal tests of reproductive toxicity and carcinogenicity, may continue after the IND is submitted. A 30-day waiting period after the submission of each IND is required prior to the commencement of clinical testing in humans. If the FDA has not objected to the IND within this 30-day period, the clinical trial proposed in the IND may begin.

Clinical Studies

Clinical trials performed in the U.S. must be conducted pursuant to an IND and in compliance with federal regulations and Good Clinical Practices, or GCPs, an international standard meant to protect the rights and health of subjects and to define the roles of clinical trial sponsors, administrators, and monitors, as well as under protocols detailing the objectives of the trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Each protocol involving testing on U.S. subjects and subsequent protocol amendments must be submitted to the FDA as part of the IND. The FDA may order the temporary or permanent discontinuation of a clinical trial at any time or impose other requirements or sanctions if it believes that the clinical trial is not being conducted in accordance with FDA requirements or presents an unacceptable risk to the clinical trial subjects. The clinical trial protocol, any protocol amendments, and informed consent information for subjects in clinical trials must also be submitted to an Institutional Review Board, or IRB, for approval. An IRB may require the clinical trial at the site to be halted, either temporarily or permanently, for failure to comply with the IRB's requirements, or may impose other conditions. The IRB also approves the form and content of the informed consent form that must be signed by each clinical trial subject or his or her legal representative, and the IRB must monitor the clinical trial until completed. Human clinical trials are typically conducted in three sequential phases that may overlap or be combined:

- Phase 1. The product candidate is initially introduced into a limited population of healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. In the case of some products for some diseases, or when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing may be conducted in patients with the disease or condition for which the product candidate is being studied.

- Phase 2. The product candidate is evaluated in a limited patient population, but larger than in Phase 1, to identify possible adverse events and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted indications and to assess dosage tolerance, optimal dosage and dosing schedule.

- Phase 3. Clinical trials are undertaken to further evaluate dosage, and provide substantial evidence of clinical efficacy and safety in an expanded patient population, such as several hundred to several thousand subjects, at geographically dispersed clinical trial sites. Phase 3 clinical trials are typically conducted when Phase 2 clinical trials demonstrate that a dose range of the product candidate is

effective and has an acceptable safety profile. These trials typically have at least 2 groups of patients who, in a blinded fashion, receive either the product or a placebo. Phase 3 clinical trials are intended to establish the overall risk-benefit ratio of the product and provide an adequate basis for product labeling. Generally, two adequate and well-controlled Phase 3 clinical trials are required by the FDA for approval of a BLA.

- Phase 4. In some cases, the FDA may condition approval of a BLA for a product candidate on the sponsor's agreement to conduct additional clinical studies after approval. In other cases, a sponsor may voluntarily conduct additional clinical studies after approval to gain more information about the product. Such post-approval studies are typically referred to as Phase 4 clinical trials.

Marketing Approval

Clinical trials to support BLAs, which are applications for marketing approval, are typically conducted in three sequential phases, but the phases may overlap. In Phase 1, the initial introduction of the investigational biologic candidate into humans, the investigational biologic is tested to assess side effects and, if possible, early evidence on effectiveness. Phase 2 usually involves trials in a limited subject population to determine the effectiveness of the investigational biologic for a particular indication or indications and identify common adverse effects and safety risks.

If an investigational biologic demonstrates evidence of effectiveness and an acceptable safety profile in Phase 2 evaluations, Phase 3 clinical trials are undertaken to obtain additional information about clinical efficacy and safety in a larger number of subjects, typically at geographically dispersed clinical trial sites, to permit the FDA to evaluate the overall benefit-risk relationship of the investigational product and to provide adequate information for its labeling. In most cases, the FDA requires two adequate and well-controlled Phase 3 clinical trials to demonstrate the efficacy and safety of the biologic for use in a specific indication or population. A single Phase 3 clinical trial with other confirmatory evidence may be sufficient in rare instances where the study is a large multicenter trial demonstrating internal consistency and a statistically very persuasive finding of a clinically meaningful effect on mortality, irreversible morbidity, or prevention of a disease with a potentially serious outcome and confirmation of the result in a second trial would be practically or ethically impossible. After completion of the required clinical testing, a BLA is prepared and submitted to the FDA. FDA approval of the BLA is required before marketing of the product may begin in the U.S. The BLA must include the results of all preclinical, clinical and other testing and a compilation of data relating to the product's manufacture and controls. The cost of preparing and submitting a BLA is substantial. The submission of most BLAs is additionally subject to a substantial application fee, and the holders of approved BLAs are also subject to annual user fees.

The FDA has 60 days from its receipt of a BLA to determine whether the application will be accepted for filing based on the agency's threshold determination that it is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review. The FDA has agreed to certain performance goals in the review of BLAs. Most such applications for standard review biologics products are reviewed within ten months of submission; most applications for priority review biologics are reviewed within six months of submission. Priority review for biologics is limited to those products intended to treat a serious or life-threatening disease with unmet medical need relative to the currently approved products. The review process may be extended by the FDA for three additional months to consider certain late-submitted information, or information intended to clarify information already provided in the submission. The FDA may also refer applications for novel biologic products or biologic products that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. Before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCPs.

Additionally, the FDA will inspect the facility or the facilities at which the biologic product is manufactured. The FDA will not approve the BLA unless it determines that compliance with cGMP is satisfactory. Manufacturers of biologics also must comply with the FDA's general biological product standards. After the FDA evaluates the BLA and the manufacturing facilities, it issues either an approval letter or a complete response letter. A complete response letter outlines the deficiencies in the submission and may require substantial additional testing, including additional large-scale clinical testing or information in order for the FDA to reconsider the application. If, or when, those deficiencies have been addressed to the FDA's satisfaction in a resubmission of the BLA, the FDA will issue an approval letter. The FDA has committed to reviewing such resubmissions in two or six months depending on the type of information included. An approval letter authorizes commercial marketing of the biologic with specific prescribing information for specific indications. As a condition of BLA approval, the FDA may require substantial post-approval testing and surveillance to monitor the product's safety or efficacy and may impose other conditions, including labeling restrictions, which can materially affect the product's potential market and profitability. Once granted, product approvals may be withdrawn if compliance with regulatory standards is not maintained or if problems or safety issues are identified following initial marketing. Changes to some of the conditions established in an approved application, including changes in indications, labeling, ingredients or manufacturing processes or facilities, require submission and FDA approval of a new BLA or BLA supplement before the change can be implemented. A BLA supplement for a new indication typically requires clinical data similar to that in the original application, and the FDA uses the same procedures and actions in reviewing BLA supplements as it does in reviewing BLAs.

Post-Approval Requirements

Once a BLA is approved, a product will be subject to certain post-approval requirements. For instance, the FDA closely regulates the post-approval marketing and promotion of biologics, including standards and regulations, off-label promotion, industry-sponsored scientific and educational activities and promotional activities involving the internet. Biologics may be marketed only for the approved indications and in accordance with the provisions of the approved labeling. Adverse event reporting and submission of periodic reports is required following FDA approval of a BLA. The FDA also may require post-marketing testing, known as Phase 4 testing, Risk Evaluation and Mitigation Strategies, or REMS, and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product. In addition, quality control as well as product manufacturing, packaging and labeling procedures must continue to conform to cGMP after approval. Manufacturers and certain of their subcontractors are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA during which the agency inspects manufacturing facilities to assess compliance with applicable regulations such as cGMP. Accordingly, manufacturers must continue to expend time, money and effort in the areas of production and quality control to maintain compliance with cGMP. Regulatory authorities may withdraw product approvals or request product recalls if a company fails to comply with regulatory standards, if it encounters problems following initial marketing, or if previously unrecognized problems are subsequently discovered.

Biosimilar Approval Process

The Biologics Price Competition and Innovation Act of 2009, or BPCIA, established an abbreviated approval pathway for biological products shown to be similar to, or interchangeable with, an FDA-licensed reference biological product. This amendment to the PHSA attempts to minimize duplicative testing. Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical trial or trials. Interchangeability requires that a product is biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product and, for products administered multiple times, the biologic and the reference biologic may be switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic.

A reference biologic is granted twelve years of exclusivity from the time of first licensure of the reference product. The first biologic product submitted under the biosimilar approval pathway that is determined to be interchangeable with the reference product has exclusivity against other interchangeable biosimilar products for the lesser of (i) one year after the first commercial marketing, (ii) 18 months after approval if there is no legal challenge, (iii) 18

months after the resolution in the applicant's favor of a lawsuit challenging the biologics' patents if an application has been submitted, or (iv) 42 months after the application has been approved if a lawsuit is ongoing within the 42-month period.

Pediatric Information

Under the Pediatric Research Equity Act of 2003, BLAs or supplements must contain data adequate to assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The FFDCA requires that a sponsor who is planning to submit a marketing application for a product that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration submit an initial Pediatric Study Plan, or PSP, within 60 days of an end-of-Phase 2 meeting or as may be agreed between the sponsor and the FDA. The initial PSP must include an outline of the pediatric study or studies that the sponsor plans to conduct, including study objectives and design, age groups, relevant endpoints and statistical approach, or a justification for not including such detailed information, and any request for a deferral of pediatric assessments or a full or partial waiver of the requirement to provide data from pediatric studies along with supporting information. The FDA may, on its own initiative or at the request of the applicant, grant deferrals for submission of data or full or partial waivers. The FDA and the sponsor must reach agreement on the PSP. A sponsor can submit amendments to an agreed-upon initial PSP at any time if changes to the pediatric plan need to be considered based on data collected from preclinical studies, early phase clinical trials, and/or other clinical development programs.

OUR HISTORY

Overview

We are an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale.

Our Company was established on December 27, 2012 as a limited liability company with a registered capital of RMB1 million, owned equally by Mr. Zhang Zhuobing, who is currently an executive Director, and by Mr. Shan Jikuan, whose spouse was a founder of Shanghai Union Biopharm. Mr. Shan and his spouse controlled Shanghai Union Biopharm from August 2010 to November 2011. Mr. Shan transferred his Shares in 2013 and is no longer a Shareholder. In January 2013, Mr. Xiong Jun and Mr. Xiong Fengxiang became our Shareholders holding an aggregate of 37% equity interest in our Company at the relevant time immediately following their acquisition of Shares.

In May 2015, our Company was converted into a joint-stock limited liability company and renamed as "上海君實生物醫藥科技股份有限公司" (Shanghai Junshi Biosciences Co., Ltd.*). Our Shares became listed on the NEEQ in August 2015. In June 2016, we completed our merger with Shanghai Union Biopharm. Our registered capital was increased to RMB601.4 million as of the Latest Practicable Date after further rounds of investment.

For further details on our principal business and biographies of our Directors, please refer to the sections headed "Business" and "Directors, Supervisors and Senior Management" in this prospectus.

Milestones

Key milestones in our development are as follows:

Time	Event
December 2012	Our Company was established as a limited liability company in the PRC under the name of 上海君實生物醫藥科技有限公司 (Shanghai Junshi Biosciences Co., Ltd.*).
January 2013	Mr. Xiong Jun and Mr. Xiong Fengxiang became our Shareholders.
May 2015	Our Company was converted into a joint-stock limited liability company and renamed as 上海君實生物醫藥科技股份有限公司 (Shanghai Junshi Biosciences Co., Ltd.*).

Time	Event
August 2015	Our Company became listed on the NEEQ.
December 2015	JS001 obtained IND approval from the NMPA, being the first anti-PD-1 monoclonal antibody developed by a PRC company to receive IND approval.
May 2016	UBP1211 was approved by the NMPA to conduct clinical trials, being one of the first Humira biosimilars developed by PRC companies to receive IND approval from the NMPA.
June 2016	Our Company completed the merger by absorption of Shanghai Union Biopharm (previously listed on the NEEQ, stock code: 430598.NEEQ).
October 2016	UBP1213 received IND approval from the NMPA. We are the first company in the PRC to obtain IND approval for anti-BLyS monoclonal antibody.
May 2017	Our Company was admitted into the "Innovation Layer" of the companies listed on the NEEQ.
July 2017	We commenced construction of our Lingang Production Base as our new manufacturing base.
August 2017	JS002, being the first anti-PCSK9 monoclonal antibody to receive IND approval in the PRC, obtained IND approval from the NMPA.
January 2018	We obtained from the FDA the approval to conduct clinical trials in the United States for JS001.
March 2018	We started Phase I clinical trial in the United States for JS001.
	Our NDA filing for JS001 was accepted by the NMPA.

OUR COMPANY

Changes in the Registered Capital of our Company

At the time of establishment on December 27, 2012, the registered capital of our Company was RMB1,000,000, which was held as to 50% by Mr. Zhang Zhuobing and as to 50% by Mr. Shan Jikuan.

On April 12, 2013, our Shareholders resolved to increase the registered capital of our Company from RMB1,000,000 to RMB10,000,000. Immediately following the increase in registered capital, the equity interests of our Company was held as to 36.6% by Mr. Xiong Fengxiang, 4.9% by Mr. Xiong Jun, 43.5% by Mr. Chen Bo and 15% by Mr. Wu Yang. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on May 2, 2013.

On July 22, 2013, our Shareholders resolved to increase the registered capital of our Company from RMB10,000,000 to RMB13,450,000. Immediately following the increase in registered capital, among others, the equity interests of our Company was held as to approximately 27.21% by Mr. Xiong Fengxiang, approximately 3.64% by Mr. Xiong Jun, approximately 11.15% by Mr. Wu Yang, and approximately 32.34% by Ms. Du Yali. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on August 6, 2013.

On November 28, 2014, our Shareholders resolved to increase the registered capital of our Company from RMB13,450,000 to RMB14,700,000, following which Mr. Xiong Fengxiang became the single largest shareholder holding approximately 24.90% of the equity interests. Mr. Xiong Jun held approximately 0.9%, Suzhou Ruiyuan held approximately 18.53%, Mr. Wu Yang held approximately 9.37% and Ms. Du Yali, held approximately 12.6% of the equity interests of our Company immediately following the increase. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on December 19, 2014.

On May 5, 2015, our Company was converted from a limited liability company to a joint-stock limited liability company, with a registered capital of RMB14,700,000 with 14,700,000 Shares with a nominal value of RMB1.00 each.

On November 11, 2015, our Shareholders resolved to increase the registered capital of our Company from RMB14,700,000 to RMB22,050,000 by issuing 7,350,000 new Shares with a nominal value of RMB1.00 each for the purpose of our merger with Shanghai Union Biopharm mentioned in the paragraph headed "– Merger by absorption of Shanghai Union Biopharm" below. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on June 27, 2016.

Following further increase in the registered capital and issue of new Shares as further described in "– Major changes in our shareholding during the Track Record Period and up to the Latest Practicable Date" below, our Company had a registered capital of RMB601,400,000 as of the Latest Practicable Date.

The PRC Legal Advisor has confirmed that (i) the necessary approvals from the relevant authorities for the aforesaid changes in our registered capital have been obtained; and (ii) the aforesaid changes in our registered capital is valid and legal and have complied with the relevant filing procedures with the relevant local office of the Administration for Industry and Commerce.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there was no major change in the registered capital in our Company.

Issuance of the 2018 Convertible Bonds

On February 9, 2018, our Company obtained a letter of no objection (無異議函) from the Shanghai Stock Exchange to issue 2018 Convertible Bonds in a principal amount not more than RMB500 million.

On February 23, 2018, our Company issued the 2018 Convertible Bonds in a principal amount of RMB200 million to qualified investor(s) at the issue price representing 100% of its face value (i.e. RMB200 million). The term of the 2018 Convertible Bonds is 6 years commencing from the issue date. The annual interest rate of the 2018 Convertible Bonds is 10.35%. The 2018 Convertible Bonds have been listed on the Shanghai Stock Exchange (code: 145951.SH). The 2018 Convertible Bonds may be converted into Domestic Shares after the end of six months from the issue date. In the event a holder of the 2018 Convertible Bonds wishes to convert the said bonds, the holder shall submit a conversion application within the conversion reporting period (being the 10 trading days after the end of six months from the first issue date, or the 10 trading days after the end of every three months thereafter). If the number of our Shareholders exceeds 200, the holder of the 2018 Convertible Bonds may not submit any conversion application. If all conversion reporting periods have expired and the holder of the 2018 Convertible Bonds has not submitted any conversion application, the right to convert the 2018 Convertible Bonds shall automatically lapse. In the event a holder of the 2018 Convertible Bonds is unable to convert the bonds for the reason that the number of our Shareholders exceeds 200 at the time of the conversion application, the holder is entitled to request our Company to repay the principal amount together with the interest accrued thereon. Further, under the applicable securities laws and regulations at the relevant time, our Company should issue new Shares in priority to such bondholder who is unable to convert the bonds with reference to the conversion price calculated based on the terms of the 2018 Convertible Bonds. Mr. Xiong Jun and Mr. Xiong Fengxiang also undertook to vote in favour of such resolutions in case such circumstance arises.

Under the terms of the 2018 Convertible Bonds, the holders of the 2018 Convertible Bonds have the option to request the Company to redeem all or some of the bonds at par value plus accrued interest on the third interest payment date.

The initial conversion price of the 2018 Convertible Bonds was RMB25 per Domestic Share represented a premium of approximately 31.44% over the then prevailing closing price of our Share quoted on NEEQ on October 24, 2017, being the last trading date of the Shares on NEEQ before the determination of the initial conversion price. The initial conversion price and such premium was determined after arm's length negotiation between our Company and Shanghai Tanying with reference to the expected return from interests payment at the rate of 10.35% per annum if holder(s) of the 2018 Convertible Bonds elects to hold the 2018 Convertible Bonds to maturity, the expected growth of our Company, and the dilutive effect from the conversion in light of our funding needs in the principal amount of RMB200 million. The conversion price of the 2018 Convertible Bonds shall be adjusted upon occurrence of certain events, including distributions to shareholders, issue or placing of shares etc., which result in a change in our Company's share capital. As of the Latest Practicable Date, RMB200 million of these 2018 Convertible Bonds were outstanding and convertible into 8,061,265 Domestic Shares at the conversion price of RMB24.81 per Domestic Share and were held by Shanghai Tanying. Upon Listing, subject to the terms and conversion restrictions of the 2018 Convertible Bonds, the conversion price and number of Domestic Shares into which the outstanding 2018 Convertible Bonds may be converted will be adjusted as follows:

	Adjusted conversion price and cost per Domestic Share (RMB per Domestic Share)[*(Note 1)*]	**Maximum number of Domestic Shares into which the outstanding 2018 Convertible Bonds may be converted, subject to the terms and conversion restrictions**[*(Note 2)*]	**Percentage of issued share capital of our Company enlarged by issuing Domestic Shares upon conversion of the 2018 Convertible Bonds (assuming full conversion of the 2018 Convertible Bond and before exercise of the Over-allotment Option and Pre-IPO Options, for illustration purpose) (approximate)**[*(Note 1)*]	**Premium/discount to the Offer Price per H Share (approximate)**
Assuming the Over-allotment Option is not exercised				
Calculated based on the low-end of the Offer Price of HK$19.38 (equivalent to RMB17.20) per H Share	23.2200	8,613,274	1.12%	34.9805% premium
Calculated based on the high-end of the Offer Price of HK$20.38 (equivalent to RMB18.09) per H Share	23.4055	8,545,001	1.11%	29.3829% premium
Assuming the Over-allotment Option is fully exercised				
Calculated based on the low-end of the Offer Price of HK$19.38 (equivalent to RMB17.20) per H Share	23.0371	8,681,666	1.10%	33.9172% premium

	Adjusted conversion price and cost per Domestic Share (RMB per Domestic Share)[Note 1]	Maximum number of Domestic Shares into which the outstanding 2018 Convertible Bonds may be converted, subject to the terms and conversion restrictions[Note 2]	Percentage of issued share capital of our Company enlarged by issuing Domestic Shares upon conversion of the 2018 Convertible Bonds (assuming full conversion of the 2018 Convertible Bond and before exercise of the Over-allotment Option and Pre-IPO Options, for illustration purpose) (approximate)[Note 1]	Premium/discount to the Offer Price per H Share (approximate)
Assuming the Over-allotment Option is not exercised				
Calculated based on the high-end of the Offer Price of HK$20.38 (equivalent to RMB18.09) per H Share	23.2439	8,604,401	1.09%	28.4897% premium

Notes:

1. Rounded up to four decimal points. In each case, without regard to the Pre-IPO Options.

2. Conversion is subject to terms and conversion restrictions, among others, if the number of our Shareholders exceeds 200, the holder(s) of the 2018 Convertible Bonds may not submit any conversion application.

The table below sets out a summary of the certain key terms and information of the 2018 Convertible Bonds:

Principal amount and issue price:	RMB200 million
Term:	6 years commencing from the issue date (i.e. February 23, 2018)
Annual interest rate:	10.35%
Initial conversion price:	RMB25 per Domestic Share (subject to adjustment set out above)

Holders of the Convertible Bonds are not entitled to any special rights as set out in the Stock Exchange's Guidance Letter GL43-12 (namely, rights to price adjustment, divestments, appointment or nomination of director or other nomination, veto, financial compensation, exclusivity, information or right of first refusal and tag along), other than its rights to payment of principal and interests under the 2018 Convertible Bonds as set out above. Please also refer to Note 27 of the Accountants' Report in Appendix I to this prospectus.

OUR MAJOR SUBSIDIARIES

We also conduct our business through our wholly-owned major subsidiaries:

Company name	Date and place of establishment	Major business
Junshi Biotechnology	June 29, 2016, the PRC	The development and operation of the Lingang Production Base, which will be the base for the production of our drug candidates after the grant of regulatory approvals.
Suzhou Union Biopharm	October 12, 2013, the PRC	The operation of the Wujiang Production Base, which is responsible for the commercialization of our drug candidates.
TopAlliance	March 6, 2013, the United States	Development of novel and high efficiency platform for monoclonal antibody discovery, provision of services in monoclonal antibody discovery and engineering of recombinant antibodies and Fc fusion proteins and provision of biotechnology services.
Suzhou Junmeng	October 12, 2013, the PRC	R&D of biological pharmaceuticals and conducting pharmaceutical R&D and animal testing in cooperation with TopAlliance.
Jiangsu Union Biopharm	April 1, 2013, the PRC	Filing of clinical research application for our drug candidates.

1. Junshi Biotechnology

Junshi Biotechnology is a limited liability company established in the PRC on June 29, 2016. At the time of establishment, its registered capital was RMB50,000,000 and was wholly-owned by our Company. On May 15, 2017, its registered capital increased from RMB50,000,000 to RMB150,000,000, which was contributed solely by our Company. On October 10, 2017, its registered capital increased to RMB350,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Junshi Biotechnology by RMB650,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

2. Suzhou Union Biopharm

Suzhou Union Biopharm is a limited liability company established in the PRC on October 12, 2013. At the time of establishment, its registered capital was RMB51,000,000 and was wholly-owned by our Company. On July 4, 2018, its registered capital was increased to RMB486,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Suzhou Union Biopharm by RMB214,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

3. TopAlliance

TopAlliance is a corporation established in the United States on March 6, 2013. At the time of establishment, its issued shares was nil. As of August 24, 2017, the number of issued shares of TopAlliance increased to 248,000 with the total issued share capital being US$24,800,000 and was wholly-owned by our Company. As of April 27, 2018, the number of issued shares of TopAlliance increased to 348,000 with the total issued share capital being US$34,800,000 and was wholly-owned by our Company. From April 27, 2018 up to the Latest Practicable Date, the issued share capital and shareholding of TopAlliance remained unchanged.

4. Suzhou Junmeng

Suzhou Junmeng is a limited liability company established in the PRC on October 12, 2013. At the time of establishment, its registered capital was RMB50,000,000 and was wholly-owned by our Company. On July 3, 2018, its registered capital was increased to RMB134,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Suzhou Junmeng by RMB116,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

5. Jiangsu Union Biopharm

Jiangsu Union Biopharm is a limited liability company established in the PRC on April 1, 2013. At the time of establishment, its registered capital was RMB5,000,000 and was wholly-owned by our Company. On July 13, 2018, its registered capital was increased to RMB35,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Jiangsu Union Biopharm by RMB10,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS DURING THE TRACK RECORD PERIOD

Merger by absorption of Shanghai Union Biopharm

Shanghai Union Biopharm was a limited liability company established in the PRC on July 28, 2008. Immediately before the completion of the merger with our Company in June 2016, Shanghai Union Biopharm had a registered capital of RMB146,071,040 and had 48 shareholders. It was previously listed on the NEEQ (stock code: 430598.NEEQ). Shanghai Union Biopharm was mainly engaged in the business of R&D of drugs.

In order to effectively consolidate research resources, reduce competition, create synergy and develop a better platform for the research of drugs, our Company and Shanghai Union Biopharm entered into a merger by absorption agreement on May 30, 2015, a first supplemental agreement on July 10, 2015 and a second supplemental agreement on September 1, 2015 pursuant to which parties agreed to merge by absorption of Shanghai Union Biopharm. The merger would be carried out by the issue of 0.050317983 Shares in our Company in exchange of 1 share in Shanghai Union Biopharm each. An aggregate of 7,350,000 Shares with a nominal value of RMB1.00 each, representing approximately 33.33% of our enlarged share capital at the relevant time, would be issued to all the then shareholders of Shanghai Union Biopharm, after which our registered capital was increased from RMB14.7 million to RMB22.05 million as a result. The consideration was determined with reference to the net asset per share in Shanghai Union Biopharm. After the exchange of shares, all assets and liabilities, businesses, employees, contracts and all other rights and liabilities of Shanghai Union Biopharm would be succeeded by our Company. Shanghai Union Biopharm subsequently applied for cancellation and delisting from NEEQ. As of the Latest Practicable Date, the deregistration of Shanghai Union Biopharm with the relevant local office of the Administration for Industry and Commerce has been completed.

Beijing Xinjingke Biotechnology

Beijing Xinjingke Biotechnology is a limited liability company established in the PRC on September 29, 1998. At the time of establishment, its registered capital was RMB500,000 and was owned by two individuals, who were both Independent Third Parties. From its date of establishment until May 2016, there were various changes to the registered capital and shareholding of Beijing Xinjingke Biotechnology. As at May 27, 2016, its registered capital was RMB1,000,000. On May 27, 2016, Beijing Junkejingde (our non-wholly owned subsidiary) acquired the entire equity interest in Beijing Xinjingke Biotechnology from two individuals, who were both Independent Third Parties, at a total cash consideration of RMB1,000,000. As confirmed by our Directors, such consideration was determined based on Beijing Xinjingke Biotechnology's business prospects and mutual agreement between parties. Upon completion of the acquisition, Beijing Xinjingke Biotechnology became wholly-owned by Beijing Junkejingde. On November 21, 2016, its registered capital was increased from RMB1,000,000 to RMB5,000,000, which was contributed solely by Beijing Junkejingde.From

November 21, 2016 up to June 29, 2018, the registered capital and shareholding of Beijing Xinjingke Biotechnology remained unchanged. Beijing Xinjingke Biotechnology was mainly engaged in the business of sales of biological reagents during such period.

Pursuant to a share transfer agreement dated April 25, 2018 entered into between Beijing Junkejingde and an Independent Third Party, Beijing Junkejingde agreed to transfer the entire equity interest in Beijing Xinjingke Biotechnology to the Independent Third Party at a consideration of RMB2,000,000 which was settled on July 10, 2018. As confirmed by our Directors, such consideration was determined based on Beijing Xinjingke Biotechnology's business prospects and mutual agreement between the parties. Beijing Xinjingke Biotechnology was disposed in order to streamline our Group's business strategies. The transfer was completed on June 29, 2018 and Beijing Xinjingke Biotechnology is no longer a subsidiary of our Company. Please refer to the paragraph headed "Financial Information – Discontinued Operations" of this prospectus for the impact of such disposal to us.

Our Company confirmed that all applicable regulatory approvals have been obtained and each of the acquisition, disposal and merger disclosed above have been properly and legally completed and settled.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any major acquisition, disposal or merger.

OUR SHAREHOLDING AND GROUP STRUCTURE

Major changes in our shareholding during the Track Record Period and up to the Latest Practicable Date

As of January 1, 2016, our Company had a registered capital of RMB22,050,000 with a total of 69 Shareholders, of which 9 were non-individual Shareholders and 60 were individual Shareholders. As at January 1, 2016, the Shareholders directly holding 5% or more of the share capital of our Company were as follows:

Name of Shareholder	Number of Shares directly held	Approximate% of interest in our Company
Mr. Xiong Fengxiang	3,660,000	16.60%
Mr. Xiong Jun	3,146,248	14.27%
Suzhou Ruiyuan	2,724,000	12.35%
Ms. Du Yali	1,852,000	8.40%
Mr. Wu Yang	1,378,000	6.25%

On November 11, 2015, our Shareholders resolved our Company's merger with Shanghai Union Biopharm mentioned in the paragraph headed "– Merger by absorption of Shanghai Union Biopharm" above. As of November 11, 2015, the consideration for the merger had been settled and our Company issued 7,350,000 new Shares to the 48 then shareholders of Shanghai Union Biopharm. Our registered capital was increased from RMB14,700,000 to RMB22,050,000, the registration of which with the Administration for Industry and Commerce was completed on June 27, 2016.

On December 27, 2015, our Shareholders resolved for our Company to issue 5,512,500 Shares at an aggregate consideration of RMB349,988,625 (being RMB63.49 per Share (for illustrative purpose only and on the basis that 88,200,000 Shares were derived after the Distribution by Conversion on the basis of 150 additional Shares issued per every 10 Shares so subscribed, representing a discount of approximately 77.51% to our mid-point Offer Price of HK$19.88), which was determined after arm's length negotiation with reference to, among other things, our industry, our potential growth and the price-to-book ratio) to eight investors, namely, Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司), Gao Shufang (高淑芳), Zhou Yuqing (周玉清), Huarunshen Guotou Trust Co., Ltd. – Dingsheng No. 68 Junshi Biological Private Placement Collective Trust Plan (華潤深國投信託有限公司-鼎盛68號君實生物定向增發集合信託計劃), Yingtan Yicheng Pengrun Investment Co., Ltd. (鷹潭市易晟鵬潤投資有限公司), Shenzhen Shengtun Group Co., Ltd. (深圳盛屯集團有限公司), Pi Yingjun (皮迎軍) and Jia Zheng (賈征), for the purpose of funding research and manufacturing of monoclonal antibody drugs ("**2015 December Allotment**"). As of December 29, 2015, the consideration had been settled in cash. On February 22, 2016, our Shareholders resolved to issue 150 additional Shares per 10 Shares to the then Shareholders (being 413,437,500 Shares in aggregate), as distribution of dividends by way of conversion of capital reserve from share premium ("**Distribution by Conversion**"). The conversion was completed on March 2, 2016. On February 22, 2016, our Shareholders resolved to further issue 3,937,500 Shares at an aggregate consideration of RMB249,991,875 (being RMB63.49 per Share, which was determined after arm's length negotiation with reference to the issue price per Share in the 2015 December Allotment) to five investors, namely, Zhuhai Gaoling Tiancheng Equity Investment Fund (LP)* (珠海高瓴天成股權投資基金(有限合夥)), Shenzhen Dehe Fangzhong Investment Limited Partnership (LP) (深圳德和方中投資有限合夥企業(有限合夥)), Shanghai Jianyi Xinghe Investment Management Centre (LP) (上海健益興禾投資管理中心(有限合夥)), Wang Shujun (王樹君) and Meng Xiaojun (孟曉君), for the purpose of funding research and manufacturing of monoclonal antibody drugs ("**2016 February Allotment**"). On March 2, 2016, pursuant to the Shareholders' resolutions made on February 22, 2016, our Company issued 150 additional Shares per 10 Shares to the then Shareholders (being 63,000,000 Shares in aggregate). Following the Distribution by Conversion, the number of Shares and issue price for the 2016 February Allotment were adjusted to 63,000,000 Shares at RMB3.968125 per Share (representing a discount of approximately 77.51% to our mid-point Offer Price of HK$19.88) (with aggregate consideration remained unchanged at RMB249,991,875). As of March 7, 2016, the consideration had been settled in cash. Subsequent to the above issues of Shares, our registered capital was increased to RMB504,000,000, the registration with the Administration for Industry and Commerce was completed on July 13, 2016.

Set out below are the shareholding of the above investors as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Name	Shareholding as of the Latest Practicable Date	Shareholding immediately following completion of the Global Offering
	(approximate)	(approximate)
2015 December Allotment		
Jiangsu Ruihua Investment Holding Group Co., Ltd. (江蘇瑞華投資控股集團有限公司)	1.83%	1.45%
Gao Shufang (高淑芳)	0.63%	0.50%
Zhou Yuqing (周玉清)	5.11%	4.04%
Huarunshen Guotou Trust Co., Ltd. – Dingsheng No. 68 Junshi Biological Private Placement Collective Trust Plan (華潤深國投信託有限公司-鼎盛68號君實生物定向增發集合信託計畫)	0	0
Yingtan Yicheng Pengrun Investment Co., Ltd. (鷹潭市易晟鵬潤投資有限公司)	0.35%	0.28%
Shenzhen Shengtun Group Co., Ltd. (深圳盛屯集團有限公司)	0.75%	0.59%
Pi Yingjun (皮迎軍)	0.21%	0.17%
Jia Zheng (賈征)	0.07%	0.06%
2016 February Allotment		
Zhuhai Gaoling Tiancheng Equity Investment Fund (LP)* (珠海高瓴天成股權投資基金(有限合夥))	4.19%	3.31%
Shenzhen Dehe Fangzhong Investment Limited Partnership (LP) (深圳德和方中投資有限合夥企業(有限合夥))	0.41%	0.32%
Shanghai Jianyi Xinghe Investment Management Centre (LP) (上海健益興禾投資管理中心(有限合夥))	0	0
Wang Shujun (王樹君)	0.60%	0.48%
Meng Xiaojun (孟曉君)	0.71%	0.56%

Note:

Assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options, and that they will not acquire or dispose of their Shares from the Latest Practicable Date up to the completion of the Global Offering.

On June 8, 2016, our Shareholders resolved to issue 5,100,000 Shares at an aggregate consideration of RMB30,600,000 (being RMB6 per Share (representing a discount of approximately 66.00% to our mid-point Offer Price of HK$19.88), which was determined after arm's length negotiation with reference to, among other things, our industry, our potential growth and the price-to-book ratio) to four investors, namely, China International Capital Corporation Limited (中國國際金融股份有限公司), CITIC Securities Company Limited (中信證券股份有限公司), Orient Securities Company Limited (東方證券股份有限公司) and Guohai Securities Co., Ltd. (國海證券股份有限公司), in order to increase the number of Shares available for trading by market makers on NEEQ. As of June 16, 2016, the consideration had been settled in cash. Subsequently, our registered capital was increased from RMB504,000,000 to RMB509,100,000, the registration of which with the Administration for Industry and Commerce was completed on July 27, 2016.

Set out below are the shareholding of the above investors as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Name	**Shareholding as of the Latest Practicable Date**	**Shareholding immediately following completion of the Global Offering**
	(approximate)	(approximate)
China International Capital Corporation Limited (中國國際金融股份有限公司)	0.37%	0.29%
CITIC Securities Company Limited (中信證券股份有限公司)	0.13%	0.10%
Orient Securities Company Limited (東方證券股份有限公司)	0.003%	0.002%
Guohai Securities Co., Ltd. (國海證券股份有限公司)	0.01%	0.005%

Note:

Assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options, and that they will not acquire or dispose of their Shares from the Latest Practicable Date up to the completion of the Global Offering.

On August 13, 2016, our Shareholders resolved to issue 40,900,000 Shares at an aggregate consideration of RMB368,100,000 (being RMB9 per Share (representing a discount of approximately 49.00% to our mid-point Offer Price of HK$19.88), which was determined after arm's length negotiation with reference to our industry, our core competitiveness and the price-to-book ratio) to 11 investors, namely, Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), Shanghai Jianyi Xinghe Investment Management Centre (LP)* (上海健益興禾投資管理中心(有限合夥)), Qiao Xiaohui (喬曉輝), Ma Wenbing (馬文炳), Huang Fei (黃菲), Pei Hong (裴宏), Zhao Yun (趙雲), Pan Yun (潘雲), Meng Xiaojun (孟曉君), Zhong Lu (鍾鷺) and Feng Qin (馮芹), for purpose of funding the clinical research on recombinant humanized anti-PD-1 monoclonal antibody for injection and recombinant humanized anti-TNF-α monoclonal antibody for injection. As of August 26, 2016, the consideration had been settled in cash. Subsequently, our registered capital was increased from RMB509,100,000 to RMB550,000,000, the registration of which with the Administration for Industry and Commerce was completed on December 19, 2016.

Set out below are the shareholding of the above investors as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Name	**Shareholding as of the Latest Practicable Date**	**Shareholding immediately following completion of the Global Offering**
	(approximate)	(approximate)
Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司)[1]	3.66%	2.89%
Shanghai Jianyi Xinghe Investment Management Centre (LP)* (上海健益興禾投資管理中心(有限合夥))	0	0
Qiao Xiaohui (喬曉輝)	2.74%	2.17%
Ma Wenbing (馬文炳)	0.84%	0.67%
Huang Fei (黃菲)	3.54%	2.80%
Pei Hong (裴宏)	0.42%	0.33%
Zhao Yun (趙雲)	0.48%	0.38%
Pan Yun (潘雲)	0.15%	0.12%
Meng Xiaojun (孟曉君)	0.71%	0.56%
Zhong Lu (鍾鷺)	0.41%	0.33%
Feng Qin (馮芹)	0.04%	0.03%

Notes:

(1) Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) is a Sophisticated Investor (as defined in Chapter 18A of the Listing Rules) of our Company.

(2) Assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options, and that they will not acquire or dispose of their Shares from the Latest Practicable Date up to the completion of the Global Offering.

On January 6, 2017, our Shareholders resolved to issue 34,750,000 Shares at an aggregate consideration of RMB319,700,000 (being RMB9.2 per Share (representing a discount of approximately 47.87% to our mid-point Offer Price of HK$19.88), which was determined after arm's length negotiation with reference to our industry, our core competitiveness and the price-to-book ratio) to four investors, namely, Zhou Yuqing (周玉清), Shanghai Tanying, Zhong Lu (鍾鷺) and Zhao Xigen (趙喜根), for purpose funding various stages of clinical research on anti-PD-1 monoclonal antibody, anti-TNF-α monoclonal antibody, anti-BLyS monoclonal antibody and anti-PCSK9 monoclonal antibody, the construction of the Lingang Production Base and injecting capital into TopAlliance. As of February 24, 2017, the consideration had been settled in cash. Subsequently, our registered capital was increased from RMB550,000,000 to RMB584,750,000, the registration of which with the Administration for Industry and Commerce was completed on July 5, 2017.

Set out below are the shareholding of the above investors as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Name	**Shareholding as of the Latest Practicable Date**	**Shareholding immediately following completion of the Global Offering**
	(approximate)	(approximate)
Zhou Yuqing (周玉清)	5.11%	4.04%
Shanghai Tanying	8.44%	6.68%
Zhong Lu (鍾鷺)	0.41%	0.33%
Zhao Xigen (趙喜根)	0.30%	0.24%

Note:

Assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options, and that they will not acquire or dispose of their Shares from the Latest Practicable Date up to the completion of the Global Offering.

On February 23, 2018, our Shareholders resolved to issue 16,650,000 Shares at an aggregate consideration of RMB299,700,000 (being RMB18 per Share (representing a premium of approximately 2.00% to our mid-point Offer Price of HK$19.88), which was determined after arm's length negotiation with reference to our industry, our core competitiveness and the price-to-book ratio) to three investors, namely, Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司), Shanghai Tanying and Shen Chun (沈淳), for the purposes of funding clinical research on JS001 and the construction of the Lingang Production Base. As of March 7, 2018, the consideration had been settled in cash. Subsequently, our registered capital was increased from RMB584,750,000 to RMB601,400,000, the registration of which with the Administration for Industry and Commerce was completed on April 2, 2018.

Set out below are the shareholding of the above investors as of the Latest Practicable Date and immediately following the completion of the Global Offering:

Name	Shareholding as of the Latest Practicable Date	Shareholding immediately following completion of the Global Offering
	(approximate)	(approximate)
Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司)	2.36%	1.87%
Shanghai Tanying	8.44%	6.68%
Shen Chun (沈淳)	0.70%	0.55%

Note:

Assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options, and that they will not acquire or dispose of their Shares from the Latest Practicable Date up to the completion of the Global Offering.

The PRC Legal Advisor has confirmed that (i) the necessary approvals from the relevant authorities for the aforesaid changes in our shareholding have been obtained; and (ii) the aforesaid changes in our shareholding is valid and legal and have complied with the relevant filing procedures with the relevant local office of the Administration for Industry and Commerce.

The below table sets out summaries of certain principal terms of above subscriptions in our Shares during the Track Record Period and up to the Latest Practicable Date:

Date of Shareholders' resolutions	Latest date of settlement of consideration	Number of Shares subscribed	Aggregate subscription price	Subscription price per Share	Discount/ premium to our mid-point Offer Price of HK$19.88	Valuation of our Company immediately before the subscription
			(RMB)	(RMB)	(approximate)	(RMB'000) (approximate)[2]
December 27, 2015 *(2015 December Allotment)*	December 29, 2015	5,512,500	349,988,625	63.49	77.51% discount[1]	1,399,955

Date of Shareholders' resolutions	Latest date of settlement of consideration	Number of Shares subscribed	Aggregate subscription price	Subscription price per Share	Discount/ premium to our mid-point Offer Price of HK$19.88	Valuation of our Company immediately before the subscription
			(RMB)	(RMB)	(approximate)	(RMB'000) (approximate)[2]
February 22, 2016 *(2016 February Allotment)*	March 7, 2016	63,000,000	249,991,875	3.968125	77.51% discount	1,749,943
June 8, 2016	June 16, 2016	5,100,000	30,600,000	6	66.00% discount	3,024,000
August 13, 2016	August 26, 2016	40,900,000	368,100,000	9	49.00% discount	4,581,900
January 6, 2017	February 24, 2017	34,750,000	319,700,000	9.2	47.87% discount	5,060,000
February 23, 2018	March 7, 2018	16,650,000	299,700,000	18	2% premium	10,525,500

Notes:

(1) For illustrative purpose only in light of the adjustment made for the Distribution by Conversion. Please also refer to the description of the 2015 December Allotment above.

(2) Calculated by multiplying the subscription price per Share by the number of Shares immediately before the subscription.

Our Company confirms that none of the above subscriptions of our Shares during the Track Record Period provided such subscribers with any special rights as set out in the Stock Exchange's Guidance Letter GL43-12 (namely, rights to price adjustment, divestments, appointment or nomination of director or other nomination, veto, financial compensation, exclusivity, information or right of first refusal and tag along). Save for parties to the Concert Party Agreements, namely Zhao Yun (趙雲), Meng Xiaojun (孟曉君)) and Gao Shufang (高淑芳), none of the subscribers in the above subscription of our Shares during the Track Record Period are subject to lock-up arrangements on any of their Shares. For further details, please refer to "Underwriting – Undertakings by Other Concert Parties".

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, there was no major change in shareholding in our Company.

Shareholding Structure

As of the Latest Practicable Date, our Company had in aggregate 271 Shareholders, of which 38 were non-individual Shareholders and 233 were individual Shareholders. All of these Shareholders are holders of Domestic Shares. For further details on our substantial Shareholders, please refer to the section headed "Substantial Shareholders" in this prospectus.

As of the Latest Practicable Date, as far as our Directors are aware, the major relationships among our substantial Shareholders are as follows:

(1) Mr. Xiong Fengxiang, who directly held 58,560,000 Domestic Shares, representing approximately 9.74% of our issued share capital, is the father of Mr. Xiong Jun, who directly held 50,339,968 Domestic Shares, representing approximately 8.37% of our issued share capital;

(2) Mr. Xiong Jun was an executive director of and directly interested in 20% of the equity interest in Shanghai Baoying which held 4,372,144 Domestic Shares, representing approximately 0.73% of our issued share capital;

(3) Mr. Xiong Jun was the chairman of the board of directors of and directly interested in 40% of the equity interest in, and Mr. Tang Yi was a director of and directly interested in 60% of the equity interest in, Shenzhen Yuanben, which in turn was the general partner of Suzhou Benyu and Suzhou Ruiyuan, which directly held 4,600,000 and 43,584,000 Domestic Shares, representing approximately 0.76% and 7.25% of our issued share capital, respectively;

(4) Mr. Xiong Jun was a supervisor of Zhuhai Huapu Investment Management Co., Ltd.* (珠海華樸投資管理有限公司), which held 3,719,504 Domestic Shares, representing approximately 0.62% of our issued share capital;

(5) Ms. Gao Shufang (高淑芳), who held 3,789,720 Domestic Shares, was a partner of Suzhou Ruiyuan, which held 43,584,000 Domestic Shares, representing approximately 7.25% of our issued share capital; and

(6) the Concert Party Agreements.

CONCERT PARTY AGREEMENTS

The Concert Party Agreements

Mr. Xiong Jun entered into two Concert Party Agreements to strengthen his voting rights in our Company. Set out below are further details of the Concert Party Agreements.

On December 25, 2017, Mr. Xiong Jun and Mr. Xiong Fengxiang entered into the 2017 Concert Party Agreement with Suzhou Ruiyuan, Suzhou Benyu, Shanghai Baoying, Meng Xiaojun (孟曉君), Gao Shufang (高淑芳), Zhuhai Huapu Investment Management Co., Ltd.* (珠海華樸投資管理有限公司) and Zhao Yun (趙雲).

On February 26, 2018, Mr. Xiong Jun entered into the 2018 Concert Party Agreement with Gongqingcheng Juntuo Investment Management Partnership (LP)* (共青城君拓投資管理合夥企業(有限合夥)).

The 2017 Concert Party Agreement and the 2018 Concert Party Agreement both provide that in deciding how to vote on a proposed shareholders' resolution of our Company, parties to the respective Concert Party Agreements shall first discuss and reach a consensus as to how to exercise their voting rights prior to the general meeting and exercise their voting rights accordingly. In the event of failing to reach a consensus, Mr. Xiong Fengxiang and the Other Concert Parties under the respective Concert Party Agreements agree to unconditionally follow Mr. Xiong Jun's directions when exercising their voting rights. To the best knowledge of our Company, there is no agreement between the Other Concert Parties under the 2017 Concert Party Agreement on the one hand, and the Other Concert Party under the 2018 Concert Party Agreement on the other, and that since the Concert Party Agreements became effective, each of Mr. Xiong Fengxiang and the Other Concert Parties has voted in accordance with Mr. Xiong Jun's directions and there has been no dispute in how to exercise their voting rights between each of the Other Concert Parties, and Mr. Xiong Jun and Mr. Xiong Fengxiang.

To the best knowledge of our Company, the Other Concert Parties entered into the Concert Party Agreements and deferred their voting power to Mr. Xiong Jun since their economic interests as shareholders are aligned with that of Mr. Xiong Jun. By entrusting their voting power to Mr. Xiong Jun, they believe that a unified application of voting rights by Mr. Xiong Jun who understands our business and oversees our executive management, will benefit our growth and prospects, which will in turn lead to better investment return to them. While our Company is at the developmental stage aiming for commercialization and profitability, the Other Concert Parties believed that consistent leadership and management, supported with stronger control will be beneficial to the overall strategic planning and decision-making process. The Other Concert Parties have confidence and belief in Mr. Xiong Jun's ability to lead and manage our Company, and are willing to defer their voting power in the manner stipulated under the Concert Party Agreements for the future growth and prospects of our Company.

As of the Latest Practicable Date and immediately following the Global Offering, Mr. Xiong Jun together with Mr. Xiong Fengxiang are the single largest shareholder combined taking into account also the voting rights of the Other Concert Parties under the Concert Party Agreements.

The Other Concert Parties

Set out below are the shareholding of the Other Concert Parties as of the Latest Practicable Date:

Name of Shareholder	Number of Domestic Shares directly held	Approximate % of interest in our Company as of the Latest Practicable Date	Approximate % of interest in the Company following the Global Offering (assuming the Over-allotment Option is not exercised)	Party to
Suzhou Ruiyuan	43,584,000	7.25%	5.73%	2017 Concert Party Agreement
Suzhou Benyu	4,600,000	0.76%	0.61%	2017 Concert Party Agreement
Shanghai Baoying	4,372,144	0.73%	0.58%	2017 Concert Party Agreement
Meng Xiaojun	4,288,400	0.71%	0.56%	2017 Concert Party Agreement
Gao Shufang	3,789,720	0.63%	0.50%	2017 Concert Party Agreement
Zhuhai Huapu Investment Management Co., Ltd.	3,719,504	0.62%	0.49%	2017 Concert Party Agreement
Zhao Yun	2,884,000	0.48%	0.38%	2017 Concert Party Agreement
Gongqingcheng Juntuo Investment Management Partnership (LP)	6,913,000	1.15%	0.91%	2018 Concert Party Agreement
Sub-total	**74,150,768**	**12.33%**	**9.75%**	

Note: Without regard to the Pre-IPO Options and the 2018 Convertible Bonds.

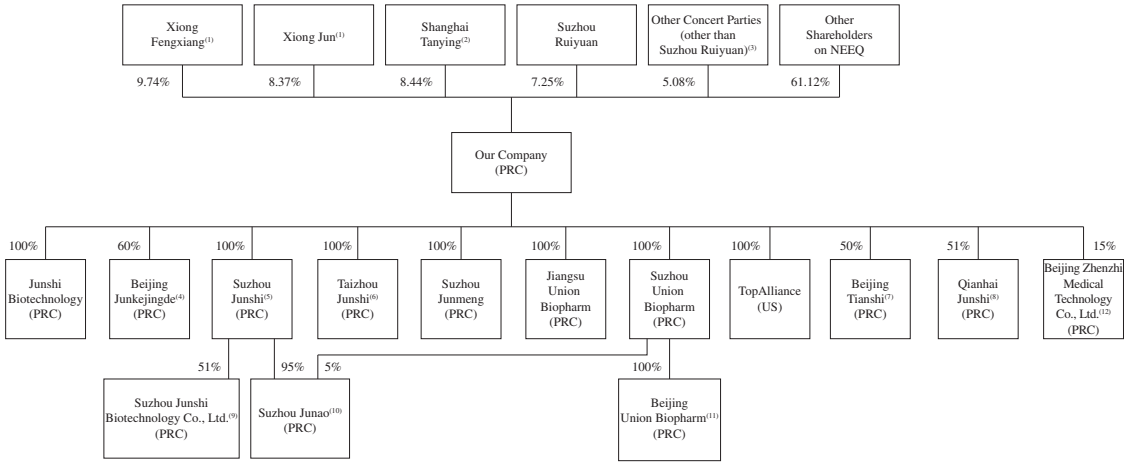
REASONS FOR THE LISTING ON THE STOCK EXCHANGE

Our Domestic Shares are currently listed on NEEQ. We are seeking a listing of our H Shares on the Stock Exchange in order to utilize the overseas financing platform to enhance our competitive strengths and raise capital for our business development, advance our international strategies and further expand our capital structure. For further details, please refer to the sections headed "Future Plans and Use of Proceeds" and "Business" in this prospectus.

Our Company confirms that we have not experienced any material non-compliance of the rules and requirements of NEEQ (in respect of our Domestic Shares) or of Shanghai Stock Exchange (in respect of our 2018 Convertible Bonds) during the period commencing from the beginning of the Track Record Period (or commencement of listing on NEEQ or Shanghai Stock Exchange, as applicable whichever is earlier), up to the Latest Practicable Date.

Corporate structure

The following chart sets out the simplified shareholding and corporate structure of our Company as of the Latest Practicable Date and immediately prior to the Global Offering (without regard to the 2018 Convertible Bonds and the Pre-IPO Options):



Notes:

(1) Mr. Xiong Fengxiang is the father of Mr. Xiong Jun.

(2) Shanghai Tanying is a Sophisticated Investor (as defined in Chapter 18A of the Listing Rules). It is a limited partnership established in the PRC principally engages in investment, investment management and financial consultation. Shanghai Shengge Asset Management Co., Ltd. (上海盛歌投資管理有限公司) ("**Shanghai Shengge**") is the general partner of Shanghai Tanying. Mr. Lin Lijun is a director and wholly interested in Shanghai Shengge. As of the Latest Practicable Date, Shanghai Tanying directly held 50,783,000 Domestic Shares, and the 2018 Convertible Bonds in a principal amount of RMB200 million, which were outstanding and convertible into Domestic Shares. For further information of the 2018 Convertible Bonds, please refer to "– Issuance of the 2018 Convertible Bonds" above.

(3) This refers to parties (other than Mr. Xiong Fengxiang, Mr. Xiong Jun and Suzhou Ruiyuan) who were parties to the 2017 Concert Parties Agreement or the 2018 Concert Parties Agreement.

(4) Beijing Junkejingde is a limited liability company established in the PRC on April 3, 2015. It was owned as to 60% by our Company and 40% by Beijing Zhengdan, which is a connected person of our Group by virtue of its interest in Beijing Junkejingde. Please refer to the section headed "Connected Transactions" in this prospectus for further details of Beijing Zhengdan. Beijing Junkejingde was an investment holding company prior to the disposal of Beijing Xinjingke Biotechnology. As of the Latest Practicable Date, it did not have any substantial operation.

(5) Suzhou Junshi is a limited liability company established in the PRC on July 26, 2017 and a direct wholly-owned subsidiary of our Company. It is principally engaged in development of drugs.

(6) Taizhou Junshi is a limited liability company established in the PRC on May 9, 2014 and a direct wholly-owned subsidiary of our Company. It is principally engaged in development of drugs.

(7) Beijing Tianshi is a joint venture owned as to 50% by our Company and as to 50% Beijing Nuocheng Jianhua Pharmaceutical Technology Co., Ltd. (北京諾誠健華醫藥科技有限公司), an Independent Third Party (except for its interest in Beijing Tianshi). It is principally engaged in medical research.

(8) The remaining interest in Qianhai Junshi is owned as to 20% by Shenzhen Dehe Fangzhong Investment Limited Partnership (LP)* (深圳德和方中投資有限合夥企業(有限合夥)), of which Shenzhen Yuanben acted as general partner, 19% by Shanghai Baoying and 10% by Hou Guihua (侯桂花), who is an Independent Third Party (other than her shareholding in Qianhai Junshi).

(9) Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司) is a limited liability company established in the PRC on June 19, 2018. It was owned as to 51% by Suzhou Junshi and 49% by Suzhou Junbang Property Co., Ltd.* (蘇州君邦置業有限公司), which is an Independent Third Party (except for its interest in Suzhou Junshi Biotechnology Co., Ltd.). As of the Latest Practicable Date, it did not have any substantial operation.

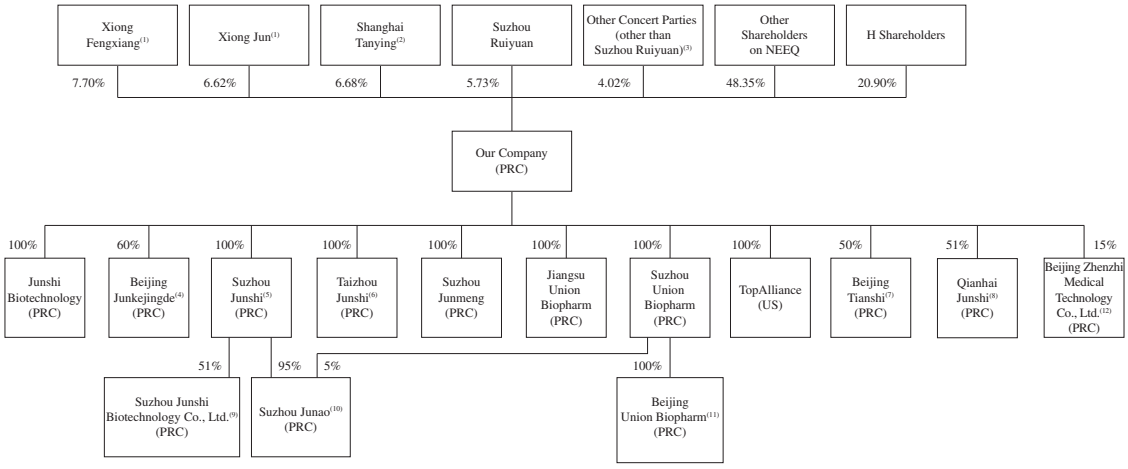
(10) Suzhou Junao is a limited liability company incorporated in the PRC on January 10, 2018. As of Latest Practicable Date, it did not have any substantial operations.

(11) Beijing Union Biopharm is a limited liability company established in the PRC on June 12, 2016. It is principally engaged in R&D of pharmaceuticals.

(12) Beijing Zhenzhi Medical Technology Co., Ltd.* (北京臻知醫學科技有限責任公司) is a limited liability company established in the PRC on September 19, 2018. It was owned as to 15% by our Company, 4.17% by Shanghai Tanying and 0.83%, by Shanghai Qiangang Investment Management Partnership (LP)* (上海乾剛投資管理合夥企業(有限合夥)), of which Shanghai Shengge is the general partner (for further information of Shanghai Shengge, please refer to note (2) above). The remaining 39% and 41% equity interest was owned by two Independent Third Parties (except for their interests in Beijing Zhenzhi Medical Technology Co., Ltd.), namely, Beijing Baiyining Medical Technology Co., Ltd.* (北京百益寧醫學科技有限責任公司) and Zhenhe (Beijing) Technology Co., Ltd.* (臻和(北京)科技有限公司, respectively. It is principally engaged in technology services and medical research and development.

(13) The shareholding percentages are rounded to the nearest 2 decimal places, and the total number of the percentages may not add up to 100% due to rounding.

The following chart sets out the simplified shareholding and group structure of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options):



Our Domestic Shares listed on NEEQ are not counted towards our public float for the purpose of Rules 8.08 and 18A.07 of the Listing Rules.

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.08(1) of the Listing Rules that the minimum public float be reduced and the minimum percentage of the H Shares from time to time held by the public to be the highest of: (a) 16%; (b) such percentage of H Shares to be held by the public immediately after completion of the Global Offering (assuming the Overallotment 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, but the percentage of minimum public float so decided above shall be reduced as a result of any increase in our Company's issued share capital following any issue of Domestic Shares by our Company upon exercise of any Pre-IPO Options and/or the 2018 Convertible Bonds, provided that (i) the market capitalization of the portion of the total number of our Company's issued shares held by the public shall exceed HK$375 million at the time of Listing pursuant to Rule 18A.07 of the Listing Rules and (ii) the minimum percentage of public float from time to time shall not be lower than 15.71% of our Company's issued share capital.

Please also refer to "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V for details of the Pre-IPO Options.

OVERVIEW

We are an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale. Our mission is to provide patients with treatment options that work better and cost less. Equipped with our core platform technology of protein engineering, we stand at the frontier of R&D of macromolecular drugs. With our distinguished capability of innovative drug discovery, advanced biotechnological R&D, large-scale production capacity on the full industry chain and rapidly expanding drug candidate portfolio of tremendous market potential, we have a leading edge in the PRC in the emerging field of immuno-oncology and for the treatment of autoimmune and metabolic diseases. We are the first PRC company to file IND application and NDA with the NMPA for anti-PD-1 monoclonal antibody and the first PRC company to receive IND approvals from the NMPA for anti-PCSK9 monoclonal antibody and anti-BLyS monoclonal antibody. Our aim is to develop first-in-class and best-in-class drugs through original innovation and become a pioneer in the area of translational medicine. As we supplement our product pipeline and explore drug combination therapies, we expect our innovation field to expand to R&D of more types of drugs, including small molecule drugs and antibody drug conjugates (or ADCs), as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

We operate in the fast-growing biologics market where biotechnology is revolutionizing medical treatments for a wide array of major diseases globally. Compared with the traditional small molecular drugs, macromolecular biologics benefit from high specificity and selective targeting, have better tolerance, less toxic side effects and better efficacy, and are recognized as an increasingly important category of medical product in the pharmaceutical market. According to the F&S Report, the global biologics market is expected to increase from USD240.2 billion in 2017 to USD404.0 billion in 2022, representing a CAGR of 11.0%. In China, where we are headquartered, the biologics market is also growing fast along with the domestic economic growth and increasing prevalence rates of chronic diseases. Supported by a series of favorable government policies in recent years, the PRC biologics market is projected to grow from RMB218.5 billion in 2017 to RMB478.5 billion in 2022, representing a CAGR of 17.0%.

We have developed a product pipeline comprising 13 biologic drug candidates as of the Latest Practicable Date, covering a wide variety of indications associated with high levels of unmet medical needs. They include seven immuno-oncology drug candidates, two drug candidates for metabolic diseases, three targeting inflammation or autoimmune diseases and one to treat neurologic diseases. As of the Latest Practicable Date, five of our biologic drug candidates had received IND approvals from the NMPA, including one for which we had filed NDA:

- **JS001, or toripalimab**, a near commercial-stage candidate, is the first anti-PD-1 monoclonal antibody developed by a PRC company to file IND application and NDA with the NMPA. We have commenced over 15 clinical trials of JS001 for advanced oncological indications including, among others, malignant melanoma,

urothelial cancer, gastric cancer, esophageal cancer, nasopharyngeal cancer, non-small cell lung cancer, breast cancer, neuroendocrine tumor, lymphoma and sarcoma. Some of these clinical trials had been completed as of the Latest Practicable Date. In particular, we had completed the pivotal clinical trial for second-line metastatic melanoma for JS001, based on which we have filed NDA with the NMPA in March 2018. Such NDA has completed CDE technical review on December 1, 2018 and was under administrative review by the NMPA as of the Latest Practicable Date. We expect to obtain such NDA approval in late 2018 or early 2019 and are preparing to launch JS001 in the PRC shortly after obtaining NDA approval.

JS001 has also received IND approval from FDA and is currently undergoing a Phase I clinical trial in the United States. In addition, we plan to launch a global large-scale pivotal clinical trial in the second half of 2019 aiming at obtaining additional overseas regulatory approvals to launch JS001.

As of the Latest Practicable Date, JS001 was close to commercialization only for the second-line treatment of metastatic melanoma in the PRC, while the majority of JS001 clinical trials for other indications were in Phase I or Phase II stages. Melanoma represents only approximately 0.2% of the total new cases of cancer in the PRC in 2017. By comparison, two competing PD-1 inhibitors from MNCs were already marketed in the PRC as of the Latest Practicable Date, which covered more indications that represent larger fractions of the total new cases of cancer in the PRC than melanoma alone in 2017. Further, the PD-1/PD-L1 therapeutic area, which our JS001 and JS003 belong to, is an extremely fierce market. As of the Latest Practicable Date, multiple PD-1 inhibitors from PRC companies were at various stages of commercialization and there was no assurance that our JS001 would be the first PD-1 inhibitor by a PRC company to commercialize in the PRC.

- **UBP1211** is a biosimilar of Humira (adalimumab) used for the treatment of autoimmune diseases such as rheumatoid arthritis. UBP1211 is one of the first Humira biosimilars developed by a PRC company to receive IND approval from the NMPA. As of the Latest Practicable Date, we had completed patient enrollment for Phase III clinical trial of UBP1211. We plan to file NDA with the NMPA in the second half of 2019.

- **JS002** is the first anti-PCSK9 monoclonal antibody developed by a PRC company to obtain IND approval from the NMPA. Pre-clinical experimental data have shown that JS002 has excellent activity in reducing low-density lipoprotein. As of the Latest Practicable Date, JS002 was under Phase I clinical trial. We plan to complete Phase I clinical trial and commence Phase II clinical trial for primary hypercholesterolemia and mixed dyslipidemia in December 2018.

- **UBP1213** is the first and only anti-BLyS monoclonal antibody developed by a PRC company to obtain IND approval from the NMPA. UBP1213 has been developed for the treatment of systemic lupus erythematosus and other autoimmune diseases. We plan to commence patient enrollment for Phase I clinical trial of UBP1213 in 2019.

- **JS003** is a humanized monoclonal antibody targeting PD-L1 protein. PD-L1 has emerged as an important cancerbiomarker and a target for immunotherapy. As of the Latest Practicable Date, we had received IND approval from the NMPA and were preparing for the clinical trial of JS003.

In addition to our five clinical-stage biologic drug candidates, there are also eight other biologic drug candidates currently under preclinical research. In 2016, 2017 and the six months ended June 30, 2018, our R&D expenses amounted to RMB122.0 million, RMB275.3 million and RMB217.8 million, respectively.

OUR COMPETITIVE STRENGTHS

Our key competitive strengths include:

Distinguished capabilities in drug discovery and development

We have distinguished capabilities in the field of the discovery and development of innovative biologics. We believe such capabilities enable us to independently carry out key steps in the discovery and development of biologics including target evaluation, mechanism research and verification, clinical drug candidates screening and functional verification. Of our 13 biologic drug candidates in the product pipeline, 11 have been developed by ourselves.

We have set up three R&D centers worldwide, among which our San Francisco Lab and Maryland Lab primarily focus on the research of mechanisms on known and novel targets in tumor and autoimmune diseases field, drug discovery and precise screening of drug molecules. Our domestic Suzhou R&D center mainly conducts functional verification and process development of drug candidates. We believe our research capability in the immuno-oncology field and our drug molecular screening platform are internationally advanced, and we have two innovative drugs in our product pipeline, namely JS004 and JS009, that have the potential to be global first-in-class drugs. According to the F&S Report, our JS004 and 40E4 by MSD are the only two BTLA antibodies that have conducted pre-clinical trials. Academic paper on the animal trial of 40E4 was published in July 2017 and no subsequent development regarding 40E4 was announced. We were close to initiate the clinical trial of JS004 as of the Latest Practicable Date, based on which we believe JS004 has the potential of becoming a global first-in-class drug. As for JS009, we were not aware of any clinical trial being carried out regarding the same target. As we continue to carry out more novel target exploration and verification work, more drug candidates will enter into our future development pipeline to provide innovative impetus for our sustainable development.

Drug development and production capacity on the full industry chain

We have been dedicated to the development of first-in-class and best-in-class macromolecular drugs through original innovation since our very inception in December 2012. Leveraging our advanced R&D platforms and globally integrated R&D process, we have developed a collection of drug candidates that we believe to have solid biological mechanisms. We strive to develop additional drug candidates for the fulfilment of unmet medical needs using our technology and innovation platforms in a sustainable manner.

We have established an integrated technology system covering the entire lifecycle of protein drugs from early R&D to industrialization. Such system comprises seven key technology platforms: (1) automated high-efficiency screening platform for antibody selection and functional assays, (2) human transmembrane receptor protein array and high-throughput screening platform, (3) antibody humanization and construction platform, (4) high-yielding stable expression cell lines screening and establishment platform, (5) CHO cell fermentation process development platform, (6) antibody purification process development and formulation optimization platform, and (7) antibody quality research, control and assurance platform.

We believe that the following four technical platforms are critically important to our R&D of protein drugs:

1. Automated high-efficiency screening platform for antibody selection and functional assays, which enables us to obtain the specific and high-affinity targeted monoclonal antibodies recognizing multiple genera (human, monkey, mouse) antigens with desired physicochemical properties. This platform greatly broadens the initial range of clinical drug candidate screening, helps us find the optimal candidates, and provides us with a basis for our R&D of innovative monoclonal antibodies and functional screening *in vitro* and *in vivo*.

2. Human transmembrane receptor protein array and high-throughput screening platform encompasses close to 5,000 human cell membrane proteins. We utilize this system to systemically identify functionally important protein-to-protein interactions on cell surface and examine antibody binding on the cell surface. We utilize the Operetta High-Content Imaging System from Perkin Elmer, Inc., which yields a high signal-to-noise ratio and allows us to perform high-throughput screening using 384- or 1536-well microplate. High expression of individual protein on cell surface by transient transfection also greatly increases the avidity of ligand-receptor interactions. Combining increased avidity and a highly sensitive detection system, our transmembrane receptor array system enables us to identify even weak receptor-ligand interactions. We utilize the membrane receptor protein array high throughput screening platform to continuously expand the monoclonal antibody product line for cell surface receptors and soluble proteins.

3. High-yielding stable expression cell lines screening and establishment platform based on the internationally leading GS Expression System from Lonza, which enables us to complete the establishment of high expression cell lines with significantly faster speed and higher yielding than the traditional DHFR technology.

4. Antibody quality research, control and assurance platform covering the quality assurance regarding suppliers, inputs, processes, outputs and customers, including our PAT system comprised of GMP quality control management, cell culture, separation and purification of biopharmaceutics and lyophilization and packaging of biologics to ensure our compliance with GMP standards, so that our drugs could meet the clinical use and marketing approval requirements of various drug regulatory authorities in the world such as the NMPA, FDA and EMA.

We have established a globally integrated R&D process. We are among the first PRC companies to set up labs in the U.S. Our San Francisco Lab carries out preliminary high throughput antibody screening and further humanization, selection and optimization. Our Maryland Lab utilizes a membrane receptor protein array and a eukaryotic cell-based functional assay platform to carry out the screening of new targets and the evaluation and selection of antibody candidates.

With the support of our Maryland Lab and San Francisco Lab, our Suzhou and Shanghai production bases in China are responsible for the establishment of stable cell lines, processes optimization, GMP-standard production, establishment and maintenance of global quality systems, production of drugs to be used in clinical trials and the future commercial manufacturing. While our labs in the U.S. closely follow the latest technology trends in the biotech innovative drugs R&D, our PRC labs carry out follow-up supporting work in the R&D process in order to optimize our R&D with higher efficiency and lower costs.

In respect of production capability, we have two monoclonal antibody production bases in China. Our Wujiang Production Base in Suzhou is currently in production as a pilot production base and will also carry out commercial production. We are carrying out a technology upgrade of the Wujiang Production Base. Upon the expected completion of such upgrade by the end of 2018, its fermentation capacity is expected to reach 3,000L. Our Lingang Production Base is currently under construction in accordance with cGMP standards, the first two production lines of which will have an aggregate fermentation capacity of 12,000L and are expected to commence production by the end of 2019.

Rapidly expanding and robust pipeline of drug candidates

We have developed a total of 13 biologic drug candidates since our incorporation in December 2012, including seven immuno-oncology drug candidates, two drug candidates for metabolic diseases, three targeting inflammation or autoimmune diseases and one treating neurologic diseases. As of the Latest Practicable Date, five of them had entered into the clinical

stage and the remaining eight preclinical candidates were expected to file for IND in succession in three years in accordance with our R&D plan. Meanwhile, we aim to develop two to three new drug candidates every year.

- **JS001**, or **toripalimab**, is an anti-PD-1 monoclonal antibody. According to the F&S Report, the two existing anti-PD-1 monoclonal antibody products commercially available in the global market, namely Opdivo and Keytruda, recorded total sales of USD9.6 billion in 2017, while the market for PD1/PD-L1 monoclonal antibodies is expected to reach USD78.9 billion globally in 2030.

  We believe the great market potential of JS001, combined with its favorable safety profile and response rate based on clinical data, will lead to its significant contribution to our financial performance in the near future after its planned commercial production commences. As immunotherapy gradually becomes a basic anti-tumor therapy alongside traditional radiotherapy and chemotherapy, anti-PD-1 antibodies will become the backbone of combined or sequential therapies and JS001 will provide an important combination therapy candidate for our follow-up immunotherapeutic products.

- **UBP1211** is a biosimilar of Humira (adalimumab) used for the treatment of autoimmune diseases such as rheumatoid arthritis. Humira ranked first among all medicines globally by sales for six consecutive years up to and including 2017 with sales totaling USD18.9 billion in 2017. We believe UBP1211, with its relatively lower R&D risk as a biosimilar as compared to innovative drugs, serves to diversify our risk profile and can provide a hedge against risks associated with our innovative drug candidates. This gives us a more balanced portfolio of drug candidates and enriches our product line of anti-inflammatory drugs.

- **JS002** is an anti-PCSK9 monoclonal antibody and this type of mAb has been approved by the FDA for the treatment of hyperlipidemia and the prevention of cardiovascular events. The prevalence of hypercholesterolemia in China reached 79.3 million in 2017 and is expected to grow to 95.9 million in 2022 with a CAGR of 3.9%, according to the F&S Report. We believe the action mechanism of JS002 is differentiated from the currently available lipid-lowering medications, and the launch of JS002 could benefit a large number of patients with hypercholesterolemia.

- **UBP1213** is an anti-BLyS monoclonal antibody for the treatment of systemic lupus erythematosus and other autoimmune diseases. There are more than one million patients with systemic lupus erythematosus in the PRC and no effective treatment method has been found so far other than immunosuppressant and hormonotherapy. UBP1213 reduces the production of antibodies against autoantigens by inhibiting the specific function of B cells, achieving long-term relief of systemic lupus erythematosus, reducing systemic hormone use, and reducing the recurrence of flare. The launch of UBP1213 will provide new and effective treatment options for patients with systemic lupus erythematosus in China.

Seasoned senior management team with complimentary skill sets

Our senior management team members have extensive working experience in the biotechnology research fields, including in globally-renowned research institutions and leading international pharmaceutical corporations. They have complimentary expertise covering various stages of the entire development lifecycle of drug products, including, among others, innovative drug discovery, preclinical study, clinical trial, regulatory approval, pharmacovigilance and manufacturing. We believe our senior management team with their deep industry expertise is the core pillar of our Company and will drive us toward success in the commercialization of our drug candidates.

OUR BUSINESS STRATEGIES

With leading R&D capability and standing at the forefront of medical innovation, we see it as our mission to fulfill unmet medical needs and bring cure to the diseased. Through continued efforts in the development and commercialization of innovative drugs, we intend to become an innovative biotech company with global competitiveness harboring full industrial chain operations integrating R&D, manufacturing and commercialization. We aim to achieve such vision through the following strategies:

Focus on the advancement and commercialization of existing drug candidates

We see the acceleration of our R&D progress and commercialization process regarding our product pipeline as our top priority. In particular, we plan to step up resource investments in the following areas:

- Expedite clinical trials and obtain NDA approval in the PRC for multiple additional oncological indications of JS001;
- Rapidly advance the US and international multi-center clinical trials of JS001;
- Focus on supporting the IND filing of globally first-in-class drug candidates in the U.S.;
- Advance JS002 and other drug candidates through clinical trials and toward commercialization;
- Accelerate the development of pre-clinical products; and
- Establish a marketing and sales system suitable for our future development needs.

Rapidly expand our product pipeline

- Continue our tracking and exploratory research on potential targets suitable for the development of macromolecular drugs and utilize advanced antibody discovery, high-efficiency screening platforms and high-expression cell line construction platforms to discover and select new drug candidates;

- Allocate appropriate resources to the exploration and R&D of new drug targets in the field of small molecule and promote the R&D cooperation with excellent small molecule drug companies; and

- Conduct exploratory research in the field of cell therapy and tumor vaccines, exploring opportunities to further expand our product pipeline.

Scale up our macromolecules fermentation capacity and lower production cost

We plan to scale up our macromolecules fermentation capacity and explore the development of the latest fermentation process in order to lower the production cost in anticipation of future competition. We expect to complete the technology upgrade of the Wujiang Production Base in 2018 and put the first two production lines of the Lingang Production Base into production with a fermentation capacity of 12,000L by the end of 2019.

OUR PRODUCT PIPELINE

The following chart sets out the R&D progress of our biologic drug candidates as of the Latest Practicable Date:

Disease Category	Candidate (Target)	Indication	Pre-clinical R&D	Clinical Trials			NDA
				Phase I	Phase II	Phase III	
Immuno-oncology	JS001 (PD-1) (Core Product)	Melanoma 2L[1]					
		Melanoma 1L[1]					
		Mucosal melanoma (+Axitinib)					
		Nasopharyngeal carcinoma[2]					
		Gastric carcinoma[2]					
		Esophageal carcinoma[2]					
		Urothelial carcinoma					
		Non-small cell lung carcinoma[2]					
		Alveolar soft part sarcoma					
		Malignant lymphoma					
		Hepatic cell carcinoma					
	JS003 (PD-L1)	(Not disclosed)					
	JS004 (BTLA)	(Not disclosed)					
	JS006 (TIGIT)	(Not disclosed)					
	JS007 (CTLA-4)	(Not disclosed)					
	JS009 (Undisclosed)	(Not disclosed)					
	JS011 (Undisclosed)	(Not disclosed)					
Metabolic diseases	JS002 (PCSK9)	Hyperlipidemia					
	JS008 (Undisclosed)	(Not disclosed)					
Inflammation/ autoimmunity	JS005 (IL17A)	(Not disclosed)					
	UBP1211 (TNF-α/Humira Biosimilar)	Rheumatoid arthritis[3]					
	UBP1213 (BLyS)	Systemic lupus erythematosus					
Neurologic diseases	JS010 (Undisclosed)	(Not disclosed)					

Notes: (1) We have completed Phase II clinical trial for melanoma 2L, based on which we filed NDA with the NMPA. We expect to obtain such NDA approval in late 2018 or early 2019 and are preparing to launch JS001 in the PRC shortly after obtaining NDA approval. We were undertaking Phase III clinical trial for melanoma 1L as of the Latest Practicable Date.

(2) We plan to initiate Phase III clinical trials of JS001 for nasopharyngeal carcinoma, gastric carcinoma, esophageal carcinoma and non-small cell lung carcinoma in the first quarter of 2019. For indications other than the above-mentioned ones and melanoma, we will determine the timing of the initiation of the next phase of clinical trials based on various considerations including the progress and outcome of the current phase of clinical trials, industry development and competition.

(3) In accordance with the biosimilar approval pathway in China, we were undertaking Phase I and Phase III clinical trials of UBP1211 concurrently as of the Latest Practicable Date.

JS001 (toripalimab, anti-PD-1 mAb)

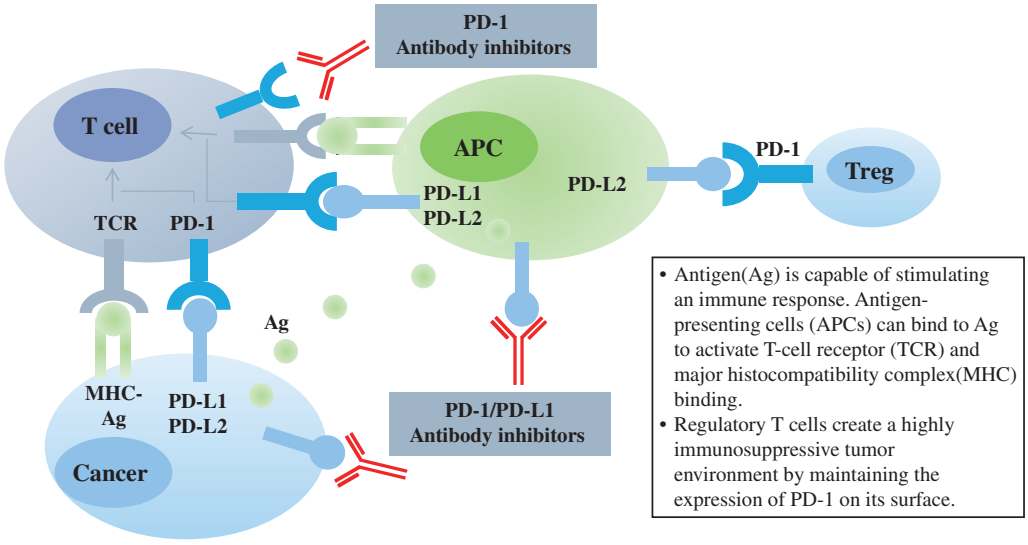
JS001, or toripalimab, is a recombinant humanized anti-PD-1 monoclonal antibody for injection addressing various malignant tumors. We optimized JS001 through various R&D steps, in particular the discovery and efficient identification of new molecular entities, the humanization of mouse antibodies, functional evaluation of antibody leads *in vivo* and the construction of productive and stable cell lines, all of which made JS001 an innovative drug with distinctive treatment advantages.

JS001 is our most advanced product candidate and is currently in the near-commercial stage. We are cooperating with KOLs and PIs in a number of clinical trial centers in the PRC to conduct Phase II and Phase III clinical trials of JS001 for oncological indications including malignant melanoma, urothelial cancer, gastric cancer, esophageal cancer and nasopharyngeal cancer. We also started Phase I clinical trial of JS001 in the United States in March 2018.

Mechanism of Action

PD-1 is an inhibitory receptor expressed on activated B and T lymphocytes and myeloid cells. Constitutive surface expression of PD-L1 is restricted to antigen presentation cells (APC) and cells at immune-privileged sites. Expression of PD-L1, however, could be induced on a variety of tissue and cell types, including leukocytes, peripheral epithelial and endothelial cells upon stimulation by pro-inflammatory cytokines, such as interferons and TNF. The PD-L1 expression profile implicates a role in APC function and host response to inflammatory stimuli. Unlike the broad inducible expression pattern of PD-L1, surface expression of PD-L2 is restricted to dendritic cells and macrophages, implicating a role in APC function. PD-L1 is rapidly upregulated in the peripheral tissues in response to inflammation to shut down immune responses through PD-1 expressed on lymphocytes. They are the host natural check point to prevent immunopathology as a consequence of lymphocyte activation. This safeguarding mechanism was exploited by cancer to evade host immune attack. PD-L1, the primary PD-1 ligand in the peripheral tissue, is found to be overexpressed in many solid tumors, and PD-L1 expression has been identified as a negative prognostic biomarker in various cancers associated with poor survival.

An anti-PD-1 monoclonal antibody is designed to prevent PD-1 from binding PD-L1/PD-L2, which leads to a recovery of the function of the T cell.



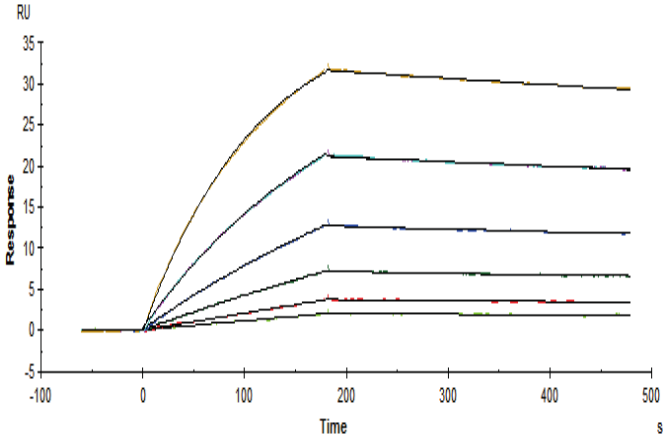
Source: Frost & Sullivan.

Features of JS001

High affinity

The following graph illustrate(s) the binding affinity of JS001 for PD-1 as measured by Biacore T200. Such KD measure of the affinity of JS001 was approximately 0.3 nM. The result shows high binding affinity of JS001, which enables it to bind more firmly to its specific antigen PD-1 receptor and to better compete against the binding of PD-L1 and PD-L2 on tumor cells.

Affinity of JS001 binding with PD-1 (Biacore)
JS001 KD = 0.3 nM



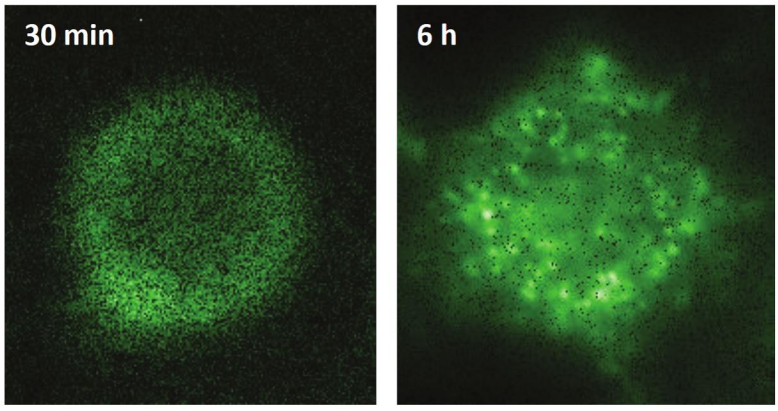
Source: CSCO 2017

RU = resonance units. S = seconds. The slow dissociation rate (KD) means high affinity of JS001 to PD-1.

Strong internalization induction

Upon binding with its specific antigen PD-1 receptor, JS001 blocks the interaction of PD-1 and its ligand and simultaneously induces the internalization of PD-1 receptor and decreases the expression of PD-1 on the cell membrane surface. Immunofluorescence assay results below show that JS001 induced strong internalization induction.

Immunofluorescence assay results show that JS001 induced strong internalization

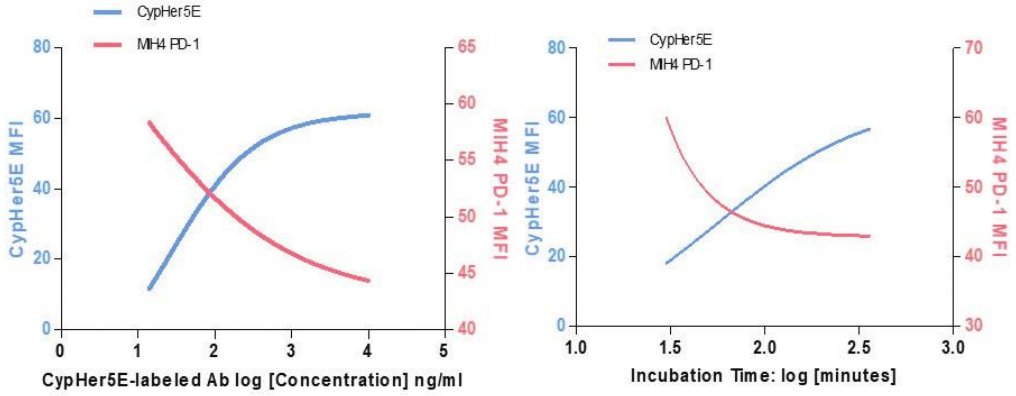


Source: Internal technical report

JS001-induced PD-1 internalization was directly visualized by microscopy using 293T.hPD1 cells. 293T.hPD1 cells were incubated at 37°C with 0.3 μg/mL of CypHer5E-labeled JS001. Upon internalization, the endosomes containing the labeled antibody are acidified, rendering CypHer5E fluorescent and visualized. Shown are pictures of an individual cell taken at 30 min and 6 hours. By 6 hours, punctate fluorescence and the accumulation of fluorescent vesicles (dots or small circles of fluorescence) can clearly be visualized in the large cytoplasmic region of the 293T.hPD1 cell.

The following graphs show a decrease in PD-1 expression on the cell surface during internalization of JS001 by simultaneously staining the JS001 non-competitive anti-PD-1 monoclonal antibody (clone MIH4). A decrease in PD-1 expression can improve the reactivity of T cells to the antigen. This mechanism does not rely on PD-1 ligand (PD-L1) expression.

Flow cytometry results show that JS001 induced internalization and reduced the expression of PD-1 on the membrane surface concurrently



Source: Internal technical report

MFI= mean fluorescence intensity. PD-1 predominantly expressed on activated T lymphocytes. Dose-dependent JS001 induced PD1 internalization was observed in activated T cells of human PBMC. PD-1 internalization were confirmed with CypHer5E-labeled JS001 and counter-stained with a PE-conjugated non-competing PD-1 mAb clone MIH4, which shows surface PD-1 level. In the left chart, a negative correlation was observed between CypHer5E fluorescence intensity (blue line) and surface PD-1 level after JS001 treatment (red line). In the right chart, JS001-induced PD-1 internalization (blue line) increased steadily over time, up to 6 hours (the longest time tested) following antibody incubation, while cell surface PD-1 level (red line), conversely, declined over time.

JS001 binds PD-1 with high affinity and specifically blocks interactions of PD-1 with its ligands, PD-L1 and PD-L2. JS001 binds PD-1 expressed on activated T lymphocyte to promote T lymphocyte activation, proliferation, cytokine release and killing of tumor cells. The limitation of JS001 is that it may also induce autoimmune adverse events, including hyper- or hypo-thyroidism, pancreatitis, interstitial lung disease, diabetes and colitis. However, the autoimmune adverse events may be managed by pausing or stopping JS001 and timely steroid treatment. Administration of JS001 will affect PD-1-PD-L1/PD-L2 function in normal non-cancerous cells and might cause autoimmune adverse events. The usage of JS001 is intended to be limited to cancer patients.

Clinical Trials

As of the Latest Practicable Date, we were conducting a total of 18 clinical trials on JS001 monotherapies and combination therapies in China. PIs involved in such clinical trials are mainly researchers and clinicians from reputable research institutes and hospitals in various provinces in China. Our Phase I clinical trial of JS001 in the U.S. involves 12 participating clinical centers in the U.S.

The following table sets out our management team responsible for our conduct of clinical trials, including results coordination and scrutiny of multi-center results:

Name	Position	Responsibility
Li Ning(1)	Chief Executive Officer	Overall supervision
Yao Sheng(1)	Senior vice president	Translational medicine and clinical trials in the U.S.
Gu Juanhong(1)	Deputy general manager	Clinical trials in China and the Asia-Pacific Region
Jiang Yinrui(2)	Executive Medical Director	Clinical trials execution

Notes:

(1) See "Directors, Supervisors and Senior Management" for further information.

(2) Ms. Jiang graduated from Fudan University with a master's degree in clinical medicine and worked as a senior medical manager at Sanofi-Aventis (China) Investment Co., Ltd. and PD Medical Director at Roche (China) Holding Ltd. before joining us.

The following table sets forth certain information on the efficacy of JS001 from clinical studies:

	Indication (Phase of Trial)	JS001
1.	**Recurrent metastatic lymphoma (I)**	75% ORR, 88% DCR (n = 24)
	– HL	88.2% ORR, 100.0% DCR (n = 17)
	– NHL	42.9% ORR, 57.1% DCR (n = 7)
2.	**Advanced or refractory alveolar soft part sarcoma (I)**	25% ORR, 67% DCR (n = 12)
3.	**Advanced or metastatic urothelial carcinoma (II)**	30% ORR, 78% DCR (n = 27)
4.	**Advanced esophageal squamous cell carcinoma (Ib/II)**	23% ORR, 50% DCR (n = 48)
5.	**Advanced gastric adenocarcinoma (Ib/II)**	18.6% ORR, 39.5% DCR (n = 43)
6.	**Refractory or metastatic nasopharyngeal carcinoma (II)**	31% ORR, 64% DCR (n = 39)
7.	**Metastatic mucosal melanoma in combination with Axitinib (Ib)**	61% ORR, 88% DCR (n = 33)
8.	**Advanced melanoma (II)**	20.7% ORR, 60.3% DCR (n = 121)
	– CSD	35.3% ORR, 64.7% DCR (n = 17)
	– Non-CSD	33.3% ORR, 77.8% DCR (n = 36)
	– Mucosal	0.0% ORR, 42.1% DCR (n = 19)
	– Acral	14.3% ORR, 53.1% DCR (n = 49)

Sources: ASCO, CSCO and clinical trial results summary

Investigators participating in our clinical studies are mainly clinicians independent from us, who work in reputable hospitals across various provinces in China. The members of the independent review committees include medical professionals from hospitals, medical centers and universities, who are also independent from us.

Among our clinical studies on JS001, those for advanced or metastatic urothelial carcinoma (Phase II), refractory or etastatic nasopharyngeal carcinoma (Phase II) and advanced melanoma (Phase II, pivotal) are all single-arm, non-randomized trials with registration purpose. The independent review committee-evaluated ORRs will be the primary endpoints to support our NDA filings according to the Guidance for Industry Clinical Trial Endpoints for the Approval of Cancer Drugs and Biologics and RECIST 1.1 (Response Evaluation Criteria In Solid Tumours). Therefore, we have consulted independent review committees in these clinical trials. By contrast, the clinical trial for metastatic mucosal melanoma (Phase Ib, + Axitinib) is an exploratory clinical trial initiated by independent investigators and is subject to the evaluation by such investigators instead of an independent review committee.

We encountered and expect to continue to encounter AEs in our clinical trials. All AEs are followed until they are resolved, patient is deceased or patient is out of trial for 90 days. All AEs are managed and treated according to the clinical protocol and investigator's brochure. The clinical protocol, investigator's brochure and SAE case report of each clinical study on JS001 as disclosed in this prospectus have been communicated to and confirmed with the relevant ethical committees of clinical trial sites. Based on data from our clinical trials, publicly available information of competitor drugs and consultation with Frost & Sullivan, we are of the view that the AE, SAE, irAE and TRAE profiles of JS001 for the indications set out below are generally in line with those of competitor drugs.

1. Recurrent Metastatic Lymphoma (Phase I)

Design. In the Phase I clinical trial of recurrent metastatic lymphoma, a total of 24 patients (17 HL and seven NHL) received a JS001 infusion every two weeks and were evaluated by investigators for clinical efficacy every six weeks in accordance with the IWG International lymphoma assessment criteria.

Results. As of June 28, 2018, all patients underwent at least a half-year follow-up evaluation. The following table sets forth the results of Phase I clinical trial of JS001 in the treatment of recurrent metastatic lymphoma.

Efficacy results of Phase I clinical trial in recurrent metastatic lymphoma treated with JS001

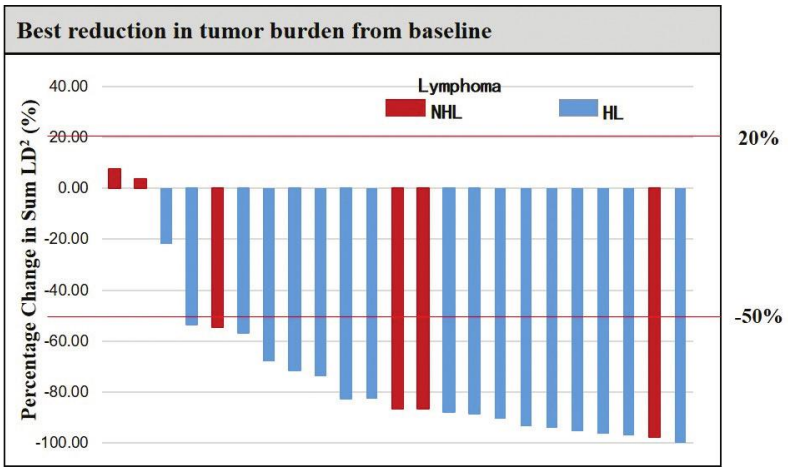
Type	No.	1 mg/kg (n = 6)	3 mg/kg (n = 9)	10 mg/kg (n = 9)	Sub-total	CR %	ORR %	DCR %
HL	17	1CR, 2PR, 1SD	2CR, 4PR	4CR, 2PR, 1SD	7CR, 8PR, 2SD	41.2	88.2	100.0
NHL	7	1PR, 1PD	1SD, 2PD	1CR, 1PR	1CR, 2PR, 1SD, 3PD	14.3	42.9	57.1
Total	**24**	**1CR, 3PR, 1SD, 1PD**	**2CR, 4PR, 1SD, 2PD**	**5CR, 3PR, 1SD**	**8CR, 10PR, 3SD, 3PD**	**33.3**	**75.0**	**87.5**

Source: Clinical trial result summary

Of the three SD patients observed, two had unconfirmed partial response. The mTTR was 42 days with the range of 42 to 210 days. As at the cut-off date for data collection, 14 out of 18 patients with objective response were still in sustained response, and the mDOR and mPFS had not been reached. JS001 shows long-lasting efficacy in recurrent metastatic lymphoma.

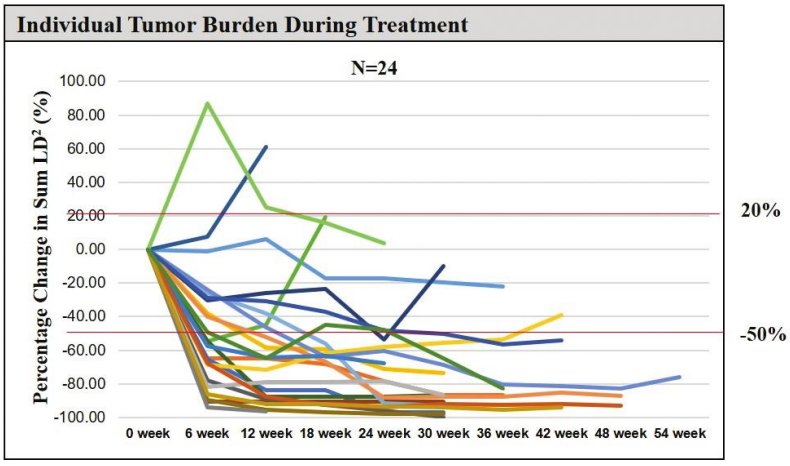
The following diagrams are a waterfall plot showing the optimal tumor shrinkage rate and a spider plot showing the patients tumor load changed over time.

Optimal tumor shrinkage rate in recurrent metastatic lymphoma patients treated with JS001 in Phase I clinical trial



Source: Clinical trial result summary

Tumor load changed over time of recurrent metastatic lymphoma patients treated with JS001 in Phase I clinical trial



Source: Clinical trial result summary

Safety. TRAEs were observed in 23 (95.8%) of patients. Among the 24 patients, Grade 3 TEAEs occurred in 4 patients (16.7%). Such TEAEs vary and include lung infection and anemia, among others. No Grade 4 or 5 TEAEs were observed. One (4.2%) subject terminated due to TEAE.

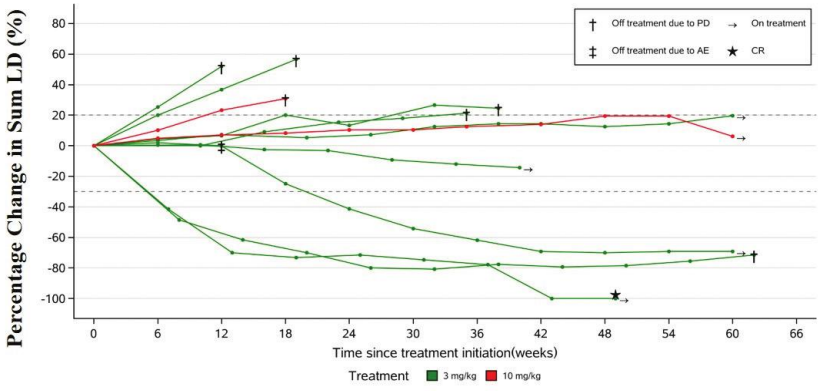
2. Advanced or Refractory Alveolar Soft Part Sarcoma (Phase I)

Design. In the Phase I clinical trial in advanced or refractory alveolar soft part sarcoma treated with JS001, from October 2016 to June 2017, a total of 12 patients with advanced or refractory alveolar soft tissue sarcoma received a JS001 infusion every two weeks, and were evaluated for clinical efficacy by investigators at least once every six weeks in accordance with the RECIST v1.1 assessment criteria.

Results. Of the 12 patients, one (8.3%) CR, two (16.7%) PR, and five (41.7%) SD were confirmed with the ORR of 25.0% (3/12) and the DCR of 66.7% (8/12).

The following spider plot shows the changes in tumor burden over time of alveolar soft part sarcoma patients treated with JS001 in Phase I clinical trial.

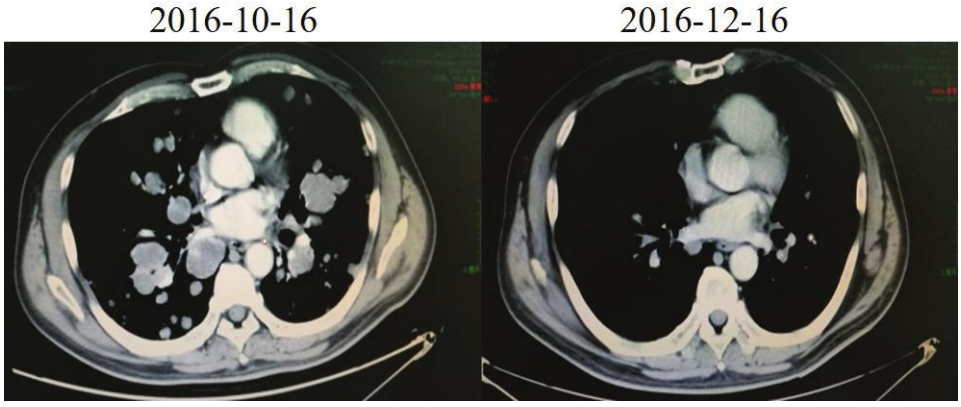
Tumor load changed over time of soft tissue sarcoma patients treated with JS001 in Phase I clinical trial



Source: ASCO 2018

As shown in the image below, lung nidus nearly completely disappeared four weeks after one of the patients received a single dose of 3 mg/kg of JS001.

Lung image of a soft tissue sarcoma patient treated with JS001 in Phase I clinical trial



Safety. Among the 12 patients, TEAEs were reported in 12 (100%). No DLT was observed and no MTD was reached in the study. Grade 3 TEAEs occurred in 2 patients (16.7%). No Grade 4 or 5 TEAEs were observed. One (8.3%) subject terminated due to TEAE and no subject terminated due to TRAE.

The following table sets out an overview of the adverse events.

N (%)	3 mg/kg N=10	10 mg/kg N=2	Total N=12
Any treatment emergent adverse events	10 (100)	2 (100)	12 (100)
Any treatment serious adverse events	1 (10.0)	0	1 (8.3)
Any treatment related TEAE	10 (100)	2 (100)	12 (100)
Any treatment related serious TEAE	0	0	0
Any grade ≥ 3 TEAE[*(Note)*]	2 (20.0)	0	2 (16.7)

Note: including one grade 3 fatigue and one grade 3 creatinine kinase CK-MB elevation.

3. Advanced or Metastatic Urothelial Carcinoma (Phase II)

Design. In the Phase II single-arm clinical trial in advanced recurrent metastatic urothelial cancer treated with JS001, patients received a 3 mg/kg JS001 infusion every two weeks and were evaluated by the independent evaluation committee every eight weeks in the first year in accordance with the RECIST v1.1 assessment criteria. As of February 2018, 33 patients with advanced urothelial cancer were enrolled.

Results. Of the 33 patients enrolled, 27 evaluable patients received at least one efficacy evaluation and 8 PR and 13 SD were observed, with the ORR of 29.6% (8/27) and the DCR of 77.8% (21/27).

Safety. Most of the TRAEs were Grade 1-2, including ALT increase, hyperglycemia, amylase increase, anemia, AST increase and hypothyroidism.

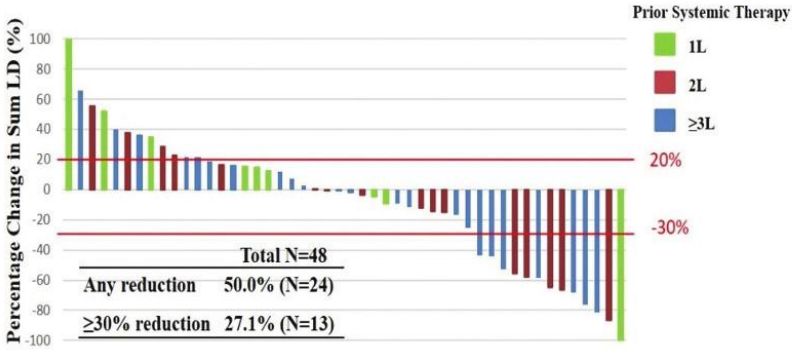
4. Advanced Esophageal Squamous Cell Carcinoma (Phase Ib/II)

Design. Patients received a 3 mg/kg JS001 infusion every two weeks and were evaluated by investigators for clinical efficacy every eight weeks in accordance with the RECIST v1.1 assessment criteria. Between April 19, 2017 and August 31, 2017, 59 patients with advanced esophageal squamous cell carcinoma were enrolled into the study. As of December 30, 2017, 48 patients received at least one evaluation of efficacy.

Results. Of the 48 patients evaluated, there were 1 case of CR, 10 cases of PR and 13 cases of SD, with the ORR of 22.9% (11/48) and the DCR of 50.0% (24/48).

The following waterfall plot shows the optimal tumor shrinkage rate in advanced esophageal cancer patients treated with JS001 in Phase Ib/II clinical trial.

Optimal tumor shrinkage rate in advanced esophageal cancer patients treated with JS001 in Phase Ib/II clinical trial



Source: ASCO-GI 2018

Safety. TEAEs were reported in 56 (94.9%) of 59 patients, any grade TRAEs were reported in 37 (62.7%). TRAEs occurred were mostly grade 1 or 2. Grade 3-5 TRAEs occurred in 22 (37.3%) patients. Any grade of immune related AEs occurred in 6 (10.2%) patients. The most common AEs are weight decrease, anemia, cough, constipation, pyrexia, ALT increase, nausea, AST increase, decreased appetite and WBC decrease. Grade 3 to 5 TRAEs mainly include anaemia, increased bilirubin conjugated, hyponatraemia and dysphagia. 10 (16.9%) subjects terminated due to TEAE.

The following table sets out an overview of the adverse events.

	Esophageal Cancer N=59 (n, %)
At least one AE	56 (94.9)
At least one drug related AE	37 (62.7)
At least one SAE	15 (25.4)
At least one Serious drug related AE	3 (5.1)
At least one G3-G5 AE	22 (37.3)
At least one G3-G5 drug related AE	5 (8.5)
At least one AE leading to treatment discontinuation	10 (16.9)
At least one infusion related AE	2 (3.4)
At least one irAE	6 (10.2)

Abbreviation:
AE, adverse event; G3, grade 3; G5, grade 5; irAE, immune-related adverse event; SAE, serious adverse event

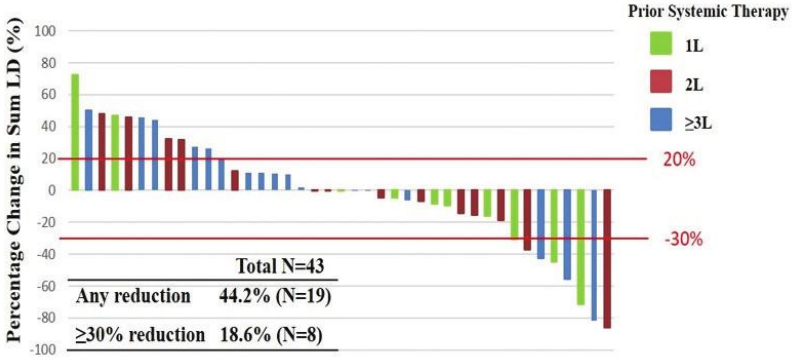
5. Advanced Gastric Adenocarcinoma (Phase Ib/II)

Design. Patients received a 3 mg/kg JS001 infusion every two weeks and were evaluated by investigators for clinical efficacy every eight weeks in accordance with the RECIST v1.1 assessment criteria. 58 advanced gastric adenocarcinoma patients were enrolled into the study. As of December 30, 2017, 43 patients underwent at least one efficacy evaluation.

Results. Of the 43 patients evaluated, 8 patients had PR and 9 patients had SD with the ORR of 18.6% (8/43) and the DCR of 39.5% (17/43). Efficacy in PD-L1 positive gastric adenocarcinoma patients was better than in negative patients. The PR of 6 PD-L1 positive tumor patients and 36 PD-L1 negative tumor patients were 50.0% (3/6) and 13.9% (5/36), respectively.

The following waterfall plot shows the optimal tumor shrinkage rate in advanced gastric adenocarcinoma patients treated with JS001 in Phase Ib/II clinical trial.

Optimal tumor shrinkage rate in advanced gastric adenocarcinoma patients treated with JS001 in Phase Ib/II clinical trial



Source: ASCO-GI 2018

Safety. TEAEs were reported in 57 (98.3%) of 58 patients, any grade TRAEs were reported in 42(72.4%). TRAEs occurred were mostly grade 1 or 2. Grade 3-5 TRAEs occurred in 31 (53.4%) patients. Any grade of immune related AEs occurred in 4 (6.9%) patients. The most common AEs are anemia, hyponatremia, decreased appetite, ALT increase, weight decrease, nausea, proteinuria, abdominal pain, AST increase, abdominal distension, constipation, pyrexia and blood bilirubin increase. Grade 3 to 5 TRAEs mainly include anaemia, hyponatremia, ascites, abdominal pain, gastrointestinal haemorrhage and hypertension.

The following table sets out an overview of the adverse events.

	Gastric Cancer N=58 (n, %)
At least one AE	57 (98.3)
At least one drug related AE	42 (72.4)
At least one SAE	25 (43.1)
At least one Serious drug related AE	9 (15.5)
At least one G3-G5 AE	31 (53.4)
At least one G3-G5 drug related AE	12 (20.7)
At least one AE leading to treatment discontinuation	13 (22.4)
At least one infusion related AE	0
At least one irAE	4 (6.9)

Abbreviation:
AE, adverse event; G3, grade 3; G5, grade 5; irAE, immune-related adverse event; SAE, serious adverse event

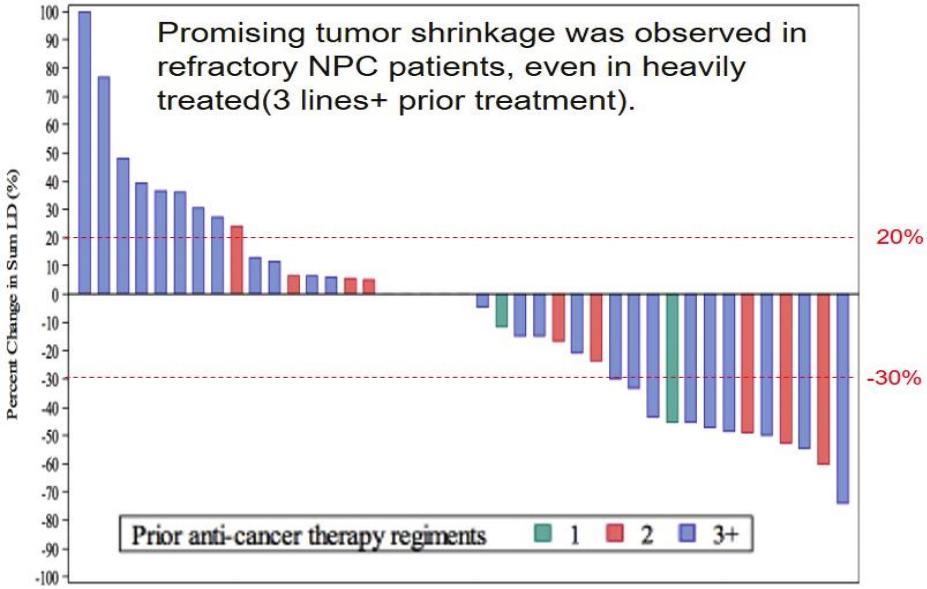
6. Refractory or Metastatic Nasopharyngeal Carcinoma (Phase II)

Design. Patients received a 3 mg/kg JS001 infusion every two weeks and were evaluated by the independent evaluation committee for clinical efficacy every eight weeks in accordance with the RECIST v1.1 assessment criteria. 57 patients with advanced nasopharyngeal cancer were treated with JS001. 39 patients underwent at least one efficacy evaluation.

Results. Of the 39 patients evaluated, 12 cases of PR and 13 cases of SD were observed with the ORR of 30.8% (12/39) and the DCR of 64.1% (25/39). It showed that the efficacy in PD-L1 positive tumor patients was better than in the negative patients. The ORR and DCR of PD-L1 positive tumor patients were 42.1% and 73.7%, respectively.

The following waterfall plot shows optimal tumor shrinkage rate in advanced nasopharyngeal cancer patients treated with JS001.

Optimal tumor shrinkage rate in advanced nasopharyngeal cancer patients treated with JS001



Source: CSCO 2017

Safety. The overall safety profile of JS001 observed in NPC cohorts was generally manageable, reversible and of low severity. The most commonly reported TRAEs were pyrexia, anemia, hypothyroidism, hypoalbuminemia, cough, leukopenia, abnormal hepatic function, increased blood bilirubin and asthenia. The majority of TRAEs were grade 1 or 2 in severity. Four (7.4%) subjects terminated due to TEAE. Grade 3 to 5 TRAEs mainly include anaemia, pyrexia, decreased white blood cell count, asthenia, increased blood bilirubin and nausea.

The following table sets out an overview of the adverse events.

Number of patients with AE, n (%)	NPC N=54
Any TEAE-all causality	50 (92.6)
Any Serious TEAE-all causality	7 (13.0)
Any Grade 3/4 TEAE-all causality	13 (24.1)
Any TEAE leading to permanent discontinuation of study medication	4 (7.4)
Any TEAE leading to death	1 (1.9)
Any infusion reaction	1 (1.9)

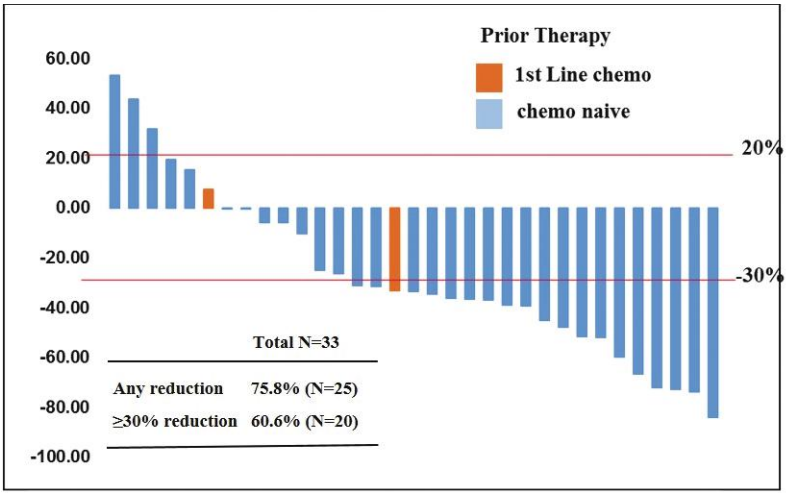
7. Metastatic Mucosal Melanoma (Phase Ib, +Axitinib)

The clinical results of JS001 in the treatment of advanced melanoma registration show that there is room for improvement in the response of mucosal melanoma subtype to PD-1 antibody monotherapy. One of the poor indicators of the prognosis of mucosal melanoma is the formation of microvessels within the tumor and an increase in the number of microvessels is associated with a shortened survival. The combination of an anti-angiogenic tyrosine kinase inhibitor (TKI) and a PD-1 inhibitor has initially shown superiority over single agents in the field of advanced kidney carcinoma and such result was published in Lancet Oncology in 2018.

Design. We conducted a Phase Ib clinical trial of JS001 combined with axitinib in the treatment of metastatic mucosal melanoma from April 2017 to April 2018. A total of 33 patients with mucosal melanoma were enrolled, including esophagus, nasopharynx, rectal and vaginal melanoma. As of May 20, 2018, all 33 patients had received at least one efficacy evaluation.

Results. Of the 33 patients evaluated, 20 patients achieved PR and 9 achieved SD, with the ORR of 60.6% and the DCR of 87.9%. Since 16 of the 20 patients continued to have response, the mDOR had not yet been reached. The following waterfall plot shows the optimal tumor shrinkage rate in mucosal melanoma patients after the combined therapy.

Optimal tumor shrinkage rate in mucosal melanoma patients treated with JS001 combined with axitinib



Source: ASCO 2018

Safety. No DLT was observed in the study. TRAEs occurred in 97.7% subjects. The most common TRAEs were grade 1 or 2. No grade 4 or 5 AE was observed. Grade 3 TRAEs occurred in 6 subjects, including ALT increase, proteinuria, AST increase, weight loss, cholesterol increase, hypertension and hyperglycemia. No emergence of new AE that was unreported from either monotherapy. 1 (3.0%) subject terminated due to TEAE and no subject terminated due to TRAE.

The following table sets out an overview of the adverse events.

	JS001 1mg/kg Q2W + Axitinib 5mg Bid N=3	JS001 3mg/kg Q2W + Axitinib 5mg Bid N=30	Total N=33
	n (%)	n (%)	n (%)
Any TEAE	3 (100)	30 (100)	33 (100)
Any treatment emergent SAE	0	5 (16.7)	5 (15.2)
Any TEAE relating to JS001	3 (100)	30 (100)	33 (100)
Any TEAE relating to Axitinib	3 (100)	30 (100)	33 (100)
Any TEAE relating to JS001 or Axitinib	3 (100)	30 (100)	33 (100)
Any treatment emergent SAE relating to JS001	0	1 (3.3)	1 (3.0)
Any treatment emergent SAE relating to Axitinib	0	1 (3.3)	1 (3.0)
Any treatment emergent SAE relating to JS001 or Axitinib	0	1 (3.3)	1 (3.0)
Any TEAE ≥ Grade 3	2 (66.7)	13 (43.3)	15 (45.5)
Any TEAE ≥ Grade 3 relating to JS001	2 (66.7)	7 (23.3)	9 (27.3)
Any TEAE ≥ Grade 3 relating to Axitinib	2 (66.7)	9 (30.0)	11 (33.3)
Any TEAE ≥ Grade 3 relating to JS001 or Axitinib	2 (66.7)	9 (30.0)	11 (33.3)
TEAE leading to treatment discontinuation	0	4 (13.3)	4 (12.1)

Source: clinical trial result summary

8. Advanced Melanoma (Phase II, pivotal)

Design. Patients who have failed systemic treatment received a 3 mg/kg JS001 infusion every two weeks and were evaluated for clinical efficacy every eight weeks by the independent review committee in accordance with the RECIST v1.1 assessment criteria. This trial recruited 128 advanced melanoma patients who had failed systemic treatment from December 2016 to September 2017. All patients had at least six months' follow-up. As of the latest data cut-off date, 121 patients had received at least one efficacy evaluation.

Results. Among the 121 evaluable patients, 1 CR, 24 PR and 48 SD were observed with the ORR of 20.7% (25/121) and the DCR of 60.3% (73/128). Our ORR would be reduced from 20.7% (25/121) to 17.2% (22/128) if we divide the aggregate of CR and PR cases (without counting three of PR cases doubted by PI) by the number of all patients (instead of evaluable patients). As of the latest date for data collection, 20 patients with objective response were still having ongoing responses and therefore the mDOR had not been reached.

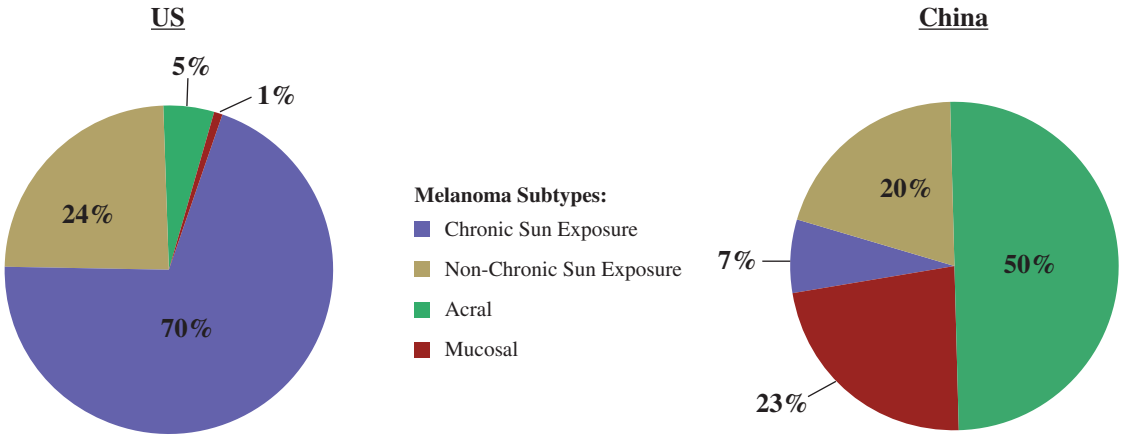
Efficacy results of clinical trial of JS001 in the treatment of advanced melanoma

Melanoma subtype	N (%)	Evaluable	CR+PR	SD	ORR %	95% CI	DCR %	95% CI
Chronic sun damage	18 (14.1)	17	6	5	35.3	14.2-61.7	64.7	38.3-85.8
Non-chronic sun damage	38 (29.7)	36	12	16	33.3	18.6-51.0	77.8	60.8-89.9
Mucosal	21 (16.4)	19	0	8	0	0.0-17.6	42.1	20.3-66.5
Acral	51 (39.8)	49	7	19	14.3	5.9-27.2	53.1	38.3-67.5
Total	**128**	**121**	**25**	**48**	**20.7**	**13.8-29.0**	**60.3**	**51.0-69.1**

Source: ASCO 2018

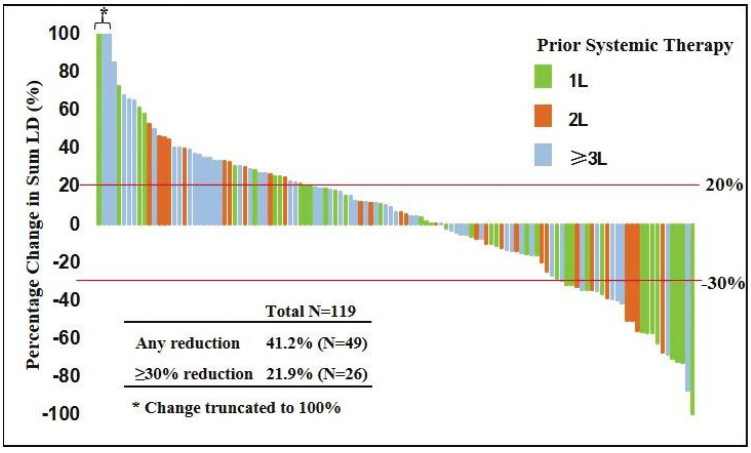
As shown in the following figure, among the four subtypes of melanoma, chronic sun damage (CSD) and non-chronic sun damage (non-CSD) are the main types in America (94%), while Acral and Mucosal are the major melanoma types (73%) in China, reflecting the epidemiological differences between ethnic groups in different regions. The accumulation of DNA mutations caused by UV exposure is the main cause of the onset of CSD and Non-CSD types. In comparison, Acral and Mucosal subtypes harbor limited DNA mutations and thus have divergent underlying tumorigenesis mechanism. As shown in the clinical results above, CSD (ORR 35.3%, DCR 64.7%) and Non-CSD (ORR 33.3%, DCR 77.8%) subtype patients had a better response to PD-1 antibody monotherapy than the Acral (ORR 14.3%, DCR 53.1%) and Mucosal (ORR 0%, DCR 42.1%) subtype patients.

Comparison of subtypes of skin melanoma in the United States and China



Source: *ASCO 2018*

Optimal tumor shrinkage rate in advanced melanoma patients treated with JS001



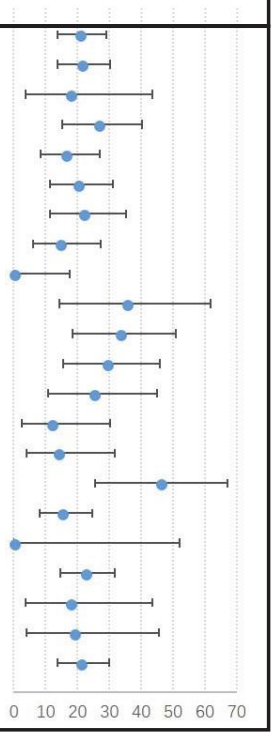
Source: *ASCO 2018*

As shown in the further subgroup analysis, efficacy in PD-L1 positive melanoma tumor patients was better than in the negative patients. The ORR of 24 PD-L1 positive tumor patients and 80 PD-L1 negative tumor patients were 45.8% and 15.0%, respectively.

Efficacy analysis of advanced recurrent metastatic melanoma subgroup treated with JS001

ORR Subgroup Analysis (RES)			
Group		**n**	**ORR[1] and 95% CI**
Subject (RES)		**121**	**20.66 (13.84, 28.97)**
Age	<65	104	21.15 (13.76, 30.26)
	≥65	17	17.65 (3.80, 43.43)
Gender	Male	53	26.42 (15.26, 40.33)
	Female	68	16.18 (8.36, 27.1)
ECOG	0	70	20.00 (11.39, 31.27)
	1	51	21.57 (11.29, 35.32)
Subtype	Acral	49	14.29 (5.94, 27.24)
	Mucosal	19	0 (0, 17.65)
	CSD	17	35.29 (14.21, 61.67)
	Non-CSD	36	33.33 (18.56, 50.97)
Prior Systemic treatment	1L	38	28.95 (15.42, 45.9)
	2L	28	25.00 (10.69, 44.87)
	3L	26	11.54 (2.45, 30.15)
	≥4L	29	13.79 (3.89, 31.66)
PD-L1	Positive	24	45.83 (25.55, 67.18)
	Negative	80	15.00 (8.00, 24.74)
LDH	<LLN	5	0 (0, 52.18)
	≥LLN and ≤2x ULN	99	22.22 (14.48, 31.69)
	>2x ULN	17	17.65 (3.80, 43.43)
ADA	Positive	16	18.75 (4.05, 45.65)
	Negative	105	20.95 (13.62, 29.99)

[1] ORR by IRC 3/15/2018



Source: ASCO 2018

Safety. TRAEs were reported in 125 of the total 128 patients (97.7%), of which Grade 3 or 4 TRAEs occurred in 27 of the total 128 patients (21.1%) and treatment related SAEs occurred in 14 of the total 128 patients (10.9%). There were no Grade 5 TRAEs. Grade 3 and 4 TRAEs vary and include anemia, syncope and high blood pressure, among others. For the one treatment related AE/SAE leading to death (0.8%), death of the patient was caused by pneumonia. Termination due to TRAE occurred in 14 subjects (10.9%); dose delay due to TRAE occurred in 9 subjects (7.0%) Immune-related AEs include interstitial lung disease (1), diabetes (1), pancreatitis (2), hyperthyroidism (7) and hypothyroidism (18).

9. Non-small cell lung carcinoma ("NSCLC") (Phase II)

Design. A Phase I dose-escalation study of JS001 in patients with advanced or recurrent malignancies was initiated in August 2016. Among 33 subjects (including 7 NSCLC subjects) enrolled across three dose levels of 1, 3, 10 mg/kg, JS001 was well tolerated and no DLT was observed.

Results. Among all 33 subjects, 6 achieved CR, 10 achieved PR and 12 achieved SD, for an ORR of 48.5%. The mTTR was 10.6 (5.3 – 35.7) weeks, and the mPFS was 8.8 (1.3 – 14.0+) months. Among 7 NSCLC subjects, 2 PR were observed, yielding an ORR of 28.6%.

Safety. The most common TRAEs were grade 1 or 2.

Next Steps. We are conducting a multi-center, single arm phase II study to evaluate the efficacy and safety of JS001 in combination with pemetrexed plus carboplatin for treatment of recurrent or advanced EGFR-mutation positive NSCLC without T790M mutation that have failed prior EGFR-TKI treatment. The planned enrollment is 40 subjects in total.

Combination Therapies of JS001

In addition to monotherapies, PD-1/PD-L1 inhibitors have shown significant potential in combination therapies according to the F&S Report. As described above, we are conducting the JS001+Axitinib combination therapy clinical trial for metastatic mucosal melanoma through purchasing Axitinib from the open market. In addition, we are cooperating with third party pharmaceutical companies to develop other combination therapies.

Market Opportunity and Competition

According to the F&S Report, the market size of PD-1 and PD-L1 inhibitors together is projected to reach to RMB37.4 billion in 2022, representing a CAGR of 534.4% between 2018 and 2022, and further increase to RMB98.4 billion in 2030, representing a CAGR of 12.8% between 2022 and 2030. In particular, it is expected that anti-PD-1 monoclonal antibodies produced by PRC companies will achieve rapid growth upon their commercialization as a result of more affordable prices, commanding a market share of 70.0% in 2030.

Currently, there are significant unmet medical needs for anti-PD-1 monoclonal antibody drugs, while JS001 has the potential to be the first NMPA-approved anti-PD-1 drug developed by a PRC company benefiting from its advanced clinical progress. In view of the retail prices of Opdivo and Keytruda as shown in the table below, we plan to price our JS001 competitively taking into account the market conditions. We believe that JS001, as a pioneer in the market with proven efficacy and affordable price compared with its MNC competitors, will be able to enjoy a significant market share and strong competitive position upon commercialization. In addition, driven by the growing number of oncological patients, the increasing recognition of the treatment, the additional indications approved, the increased efficacy and sales resulted from combination therapies, as well as the gradual expansion of medical insurance coverage in the PRC, we believe the demand for JS001 will continue to grow.

Opdivo, Keytruda and Libtayo are the only three marketed anti-PD-1 medications worldwide, which have been approved by FDA for multiple oncological indications that JS001 is also intended for. Opdivo and Keytruda have been approved for sales in the PRC in June and July 2018, respectively. We filed for NDA approval with the NMPA in March 2018, being the first PRC company to file NDA with the NMPA for an anti-PD-1 monoclonal antibody. Three other pharmaceutical companies have filed NDAs for their anti-PD-1 products to the NMPA following us. In addition, there were 15 PD-1 and nine PD-L1 monotherapy clinical trials in Phase III and 27 combination therapy clinical trials in Phase III for PD-1/PD-L1 in China as of the Latest Practicable Date. While we may face competition from Opdivo, Keytruda, PRC companies and other MNCs engaged in the commercialization of anti-PD-1 monoclonal antibodies, we believe we are able to maintain our competitiveness with our rapid clinical progress, corroborant efficacy and stable production process.

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Nivolumab	Opdivo	BMS	Marketed	Anti-PD-1	Locally advanced or metastatic NSCLC	100mg/10ml 9,260; 40mg/10ml 4,591	2015.7	2017.11	JXSS1700015 JXSS1700016	Imported therapeutic biologics*
Pembrolizumab	Keytruda	MSD	Marketed	Anti-PD-1	Locally advanced or metastatic melanoma	100mg, 17,918	2016.2	2018.2	JXSS1800002	Imported therapeutic biologics*
Toripalimab	**JS001**	**Junshi**	**NDA submission**	**Anti-PD-1**	**Unresectable local progression or metastatic melanoma**	**N.A.**	**2015.12**	**2018.3**	**CXSS1800006**	**Therapeutic biologics category 1**
Sintilimab	IBI308	Innovent	NDA submission	Anti-PD-1	Classic Hodgkin lymphoma	N.A.	2016.9	2018.4	CXSS1800008	Therapeutic biologics category 1
Camrelizumab	SHR-1210	Hengrui	NDA submission	Anti-PD-1	Classic Hodgkin lymphoma	N.A.	2016.2	2018.4	CXSS1800009	Therapeutic biologics category 1
Tislelizumab	BGB-A317	Beigene	NDA submission	Anti-PD-1	Classic Hodgkin lymphoma	N.A.	2016.9	2018.8	CXSS1800019	Therapeutic biologics category 1

Source: Frost & Sullivan

Note: All of the products are not included in the NRDL or PRDL.

*: For the imported drugs, they are classified as imported therapeutic biologics and there is no further subcategory of imported therapeutic biologics.

The following table summarizes clinical trial results of JS001 and the other five competing anti-PD-1 products in the market or under NMPA review based on available information as of the Latest Practicable Date.

Published Clinical Trial Results of PD-1 Inhibitors Under/Beyond NMPA Review as of the Latest Practicable Date

Products[1]	JS001			Pembrolizumab[2]			Nivolumab[2]			BGB-A317			IBI308			SHR-1210		
Sponsor	Junshi			MSD			BMS			Beigene			Innovent			Hengrui		
Indication	Clinical Stage[3]	N[4]	ORR	Clinical Stage[3]	N[4]	ORR	Clinical Stage[3]	N[4]	ORR	Clinical Stage[3]	N[4]	ORR	Clinical Stage[3]	N[4]	ORR	Clinical Stage[3]	N[4]	ORR
Melanoma 2L	Phase II	121	20.7%	Phase Ib ~Phase III	457	21%~34%	Phase III	120	32%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Melanoma 1L	Phase III	N.A.	N.A.				Phase III	526	34%~40%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mucosal melanoma (+Axitinib)	Phase I	33	60.6%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Nasopharyngeal carcinoma	Phase II	39	30.8%	Phase I	27	26%	Phase II	44	21%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Phase I	91	34%
Gastric carcinoma	Phase II	43	18.6%	Phase II	143	13%	N.A.	N.A.	N.A.	Phase I	34	12%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Esophageal carcinoma	Phase II	48	22.9%	Phase Ib	23	30%	Phase II	64	17%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	Phase I	30	33%
Urothelial carcinoma	Phase II	27	29.6%	Phase II	640	21%~29%	Phase II	270	20%	Phase I	15	33%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Non-small cell lung carcinoma	Phase I	7	28.6%	Phase III	1134	18%~45%	Phase III	427	19%~20%	N.A.	N.A.	N.A.	Phase Ib	34	18%	N.A.	N.A.	N.A.
Alveolar soft part sarcoma	Phase I	12	25.0%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Malignant lymphoma	Phase I	24	75.0%	Phase II	263	45%~69%	Phase II	353	66%~69%	Phase II	70	73%	Phase II	96	79%	Phase II	13	50%
Hepatic cell carcinoma	Phase I	N.A.	N.A.	Phase II	104	17%	Phase II	154	14%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.

Source: Frost & Sullivan

Notes:

(1) The information in this table is derived from the publicly available historical data from various studies rather than head-to-head comparisons. The clinical trial results of JS001 and its five anti-PD1 competitors are not directly comparable, given the different stages of clinical trials and number of evaluated patients.

(2) The clinical trial results of pembrolizumab and nivolumab are derived from their respective drug labelling filed with FDA.

(3) Clinical stages correspond to the available results.

(4) N: Number of evaluated patients as of September, 2018.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET JS001 SUCCESSFULLY.

Regulatory Progress and Next Steps

We obtained IND approval from the NMPA for JS001 in December 2015, being the first PRC company to receive IND approval for an anti-PD-1 monoclonal antibody. Pursuant to such IND approval, JS001 was admitted to a fast-track review, meaning NDA may be granted based on the completion of a Phase II clinical trial and subject to Phase III clinical trial being carried out subsequently.

Since our obtaining IND for JS001, communication with the NMPA mainly included the following:

- In March 2017, we held a roundtable meeting with the NMPA before initiating the pivotal clinical trial for JS001 and had an in-depth discussion on whether the pivotal clinical trial protocols and safety profile of JS001 for malignant melanoma and certain other indications were acceptable for NDA filing.

- In January 2018, the NMPA held a seminar on the application material requirements of anti-PD-1/PD-L1 monoclonal antibody, where the participants discussed the issues arising during the R&D of anti-PD-1 monoclonal antibody and decided on the requirements of application material for such product.

- We also had a pre-NDA meeting with the NMPA in January 2018, pursuant to which JS001 was allowed to file an NDA based on its pivotal clinical trial for malignant melanoma.

- In addition, we consulted the NMPA on the Phase III clinical trial protocols of JS001 for certain other indications.

Our NDA application for JS001 was accepted by the NMPA in March 2018. We were the first PRC company to file NDA for an anti-PD-1 monoclonal antibody. Due to the significant clinical values and advantages of JS001 in treating malignant melanoma, the NMPA designated JS001 for Priority Review in April 2018.

According to standard procedures, the NMPA's review process of an NDA application comprises the following steps: (i) preliminary review by the NMPA, upon the completion of which the application will be referred to the CDE under the NMPA for technical review; (ii) technical review by the CDE including on the pharmacology and toxicology, clinical, pharmaceutical and statistical aspects of the application, which also involves clinical site inspection and manufacturing site inspection, upon the completion of which the application will be referred back to the NMPA for administrative approval; and (iii) administrative approval by the NMPA. On December 1, 2018, our NDA application for JS001 completed the technical review by the CDE and was referred by the CDE to the NMPA for administrative

review. As of the Latest Practicable Date, our NDA application for JS001 was still in the administrative review process and we are currently of the view that our communication with the NMPA regarding our NDA approval application for JS001 had no material adverse impact on the practicable launch date or launch conditions of JS001.

No material unexpected or adverse changes have occurred since the date of issue of the relevant regulatory approval for JS001. We expect to but cannot assure that we will obtain NDA approval without material additional requirements (other than subsequently completing Phase III clinical trial) in late 2018 or early 2019. We are preparing to launch JS001 in China shortly after obtaining NDA approval. Upon obtaining NDA approval on the expected timetable we anticipate to carry out commercial manufacturing of JS001 at our Wujiang Production Base and conduct marketing and sales of JS001 leveraging our commercialization team. However, we cannot assure the timing and any further requirements for NDA approval, the result of subsequent Phase III clinical trial or that NDA approval will be forthcoming at all. See "Risk Factors – Risks Relating to Our Drug Candidates – We may fail to complete the regulatory approval processes for our drug candidates, which are lengthy, time consuming and inherently unpredictable."

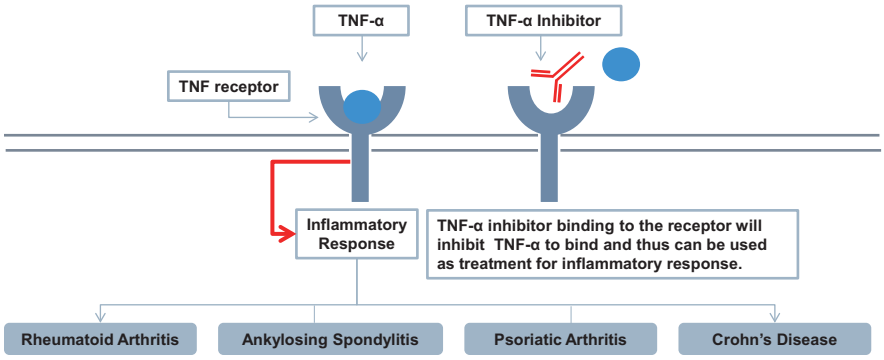
We also obtained from the FDA the IND approval for JS001 in January 2018 and are conducting a Phase I clinical trial of JS001 in the U.S.

UBP1211 (anti-TNF-α mAb)

UBP1211 is a recombinant human anti-TNF-α monoclonal antibody injection targeting autoimmune diseases. UBP1211 is a biosimilar of Humira (adalimumab), a TNF-α-inhibiting, anti-inflammatory biologic medication indicated for several immune-mediated inflammatory diseases. Pursuant to the Technical Guideline for Development and Evaluation of Biosimilars (Proposed Guideline) issued by the NMPA in February 2015, we are concurrently conducting Phase I and Phase III studies to compare the similarities between UBP1211 and Humira in patients with moderate to severe rheumatoid arthritis. The extensive comparison of the physicochemical structure and biologic function of UBP1211 and Humira we have conducted showed structural similarity and comparable functionality, demonstrating that UBP1211 has similar efficacy, safety and immunogenicity to Humira.

Mechanism of Action

TNF-α is a potent inducer of the inflammatory response and key regulator of innate immunity. It is involved in autoimmune and immune-mediated disorders such as rheumatoid arthritis, ankylosing spondylitis and psoriasis. Anti-TNF-α monoclonal antibody, which suppresses the immune response of TNF-α, is a new generation therapy treating immune-mediated inflammatory diseases with high efficacy and safety profile and convenient administration methods.



Source: Frost & Sullivan.

Notes:

(1) Tumor necrosis factor (TNF) is able to induce a great diversity of cellular responses via modulating the expression of a number of different genes. TNF-α induces local inflammation and pannus formation, eventually leading to further erosion of cartilage and bone destruction.

(2) TNF-α inhibitors can bind to the TNF-receptor and inhibit the TNF-α to bind to TNF-receptor. The effects of a TNF-α blockade are partially dependent on synovial TNF-α expression and infiltration by TNF-α-producing inflammatory cells.

Humira and Its Biosimilar UBP1211

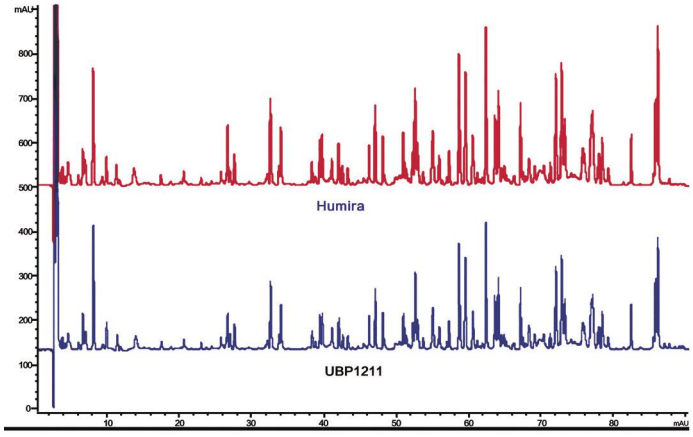
Humira is a fully human monoclonal antibody targeting TNF-α. It is an established biologic treatment for a number of autoimmune diseases including rheumatoid arthritis. Based on several studies to evaluate the effectiveness and safety of Humira in patients with rheumatoid arthritis, Humira has not only demonstrated significant, rapid and sustained improvements in disease activity, but has also improved functional status, quality of life and work productivity in rheumatoid arthritis patients with acceptable safety profile.

The structural, functional and pharmacokinetic evaluations of UBP 1211 have shown that it is highly similar to Humira, proving UBP1211's potential to reduce the signs and symptoms of moderate to severe rheumatoid arthritis in adults with an acceptable safety profile.

Preclinical Studies

The recombinant human anti-TNF-α monoclonal antibody was a therapeutic monoclonal antibody drug, and was intended to be classified as category II for application according to the therapeutic new biological products registration. Based on the characteristics of UBP1211, we set up parallel control groups using the original drug in the core pharmacology and toxicology experiments of UBP1211 and conducted comparative studies between UBP1211 and the original drug Humira in major pharmacodynamic studies rat pharmacokinetic studies, monkeys pharmacokinetic studies and monkeys long-term toxicity tests while conducting systematic pharmacological and toxicological studies.

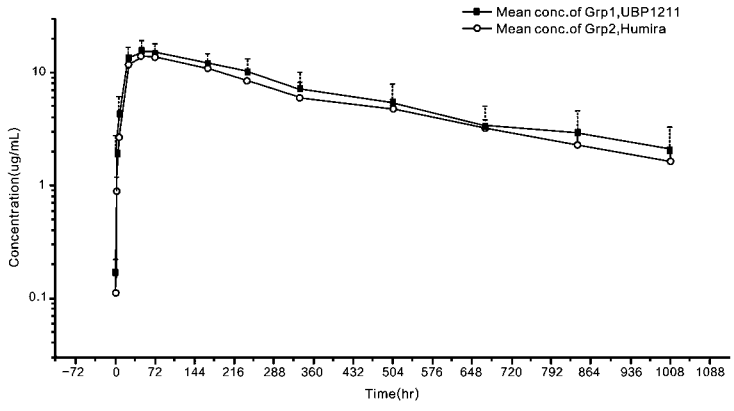
We have confirmed through Lys-C peptide mapping that the amino acid sequence of UBP1211 is identical to that of the reference product Humira, which is required for the biosimilar pathway under NMPA regulations. The graph below shows the peptide fingerprint of UBP1211 compared with Humira. UBP1211 and Humira were fragmented by endoproteinase Lys-C degradation and the peptides were separated by liquid chromatography-mass spectroscopy/mass spectroscopy (LC-MS/MS). This technology creates a peptide fragment-based fingerprint for proteins. If the fingerprints are identical, it can be inferred that two proteins have identical amino acid primary structure.



Source: Preclinical studies summary

Rats Pharmacokinetic Studies

Single Subcutaneous Dose Pharmacokinetics Comparison Study in Rats

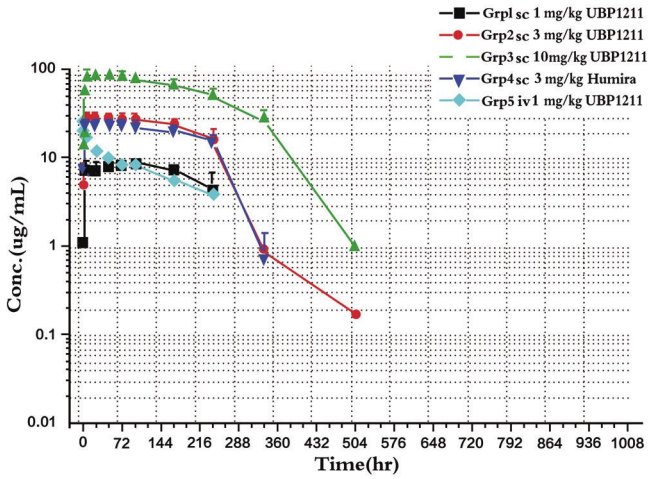


Source: Preclinical results summary

After the subcutaneous injection of the test drug, or Humira as a reference, to rats at the same dose, the changes in blood concentration and pharmacokinetic behavior of both are similar and comparable. Compared with Humira as a control, the relative bioavailability of the test drug is 108.89% during a period of 42 days (1,008 hours) as shown in the chart above, meaning UBP1211 has achieved slightly higher blood concentration compared with Humira.

Study on pharmacokinetics in cynomolgus monkeys

Single Dose Pharmacokinetics Comparison Study in Cynomolgus Monkeys

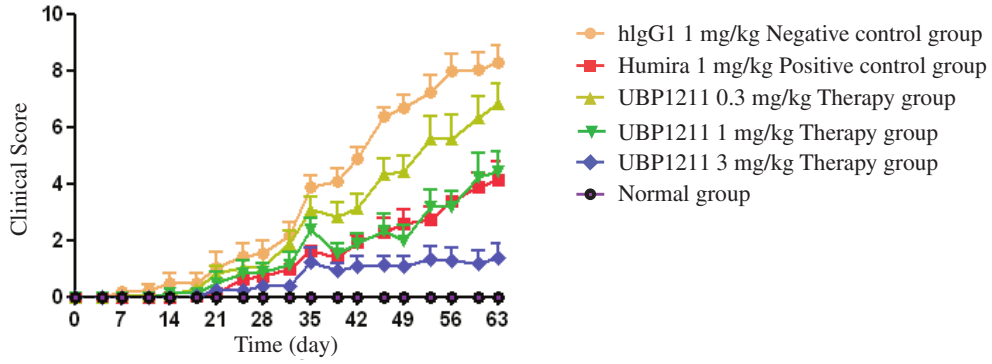


Source: Preclinical results summary

Study on the protection on arthritis of hTNF-α transgenic mice

The results demonstrated that the recombinant human anti-TNF-α monoclonal antibody can effectively prevent or treat the spontaneous arthritis of hTNF transgenic rata. The 3 mg/kg treatment group showed significant protective effects, the incidence rate decreased to 67%, the incidence score and histochemical score were significantly lower than the negative control group, with significant statistically meaning; the 0.3 mg treatment group also showed certain protective effects, but the histochemical score was not statistically significant as compared to the negative control group. The results of effect of recombinant human anti-TNF-α monoclonal antibody on the severe arthritis in hTNF-αtransgenic mouse set out in the graphic.

Impact on Rheumatoid Arthritis Morbidity Severity to Human TNF-α Transgenic Mice



Source: Preclinical results summary

Clinical Score: was recorded as 0 (normal), 1 (edema or distortion of paw or ankle joints), 2 (distortion of paw and ankle joints) or 3 (ankylosis of wrist or ankle joints). The sum of all four paws was scored.

Compared with the 1mg/kg Humira therapy, no additional adverse or off-target effect was observed in the 3mg/kg, 1mg/kg and 0.3mg/kg therapy groups of UBP1211.

Animal trials are different from human trials. In human trials, we administer the fixed dosage of 40mg during both Phase I and Phase III clinical research in line with the recommended clinical dosage of Humira. Currently, Phase I and Phase III of UBP1211 clinical trial are on-going, and the safety of the drug is still under continuous observation.

The preclinical studies, including the quality parameters, animal efficacy, PK and toxicity, have demonstrated that UBP1211 is similar to Humira.

Clinical Trials

Based on the initial results of pre-clinical comparison research we conducted between UBP1211 and Humira, UBP1211 is a biosimilar of adalimumab. NMPA has approved the clinical trial of UBP1211 and pointed out that we shall conduct relevant trial studies in accordance with the research technique requirements for biosimilars.

We conducted PK and PD comparison research as well as the safety and efficacy comparison research with reference to the originator drug in accordance with Technical Guideline for the Research, Development and Evaluation of Biosimilars (Tentative) (《生物類似藥研發與評價技術指導原則(試行)》 ("Biosimilar Guideline") released by NMPA in February 2015 and requirements for clinical trial. We carried out clinical trial based on the Biosimilar Guideline. Phase I of the clinical trial was PK comparison research, while Phase III focused on efficacy comparison research with a large sample size. In the course of the trial, we participated in the communication meeting held by CDE in respect of the requirements for planning and designing the clinical trial of adalimumab. We are of the belief that the clinical trial conducted by us is in line with the requirements of CDE.

The Phase I clinical trial is a randomized double-blind trial to compare the similarities between UBP1211 and Humira. The safety data were collected from all subjects in the study without distinguishing between the two drugs. As at June 25, 2018, a total of 154 subjects were enrolled in the study. As of the Latest Practicable Date, our UBP1211 clinical trial, including Phase I and Phase III, is on-going. As such, we have yet to provide specific PK and PD statistics. We expect to complete Phase I and III clinical trials of UBP1211 and communicate with NMPA regarding registration trial results in 2019.

Development Collaboration with Jiangsu T-mab BioPharma Co., Ltd ("T-mab")

In August 2017, we entered into a collaborative research, development and commercialization agreement with T-mab, a biotech company focused on the development of biologics.

According to the collaborative agreement, the parties agreed to jointly develop UBP1211 and share all relevant IP. T-mab agrees to provide us with full R&D support including the exchange of clinical data with us. T-mab will bear the initial R&D cost of RMB10 million, while incremental R&D costs will be borne equally by T-mab and us. Net profit from the commercial sales of UBP1211 shall by equally shared between T-mab and us. T-mab seperately agreed to grant us a loan of up to RMB60.0 million repayable within two years. According to the collaborative agreement, T-mab is obligated to complete the construction and inspection of workshops in compliance with GMP standard for manufacturing UBP1211, and is responsible for the sales of UBP1211 based on the sales plans formulated together with us.

Market Opportunity and Competition

Adalimumab recorded worldwide sales of US$18.9 billion in 2017. However, its excessive product price has adversely affected its sales in the PRC. According to the F&S Report, driven by a combination of favorable factors, including rising medical demand from expanding patient pool, improving medical insurance system with anti-TNF-α agents reimbursement coverage and rising market penetration rate, Humira biosimilars sales are expected to achieve a CAGR of 41.3% in China between 2017 and 2022.

The TNF-α antagonist drugs currently marketed in the PRC mainly consist of: golimumab (Simponi) by Johnson&Johnson, etanercept (Enbrel) by Wyeth, infliximab (Remicade) by Johnson & Johnson and adalimumab (Humira). Among these, the Chinese trade name of etanercept is "恩利", and it has three similar drugs in the PRC, namely "益賽普" of Sunshine Guojian Pharmaceutical (Shanghai) Co.,Ltd. (三生國健藥業(上海)股份有限公司), "強克" of Shanghai Celgen Biopharma Co., Ltd. (上海賽金生物醫藥有限公司) and "安佰諾" of Zhejiang Hisun Pharmaceutical Co., Ltd. (浙江海正藥業股份有限公司), which were launched in 2005, 2011 and 2015, respectively. The Chinese trade name of Infliximab is "類克", and currently it has no biosimilar drugs marketed in the PRC. There are nine pharmaceutical companies approved by the NMPA to conduct clinical trials for anti-TNF-α monoclonal antibody in the PRC, five of which, including us, are in or beyond Phase III trials.

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Adalimumab	Humira	AbbVie	Marketed	Anti-TNF α	Rheumatoid Arthritis, Ankylosing Spondylitis, Psoriasis	7,600/40mg	2009.6	2009.2	JXSS0900001	Imported therapeutic biologics
Golimumab	Simponi	Johnson& Johnson	Marketed	Anti-TNF α	Rheumatoid arthritis, Ankylosing spondylitis	5,180/50mg	2014.7	2018.1	JXSS1400007	Imported therapeutic biologics
UBP1211		**Jiangsu Union Biopharm, Junshi**	**Phase III**	**Anti-TNF α**	**Rheumatoid Arthritis**	**N.A.**	**2016.5**	**N.A.**	**N.A.**	**Therapeutic biologics category 2**
BAT1406		Bio-Thera Solutions	NDA submission	Anti-TNF α	Ankylosing Spondylitis	N.A.	2016.1	2018.8	CXSS1800018	Therapeutic biologics category 2
HS016		Zhejiang Hisun	NDA submission	Anti-TNF α	Ankylosing Spondylitis	N.A.	2016.1	2018.9	CXSS1800025	Therapeutic biologics category 2
IBI303		Innovent	NDA submission	Anti-TNF α	Ankylosing Spondylitis	N.A.	2016.1	2018.11	CXSS1800027	Therapeutic biologics category 2
HLX03		Henlius	Phase III	Anti-TNF α	Plaque psoriasis	N.A.	2017.4	N.A.	N.A.	Therapeutic biologics category 2

Source: Frost & Sullivan.

Notes:

- All of the products are not included in the NRDL or PRDL.
- Direct competitors for UBP1211 are fully human anti-TNFα mAb and humanized anti-TNFα mAb pipeline products in China.

Regulatory Progress and Next Steps

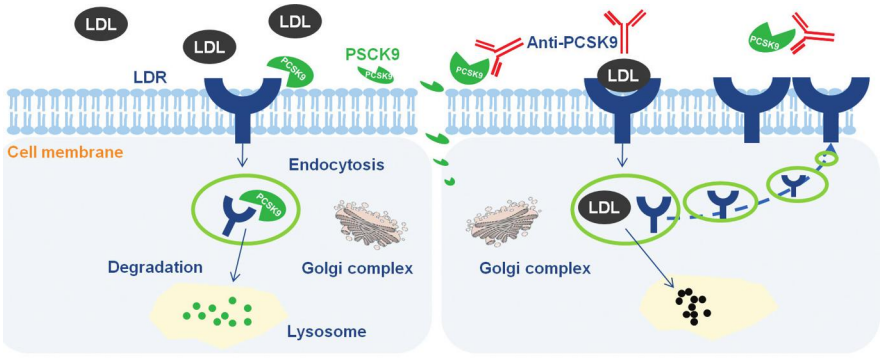
UBP1211 was approved by the NMPA to conduct clinical trials in May 2016, being one of the first Humira biosimilars developed by PRC companies to receive IND approval from the NMPA. As of the Latest Practicable Date, we had completed patient enrollment for Phase III clinical trial of UBP1211 totalling 524 patients. We expect to complete Phase I clinical trial in the first quarter of 2019 and Phase III clinical trial in the second quarter of 2019 for UBP1211. We plan to file NDA with the NMPA in the second half of 2019.

JS002 (anti-PCSK9 mAb)

JS002 is a recombinant humanized anti-PCSK9 monoclonal antibody for injection, which is designed for the treatment of certain cardiovascular diseases. We currently are cooperating with Fuwai Hospital, a top clinical trial center in the PRC, and are close to conclude the Phase I clinical trial to evaluate the safety and tolerability of JS002 in volunteer patients.

Mechanism of Action

PCSK9 has emerged as a promising treatment target to lower serum cholesterol, a major risk factor of cardiovascular diseases. PCSK9 binds the LDL receptor at the surface of hepatocytes, preventing LDL-R recycling and enhancing its degradation in endosomes/lysosomes. PCSK9 inhibitors block the interaction of PCSK9 and the LDLreceptor,which enhances LDL-C clearance from plasma by increasing hepatic expression of LDL receptors. The FDA approved PCSK9 inhibitors for the treatment of hypercholesterolemia have demonstrated their ability to lower LDL-C levels and reduce the risk of cardiovascular disease.



PCSK9 binds LDL (low-density lipoprotein) receptor at the surface of hepatocytes, preventing LDL-R recycling and enhancing its degradation in endosomes/lysosomes.

PCSK9 inhibitors can bind to the PCSK9, thus more LDL receptors will be recycled to the surface of the cell. And this can increase the clearance of LDL cholesterol from the circulation.

Source: Frost & Sullivan.

Features of JS002

JS002 is an innovative anti-PCSK9 monoclonal antibody. JS002 can bind with high affinity to human PCSK9, block the binding of PCSK9 to LDL-R on the cell surface, reduce endocytosis of LDL-R, and enhance the uptake of LDL-C by the liver cells, to reduce LDL-C level in the blood. The affinity of JS002 and PCSK9 subtypes is 1.83E-11 M (PCSK9) and 1.23E-11 M (PCSK9-D347Y), where PCSK9-D347Y is a Gain-Of-Function (GOF) mutation that results in hypercholesterolemia. JS002 has the following main features demonstrated in the preclinical studies:

(1) With high affinity and a new CDR structure, it is able to identify more types of PCSK9;

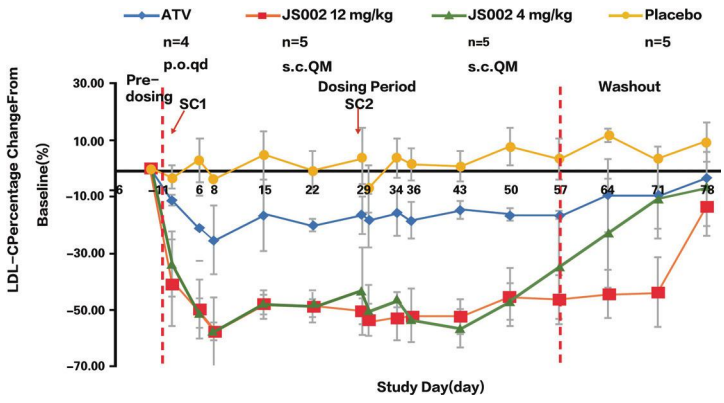
(2) No obvious side effect was observed during the single-dose toxicity studies and repeated-dose toxicity studies of macaca fascicularis or rattus norvegicus;

(3) Based on the pharmacodynamics results from the preclinical studies, JS002 has demonstrated to be effective in lowering the LDL-C level in macaca mulatta models with hypercholesterolemia; and

(4) The pharmacokinetic profile of JS002 is similar to the marketed PCSK9 inhibitors.

Repeated injection of JS002 in hyperlipidemia macaca mulatta resulted in >50% reduction in LDL-C, as shown below:

Effect of JS002 injection on LDL-C level in hyperlipidemia rhesus monkey



Source: the Company

We believe JS002 may be differentiated from the current lipid-lowering medications as its mechanism of action is distinct from statins, which could benefit a large number of patients with hypercholesterolemia.

Market Opportunity and Competition

Hypercholesterolemia has become a serious issue in China's society as the number of patients with hypercholesterolemia increased rapidly in recent years due to unhealthy diet and life style and population ageing. The number of hypercholesterolemia patients in China increased from 66.8 million in 2013 to 79.3 million in 2017, and is expected to further increase to 95.9 million in 2022 and 110.5 million in 2030, according to the F&S Report. According to the F&S Report, driven by a combination of factors including large addressable patient pool, excellent clinical results and increased market penetration, global PCSK9 inhibitors market is expected to grow rapidly in the following years to USD5.2 billion in 2022 and USD12.1 billion in 2030, respectively.

The FDA has approved two anti-PCSK9 antibodies, namely evolocumab (sold under the trade name Repatha by Amgen) and alirocumab (sold under the trade name Praluent by Sanofi). These drugs have been a significant advance in the treatment of high blood cholesterol and had aggregate worldwide sales of US$490 million in 2017. As of the Latest Practicable Date, there was one PCSK9 inhibitor approved in China, namely evolocumab. Besides us, there were four other anti-PCSK9 biologic drug candidates in clinical development in China, namely Praluent (alirocumab) by Sanofi-Aventis, IBI306 by Innovent Biologics (Suzhou) Co. Ltd., AK-102 by Akeso Biopharma Inc. and Dawnrays Biotechnology Capital (Asia) Limited and SHR-1209 by Jiangsu Hengrui Medicine Co., Ltd. There was also one small molecule drug, namely CVI-LM001 by CVI Pharmaceuticals, in Phase I clinical trial.

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Evolocumab	Repatha	Amgen	NDA Approved	Anti-PCSK9	Homozygous Familial Hypercholesterolemia	N.A.*	2015.1	2017.10	JXSS1700014	Imported therapeutic biologics
Alirocumab	Praluent	Sanofi-Aventis.	Phase III	Anti-PCSK9	Hypercholesterolemia	N.A.	2015.12	N.A.	N.A.	Imported therapeutic biologics
JS002		**Junshi**	**Phase I**	**Anti-PCSK9**	**Hypercholesterolemia**	**N.A.**	**2017.8**	**N.A.**	**N.A.**	**Therapeutic biologics category 1**
IBI306		Innovent	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2017.9	N.A.	N.A.	Therapeutic biologics category 1
AK-102		Akeso, Dawnrays	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2018.4	N.A.	N.A.	Therapeutic biologics category 1
SHR-1209		Hengrui	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2018.6	N.A.	N.A.	Therapeutic biologics category 1
CVI-LM001		CVI Pharmaceuticals	Phase I	Anti-PCSK9	Hypercholesterolemia	N.A.	2016.3	N.A.	N.A.	Chemical drug category 1.1

Source: Frost & Sullivan.

Note: All of the products are not included in the NRDL or PRDL.

Regulatory Progress and Next Steps

JS002 obtained IND approval from the NMPA in August 2017, being the first anti-PCSK9 monoclonal antibody to receive IND approval in the PRC. As of the Latest Practicable Date, JS002 was under Phase I clinical trial. We plan to complete Phase I clinical trial and commence Phase II clinical trial for primary hypercholesterolemia and mixed dyslipidemia in December 2018.

UBP1213 (anti-BLyS mAb)

UBP1213 is a recombinant humanized anti-BLyS monoclonal antibody injection, which is being developed for the treatment of systemic lupus erythematosus ("SLE") and other autoimmune diseases. We received IND approval from the NMPA in October 2016.

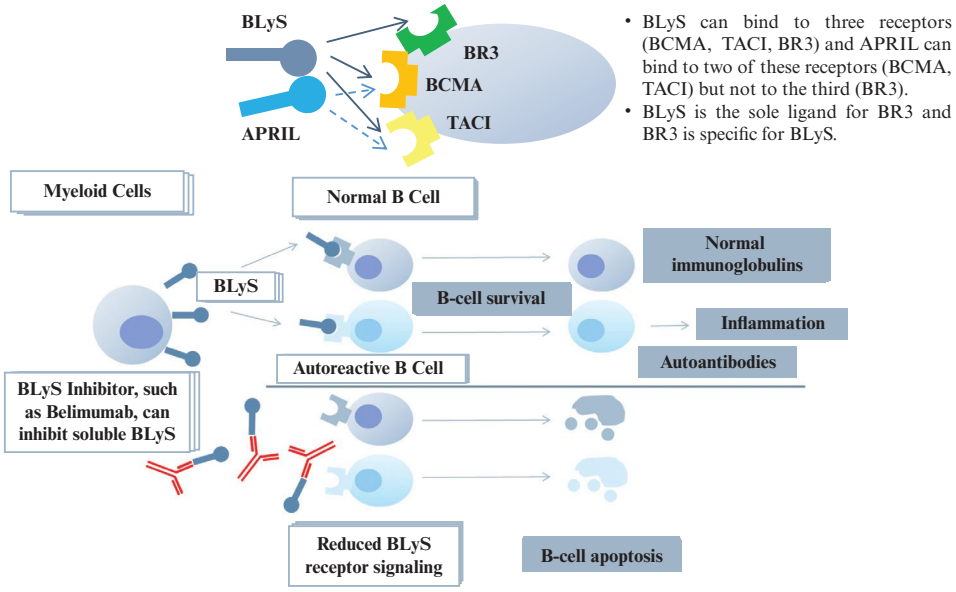
Mechanism of Action

BLyS is produced by macrophages, neutrophils and monocytes. It is required for the survival of B cells. Excessive level of BLyS induces abnormally high survival of autoreactive B cells and differentiation of B cells into antibody-producing plasma cells, which causes SLE and other autoimmune diseases. The FDA approved BLyS inhibitor for the treatment of SLE has shown statistically significant, albeit modest, efficacy, representing a step forward in treating SLE.

BLyS (BAFF, TNF ligand superfamily member 13B) primarily stimulates downstream signaling through B cell surface receptors. There are three BLyS receptors on B cells, including BR3 (BLyS receptor 3 or BAFF-R), TACI (transmembrane activator-1 and calcium modulatorand cyclophilin ligand-interactor) and BCMA (B cell maturation antigen). BLyS is the sole ligand for BR3, whereas BLyS and its related molecule APRIL (a proliferation-inducing ligand, TNF ligand superfamily member 13) can both interact with BCMA and TACI. BR3 is essential for both survival and maturation of immature B cells, whereas TACI is critical for T cell-independent responses of B cells to type I and type II antigens, negative regulation of the B cell compartment and class-switch recombination of B cells. BCMA is expressed by plasmablasts and plasma cells, and promotes plasma cell survival.

BR3 is specific for BLyS and signals through the alternative nuclear factor-κB (NF-κB) pathway to enhance B-cell survival by upregulating anti-apoptotic proteins and through mTOR and Pim2 to promote cell growth. Mice deficient in BLyS or BR3 have a profound decrease in mature B2 cells. This is because the interaction of BLyS with BR3 is essential to the survival of B cells past the early transitional (T1) stage.

In SLE, abnormal survival and selection or class switching of naïve autoreactive B cells exist. It reported that elevated serum BLyS levels in some SLE patients may responsible for aberrant autoreactive B cells. But it is important to further dissect the factors that determine BLyS responsiveness of autoreactive B cells so as to find a means of determining which individuals are most likely to be responsive to BLyS inhibition.



Source: Frost & Sullivan.

Notes:

(1) BLyS cytokine is expressed and rapidly cleaved by myeloid cells and other immune cells. BLyS binds to receptors on the surfaces of normal and autoreactive B cells, signaling them to survive, mature, and differentiate into antibody-and autoantibody-producing cells.

(2) BLyS Inhibitor can bind to soluble BLyS to prevent it from signaling through receptors on normal and autoreactive B cells. A reduction in normal and autoreactive B cell signaling by BLyS results in more of these cells going through apoptosis (programmed cell death).

Features of UBP1213

UBP1213 has the following main features demonstrated in the preclinical studies:

(1) The dissociation rate of UBP1213 and BLyS is slow and the affinity is strong;

(2) UBP1213 has a strong ability to inhibit the binding of soluble BLyS and BR3-Fc;

(3) In single dose toxicity study with 40 times the Minimal Anticipated Biological Effect Level (MABEL) dosage and repeated dose toxicity study with 10 times the MABEL dosage on cynomolgus monkeys, the findings in the studies were reversible and could be related to the pharmacological effect of the test article, reflecting high safety profile of UBP1213;

(4) Typical pharmacokinetic behavior of monoclonal antibodies was demonstrated in the pharmacokinetic studies on cynomolgus monkeys adopting single doses of low, medium and high doses and multiple doses of medium dose.

Based on the above features of UBP1213, we are advancing UBP1213 to the clinical trials stage for the treatment of adult patients with SLE.

Cooperation with WHKB

Shanghai Union Biopharm entered into an agreement (the "WHKB Agreement") in May 2012 with Wuhan Huaxin Kangyuan Biopharma Co., Ltd. ("WHKB"). Pursuant to the WHKB Agreement:

- WHKB would transfer the IP relating to UBP1213 to us and assist us in the development and commercialization of UBP1213 such as through the provision of consultancy regarding the relevant clinical strategy and commercialization strategy should we consider it necessary.

- WHKB has a preemptive right if we choose to transfer UBP1213 to any third party and is entitled to between 45% and 25% of the proceeds from a transfer to third party based on the progress of pre-clinical research, clinical trials and NDA approval at the time of the transfer.

- Based on the progress of the development of UBP1213, we agreed to pay WHKB a total of RMB13 million, the last instalment of which being RMB8 million upon the completion of clinical trials.

- Further, after the launch of UBP1213, WHKB is entitled to 35% of the profit from the production and sales of UBP1213.

Market Opportunity and Competition

Belimumab, developed by GSK, received FDA approval in 2011 for the indication of active SLE. It was the first approved specific treatment for SLE in more than 50 years. In 2017, global anti-BLyS antibody market reached USD0.5 billion and is expected to grow to USD2.9 billion in 2022 and USD8.8 billion in 2030, respectively. As of the Latest Practicable Date, GSK had finished Phase III clinical trial of belimumab in China, which is expected to receive NDA approval in 2019. Other than belimumab, there were no other anti-BLyS fully human or humanized monoclonal antibodies in or beyond phase II clinical trials in China as of the Latest Practicable Date. Our preclinical study indicated that UBP1213 can compete with belimumab for the binding epitope of BLyS and shows a slower dissociation rate and higher affinity compared with belimumab. With a large patient population, excellent clinical results, an improving medical insurance system in China and the lack of effective treatment regime, the market of anti-BLyS antibody in China is forecast to grow to RMB10.2 billion in 2030.

Globally, there is currently only one anti-BLyS mAb in the market while another five, namely (i) TACI-lg (APRIL, BAFF/BLyS) by ZymoGenetics, Inc. and Merck Serono, (ii) Atacicept (BAFF/BLyS) by Anthera Pharmaceuticals Inc. and Zenyaku Kogyo Co., Ltd., (iii) MEDI-0700 (ICOS ligand, BAFF/BLyS) by MedImmune, LLC, (iv) Blisibimod (ICOS ligand, BAFF/BLyS) by AstraZeneca PLC and Amgen, Inc. and (v) BAFF/IL-17 bispecific antibody (IL17, BAFF/BLys) by Eli Lilly and Company are in various stages of clinical trials. In China, there are no BLyS mAbs approved while one is in Phase III clinical trial and our UBP1213 is in Phase I clinical trial.

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	NDA Application Number	Category
Belimumab	Benlysta	GSK	NDA submission	Anti-BLyS	SLE	N.A.	2014.8	2018.4	JXSS1800005 JXSS1800006	Imported therapeutic biologics
UBP1213		**Junshi**	**Phase I**	**Anti-BLyS**	**SLE**	**N.A.**	**2016.10**	**N.A.**	**N.A.**	**Therapeutic biologics category 1**

Source: Frost & Sullivan.

Notes:

- All of the products are not included in the NRDL or PRDL.
- Only fully human and humanized BLyS inhibitors are listed.

Regulatory Progress and Next Steps

We are the first and only company in the PRC to obtain IND approval for recombinant humanized anti-BLyS monoclonal antibody injection. We are planning for clinical trials of UBP1213 and plan to commence patient enrolment for Phase I clinical trial of UBP1213 in 2019.

Other Clinical-stage Drug Candidates

JS003 (anti-PD-L1 mAb)

JS003 is a humanized monoclonal antibody targeting PD-L1 protein. PD-L1 has emerged as an important cancer biomarker and a target for immunotherapy. The targeted blockade of PD-L1 may help to restore the antitumor response. PD-L1 is frequently expressed on tumor cells and tumor-infiltrating immune cells within the tumor microenvironment. The binding of PD-L1 to PD-1 induces T-cell exhaustion, a state of ineffective T-cell activity. Proven by a number of clinical researches, the blockade of PD-L1 binding to PD-1 reverses T-cell exhaustion and strengthens antitumor activity, which has become one of the promising strategies in immuno-oncology. A number of international pharmaceutical companies have developed antibody drugs targeting PD-L1, among which three PD-L1 inhibitor drugs have been marketed and shown significant efficacy.

Preclinical studies have demonstrated that JS003, which binds to PD-L1 with high affinity, is effective in blocking the interaction between PD-L1 and PD-1 and thereby activate the T cell's antitumor activity. As of the Latest Practicable Date, we had received IND approval from the NMPA and were preparing for the clinical trial of JS003.

The following table sets out the competitive landscape in China regarding JS003 as of the Latest Practicable Date:

Generic Name	Brand Name	Company	China Filing Status	Key MOA	Proposed Indications	Retail Price (RMB)	IND Approved Time	NDA Submitted Time	Category
Atezolizumab	Tecentriq	Roche	Phase III	Anti-PD-L1	HNSCC, HCC, NSCLC, TNBC, mCRPC, RCC,UC, SCLC	N.A.	2015.11	N.A.	Imported therapeutic biologics
Durvalumab	Imfinzi	AstraZeneca	Phase III	Anti-PD-L1	NSCLC, Liver cancer, UC	N.A.	2016.08	N.A.	Imported therapeutic biologics
Avelumab	Bavencio	Merck KGaA, Pfizer	Phase III	Anti-PD-L1	HNSCC	N.A.	2016.11	N.A.	Imported therapeutic biologics
KN035		Alphamab, 3DMed	Phase III	Anti-PD-L1	Biliary tract cancer	N.A.	2017.01	N.A.	Therapeutic biologics category 1
CS1001		Cstone	Phase III	Anti-PD-L1	NSCLC	N.A.	2017.07	N.A.	Therapeutic biologics category 1
KL-A167		Kelun Group	Phase II	Anti-PD-L1	Classic Hodgkin lymphoma	N.A.	2017.09	N.A.	Therapeutic biologics category 1
TQB2450		Chiatiai Tianqing, CBT Pharma	Phase II	Anti-PD-L1	Advanced malignant tumor	N.A.	2017.11	N.A.	Therapeutic biologics category 1
ZKAB001		Zhaoke Pharma	Phase I/II	Anti-PD-L1	Osteosarcoma	N.A.	2018.01	N.A.	Therapeutic biologics category 1
JS003		**Junshi**	**IND approval**	**Anti-PD-L1**	**Solid tumor**	**N.A.**	**2018.08**	**N.A.**	**Therapeutic biologics category 1**

Notes:

(1) HNSCC: Head and neck squamous cell carcinoma; HCC: Hepatocellular carcinoma; TNBC: Triple-negative breast cancer; mCRPC: metastatic castrate-resistant prostate cancer; RCC: Renal cell carcinoma; UC: Urothelium carcinoma; SCLC: Small cell lung cancer.

(2) All of the products are not included in the NRDL or PRDL.

JS101 (CDK inhibitor)

JS101 is a chemical drug that inhibits the function of cyclin-dependent kinases ("CDKs"). CDK inhibitors are used to treat cancers by preventing over-proliferation of cancer cells. We developed JS101 and received IND approval from the NMPA in October 2018. We have also applied for a patent regarding JS101. We plan to formulate our strategy for next steps of JS101 based on the progress of clinical trials.

Preclinical-stage Drug Candidates

As of the Latest Practicable Date, we had a pipeline of eight drug candidates at preclinical stage for the treatment of a wide range of indications, including, among others, tumor, psoriasis, multiple sclerosis, osteoporosis and migraine.

R&D

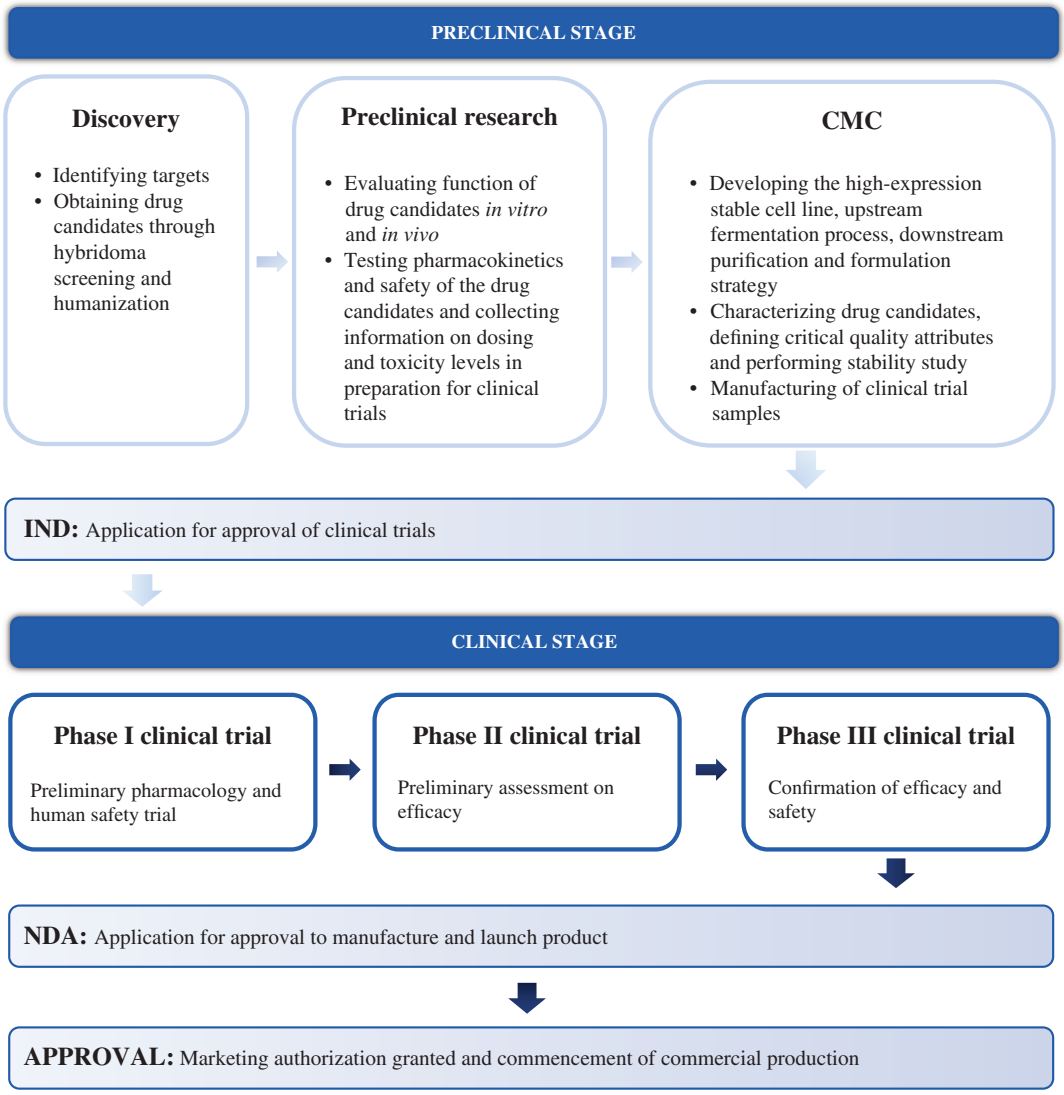
We are a pioneer in the R&D of biopharmaceuticals in the PRC. We have made significant efforts in identifying, developing and commercializing biotechnology and other pharmaceutical drug candidates. We have a leading edge in the emerging field of immuno-oncology and for treatment of autoimmune and metabolic diseases in the PRC. Our innovative field is expected to expand to include more types of drug discovery, including small molecule drugs and antibody drug conjugates, as well as the exploration of the next-generation innovative therapies for cancer and autoimmune diseases.

Our integrated R&D capabilities are proven by a track record of success. We have a robust pipeline of 13 drug candidates, 11 of which, namely JS001 to JS011, are innovative drugs developed by ourselves while the remaining two, namely UBP1211 and UBP1213, were jointly developed by us and third parties. We believe our research platform for immuno-oncology and a molecular screening platform for drug molecule are internationally advanced, and we have two innovative drugs in the research product pipeline which have the potential to be global first-in-class drugs. More target exploration and verification work is currently carried out. With the continued process of the research work, more drug candidates will enter into our future development pipeline to provide innovative impetus for the company's sustainable development.

We have built a strong R&D team. As at June 30, 2018, we had assembled a team of 111 R&D personnel in the PRC and the United States. 49 of our R&D staff have master's degrees or above. Our key technical staff have deep expertise in the biopharmaceutical industry, many of them with experience working in biotechnology research fields including in U.S. research institutions and MNCs.

Our R&D Process

The following diagram illustrates the key milestones in the research, development and commercialization of new drugs in the PRC:



Our R&D Platforms

We have established an integrated technology system covering the entire process of protein drugs from the early R&D stage to industrialization, which comprises seven key technology platforms: (1) the automated high-efficiency screening platform for antibody selection and functional assays, (2) human transmembrane receptor array and high-throughput screening platform, (3) antibody humanization and construction platform, (4) high-yielding stable expression cell lines screening and establishment platform, (5) CHO cell fermentation process development platform, (6) antibody purification process development and formulation optimization platform and (7) antibody quality research, control and assurance platform.

We believe that the following four technical platforms are critically important to the R&D of protein drugs:

1. Automated high-efficiency screening platform for antibody selection and functional assays, which enables us to obtain the specific and high-affinity targeted monoclonal antibodies recognizing multiple genera (human, monkey, mouse) antigens with desired physiochemical properties. This platform greatly broadens the initial range of clinical drug candidate screening, helps us find the optimal candidates, and provides us with a basis for our R&D of innovative monoclonal antibodies and functional screening *in vitro* and *in vivo*.

2. Human transmembrane receptor protein array and high-throughput screening platform encompasses close to 5,000 human cell membrane proteins. We utilize this system to systemically identify functionally important protein-to-protein interactions on cell surface and examine antibody binding on the cell surface. We utilize the Operetta High-Content Imaging System from Perkin Elmer, Inc., which yields a high signal-to-noise ratio and allows us to perform high-throughput screening using 384-or 1536-well microplate. High expression of individual protein on cell surface by transient transfection also greatly increases the avidity of ligand-receptor interactions. Combining increased avidity and a highly-sensitive detection system, our transmembrane receptor array system enables us to identify even weak receptor-ligand interactions. We utilize the membrane receptor protein array high throughput screening platform to continuously expand the monoclonal antibody product line for cell surface receptors and soluble proteins.

3. High-yielding stable expression cell lines screening and establishment platform based on the internationally leading GS Expression System from Lonza, which enables us to complete the establishment of high expression cell lines with significantly faster speed and higher yielding than using the traditional DHFR technology.

4. Antibody quality research, control and assurance platform covering the quality assurance regarding suppliers, inputs, process, outputs and customers, including our PAT system comprised of GMP quality control management, cell culture, separation and purification of biopharmaceutics and lyophilization and packaging of biologics to ensure our compliance with GMP standards, so that our drugs could meet the clinical use and marketing approval requirements of various drug regulatory authorities in the world such as the NMPA, FDA and EMA.

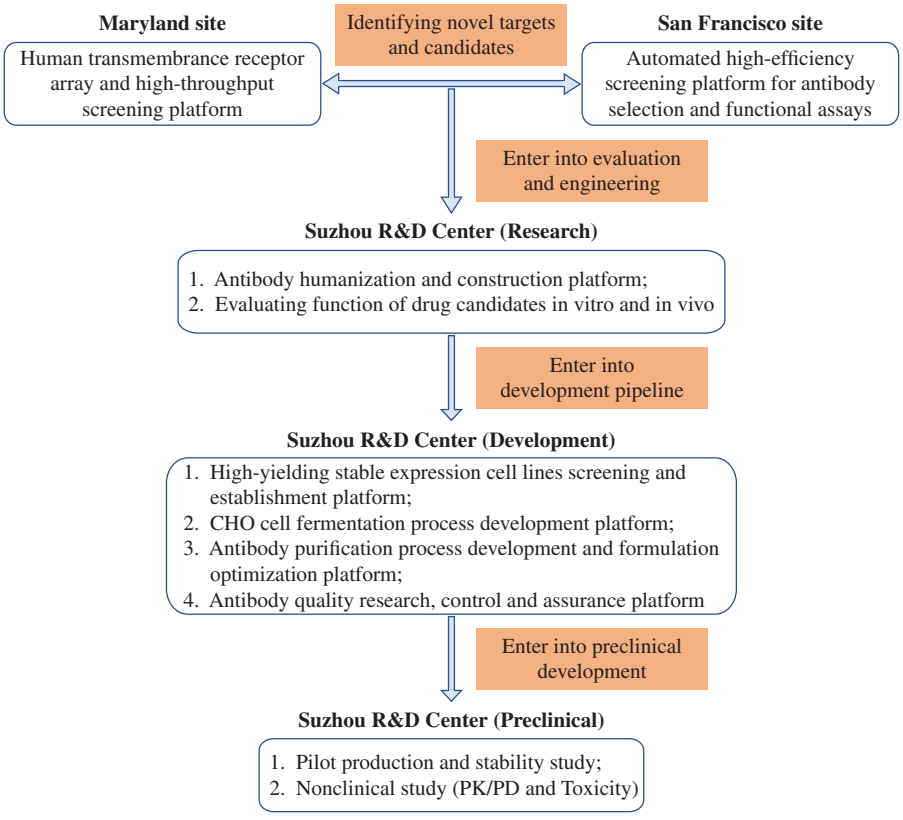
Our R&D Centers

We have set up three R&D centers worldwide, among which our San Francisco Lab and Maryland Lab primarily focus on the research of mechanisms on known and innovative targets in tumor and autoimmune diseases field, early detection of drugs and precise screening of drug molecules. The domestic Suzhou R&D center mainly conducts functional verification and process development of drugs.

We have established a globally integrated R&D process. We are among the first PRC companies to set up labs in the U.S. Our San Francisco Lab carries out preliminary high throughput antibody screening and further humanization, selection and optimization. Our Maryland Lab utilizes a membrane receptor protein array and a eukaryotic cell-based functional assay platform to carry out the screening of new targets and the evaluation and selection of antibody candidates. We have used our integrated R&D system only for the development of innovative monoclonal antibody drugs, while our remaining drug candidates, namely UBP1211 and UBP1213, were jointly developed by third parties and us outside our integrated R&D system. As we do not plan to develop additional biosimilar drugs in the foreseeable future, we expect to continue to use our integrated R&D system only for the development of innovative monoclonal antibody drugs.

With the support our Maryland Lab and San Francisco Lab, our Suzhou and Shanghai production bases in China are responsible for the establishment of stable cell lines, processes optimization, GMP-standard production, establishment and maintenance of global quality systems, production of drugs to be used in clinical trials and the future commercial manufacturing. While our labs in the U.S. closely follow the latest technology trends in the biotech innovative drugs R&D, our PRC labs carry out follow-up supporting work in the R&D process in order to optimize our R&D with higher efficiency and lower costs.

The following chart shows our globally integrated R&D process among our three R&D centers:



The following table sets out information on our R&D personnel in our three R&D centers as of June 30, 2018:

Location	Number of personnel	Primary function
San Francisco	3	antibody selection and functional assays
Maryland	5	novel target and drug candidate identification
Suzhou[(Note)]	99	process development and preclinical research
Total	107	

Note: Suzhou R&D team, 41 were located in the nearby Shanghai City as of June 30, 2018.

As of the Latest Practicable Date, our R&D centers had not received any government inspection or approval as there were no applicable laws or regulations requesting the same.

COOPERATION WITH THIRD PARTIES

Cooperation with Betta

In May 2018, we entered into a combination therapy clinical study cooperation agreement (the "Betta Agreement") with Betta Pharmaceuticals Co., Ltd. ("Betta") to jointly develop a combination therapy of our JS001 and Betta's CM082 (vorolanib) for the treatment of previously untreated local progression or metastatic mucosal melanoma. In July 2018, such combination therapy's IND has been accepted by the NMPA for review.

Summarized below are the principal terms of the Betta Agreement.

- **Clinical Trial.** Betta will conduct the combination therapy clinical trial in mainland China on toripalimab and vorolanib for the treatment of mucosal melanoma. We are entitled to review the design, plan and reports of the clinical trial and will provide toripalimab and other assistance where necessary.

- **IP.** All data of the clinical trial belongs to Betta. We are entitled to use such data including for the purpose of application for commercialization. If Betta obtains the patent for the combination therapy, such patent shall be jointly owned by Betta and us and both parties are entitled to implement such patent free of charge.

- **Exclusivity.** Betta will only develop and commercialize CM-082 combination therapy in mainland China with JS001 for the treatment of muscosal melanoma.

The Betta Agreement does not have a definitive term and does not provide for any arrangement outside of the PRC or any payment or profit sharing arrangement.

Cooperation with CSPC

In June 2018, we entered into a product co-development and strategic collaboration agreement (the "CSPC Agreement") with CSPC Pharmaceutical Group Limited ("CSPC") in relation to the clinical development, registration and commercialization of JS001 in combination with albumin-bound paclitaxel for the treatment of breast cancer (the "CSPC Combo"). Summarized below are the principal terms of the CSPC Agreement.

Product Co-development

Pursuant to the Agreement, we and CSPC shall form a joint research committee to:

(1) formulate clinical strategy for the development of the CSPC Combo;

(2) establish and monitor the clinical trials timeline and progress;

(3) ensure the full access of clinical data by both parties;

(4) discuss and make decision on combination studies of JS001 with albumin-bound paclitaxel and other chemotherapeutic agents; and

(5) resolve any issues that arise during the process of the development and registration of the CSPC Combo.

We shall be responsible for:

(1) securing approval of JS001 single entity in the PRC including Hong Kong, Taiwan and Macau (the "Territory");

(2) supplying JS001 for CSPC to conduct clinical trials for the CSPC Combo in the Territory; and

(3) supplying JS001 to CSPC for sales of the CSPC Combo in the Territory according to a supply agreement to be mutually agreed between the parties.

CSPC shall be responsible for:

(1) designing and executing clinical trials for the CSPC Combo;

(2) supplying albumin-bound paclitaxel to conduct clinical trials of the CSPC Combo in the Territory;

(3) applying and securing approval of the CSPC Combo in the Territory; and

(4) commercialization of the CSPC Combo in the Territory.

Licensing and Exclusivity

We granted CSPC a nontransferable, revocable, royalty-bearing, exclusive license to commercialize the CSPC Combo in the Territory for a term commencing from the date of the CSPC Agreement until 20 years from the receipt of the relevant regulatory approval in the Territory (the "Term"), which allows CSPC during the Term to (1) perform reasonably necessary clinical and non-clinical studies required by the NMPA of the CSPC Combo in the

Territory; (2) apply for and obtain approvals of the CSPC Combo in the Territory; and (3) market and sell the CSPC Combo in the Territory. The Company and its affiliates shall not grant any right or license of its JS001 to any third party for the purpose of development and commercialization of the CSPC Combo in the Territory. CSPC and its affiliates shall only collaborate with us to develop and commercialize the CSPC Combo.

For the avoidance of doubt, nothing in the CSPC Agreement limits our right to sell JS001 in any jurisdiction on a standalone basis or as part of any combination other than with albumin-bound paclitaxel for the treatment of breast cancer.

Payment and IP

CSPC agrees to pay to the Company a milestone payment of RMB30 million at each of the five milestone events (i.e. up to an aggregate of RMB150 million) leading to the product approval and issuance of product licence by the NMPA for the CSPC Combo. All IP rights related to the CSPC Combo, to the extent solely discovered, invented or developed under the CSPC Agreement, shall be jointly owned by the Company and CSPC.

Cooperation with UTHealth

In August 2018, we entered into a patent & technology license agreement (the "**PTLA**") with the Board of Regents of The University of Texas System (who acted for and on behalf of The University of Texas Health Science Center at Houston, an agency of the State of Texas) ("**UTHealth**") in relation to the use, development and commercialization of the patent and technology rights relating to monoclonal antibodies against certain protein coding gene for diagnostic and cancer therapeutic use ("**New Patent and Technology**"). Pursuant to the PTLA, we will incorporate a new company ("**Newco**") in Texas of the United States and at least 50% of the share capital of the Newco will be held by us and another designated company for the purpose of this cooperation with UTHealth. Summarized below are the principal terms of the PTLA.

Licensing and Exclusivity

UTHealth granted to us a royalty-bearing exclusive license to manufacture, distribute, use, offer for sale, sell, lease, loan and/or import any products relating to the New Patent and Technology in the diagnostic and therapeutic use of certain antibodies in humans and animals in cancer, autoimmune diseases, ophthalmology diseases, bone diseases, kidney diseases and cardiovascular disease worldwide and to perform any services relating to the New Patent and Technology worldwide.

We also have the right to extend the license granted to us to our affiliates or sublicense to any third party in accordance with the terms of the PTLA.

Commercialization

Pursuant to the PTLA, we shall maintain a bona fide, funded, ongoing and active research, development, manufacturing, regulatory, marketing or sales program, all as commercially reasonable, to make the products or services relating to the New Patent and Technology commercially available to the public as soon as commercially practicable in the United States and China. We shall also complete antibody lead optimization, select the first pre-clinical candidate, initiate GLP toxicity studies and different phases of clinical trials, and submit a BLA or NDA to the relevant regulatory authority in the United States or China pursuant to the milestone dates as set out in the PTLA.

UTHealth shall be responsible for providing us with the relevant antibodies in their humanized form for the development of the products or services relating to the New Patent and Technology.

Payments and Fees

In consideration of the rights granted to us under the PTLA, we shall pay certain fees to UTHealth, including (1) an upfront licensing fee; (2) an annual maintenance fees until the products or services relating to the New Patent and Technology are first sold on a commercial basis to a third party; and (3) milestone fees at the milestone events upon reaching different phases of clinical trials and obtaining regulatory approvals in different jurisdictions.

We will pay to UTHealth for all past and future patent expenses relating to the New Patent and Technology. Further, if we sublicense the relevant patents to any third party, we will pay to UTHealth a certain percentage of the fees we received from sublicensing. In addition, a fee will be payable by us to UTHealth in the event of any assignment of the rights under the PTLA by us to any third party save for the assignment of rights by us to the Newco.

We will also pay to UTHealth running royalties to be calculated based on net product sales and net service sales upon commercialization of the products or services relating to the New Patent and Technology.

For further details, please refer to Note 44 to the Accountants' Report in Appendix I to this prospectus.

Term

The PTLA shall remain effective until the longer of (i) the last date of expiration or termination of the patent rights relating to the relevant antibodies; (ii) if the technology rights are licensed and no patent rights are applicable, the 3rd anniversary of the expiration of the last to expire patent rights; or (iii) the expiration of market exclusivity provided under the relevant regulatory approval.

Cooperation with Hutchison

In October 2018, we entered into a collaboration agreement (the "**Hutchison Agreement**") with Hutchison MediPharma Limited ("**Hutchison**") to collaborate in the research and development of certain combination therapies for the treatment or prevention of diseases and conditions in all human therapeutic uses in the field of oncology in the PRC, including Hong Kong, Taiwan, Macau, the United States and Europe (the "**Territory**"). Summarized below are the principal terms of the Hutchison Agreement.

Licensing and Exclusivity

We granted to Hutchison a non-exclusive, sublicensable, royalty-free license to use Toripalimab anti-PD-1 monoclonal antibody in all human therapeutic uses in the field of oncology in the Territory in performance of development activities listed in the development plan. Hutchison also has the right to extend the license granted to it to third parties and affiliates in accordance with the terms set out in the Hutchison Agreement.

Hutchison granted to us a non-exclusive, sublicensable, royalty-free license to use Sulfatinib in all human therapeutic uses in the field of oncology in the Territory in performance of development activities listed in the development plan. We also have the right to extend the license granted to us to third parties and affiliates in accordance with the terms set out in the Hutchison Agreement.

We shall remain the sole owner of any know-how and patent rights controlled by us that is necessary in order to use Toripalimab anti-PD-1 monoclonal antibody in the conduct of development activities in accordance with the development plan. Hutchison shall remain the sole owner of any know-how and patent rights controlled by Hutchison that is necessary in order to use Sulfatinib in the conduct of development activities in accordance with the development plan.

Regarding exclusivity, an exclusivity request can be made with respect to the administration of specified dosage quantity of Sulfatinib to a patient with a specified dosage quantity of Toripalimab anti-PD-1 monoclonal antibody (the "**Combination Therapy**") in the Territory.

Development Activities

Under the initial development plans, Hutchison will be the lead party responsible for conducting development activities in the PRC (excluding Hong Kong, Taiwan and Macau). We will be the lead party responsible for conducting development activities in the Territory other than the PRC and including Hong Kong, Taiwan and Macau. The development activities include safety run-ins to evaluate the efficacy and safety of the combination therapies.

Upon the consent of the other party to an exclusivity request (if any), the parties will work in good faith to prepare a development plan containing specific development activities to achieve regulatory approval for the applicable Combination Therapy in the relevant jurisdiction(s) in the Territory, including a timeline for performing such activities, the protocol and design of any clinical trial to be conducted under such plan, the allocation of costs and expenses, including costs and expenses anticipated to be paid to third parties, relating to development activities, the clinical supplies required for such activities, and the expected deliverables resulting from development activities. Such development plan shall then be submitted for approval by a committee to be set up by the parties.

Commercialization

Pursuant to the Hutchison Agreement, Hutchison shall be solely responsible for providing commercial supply of Sulfatinib in the market. We shall be solely responsible for providing the Toripalimab anti-PD-1 monoclonal antibody. Following any regulatory approval of the Combination Therapy in all human therapeutic uses in the field of oncology in the Territory, we will collaborate with Hutchison in good faith to discuss, and, in our sole discretion, grant any reasonable rights required for Hutchison to promote or market the Combination Therapy.

Costs and Expenses

Hutchison shall be solely responsible for all costs and expenses, including costs and expenses owed to any third parties, in connection with its conduct of development activities under the development plan relating to the China development plan. We shall be solely responsible for all costs and expenses, including costs and expenses owed to any third parties, in connection with our conduct of development activities under the global development plan, provided that we shall not be responsible for any of Hutchison's internal expenses incurred in the conduct of activities. There is no payment or profit sharing arrangement for the Hutchison Agreement. For further details, please refer to Note 44 to the Accountants' Report in Appendix I to this prospectus.

Term

The Hutchison Agreement commenced on October 8, 2018 and will continue in full force and effect until the completion of all development activities under all subsequent development plans unless otherwise terminated by the parties.

MANUFACTURING

As of the Latest Practicable Date, we carry out our manufacturing activities at our Wujiang Production Base. We manufacture our drug candidates for preclinical research, clinical trials and plan to conduct future commercialization at this facility. We also have a manufacturing facility, Lingang Production Base under construction in Shanghai, which upon completion will further enhance our production capacity and satisfy the needs for commercialization.

Wujiang Production Base

Wujiang Production Base is located in Wujiang Economic and Industrial Development Zone, Suzhou City, Jiangsu Province. It occupies a site area of approximately 9,610 sq.m. with a total gross floor area of approximately 12,384 sq.m. The construction of our Wujiang Production Base has been completed, and we have obtained the drug production license for our Wujiang Production Base on 14 February 2017.

Wujiang Production Base comprises storage areas, a quality control laboratory capable of conducting biochemical testing, physical and chemical testing and microbiological testing, utilities including water, HVAC and gas systems, and production areas including one drug substance workshop with 1,500L bioreactors, one drug substance workshop with 400L bioreactors, one fill/finish workshop for vials and one fill/finish workshop for prefilled syringes. We anticipate that Wujiang Production Base will serve as one of our major commercial manufacturing bases.

Below is a photograph of our Wujiang Production Base.

Photograph by: Yu Wenbing

We commenced a technological upgrade of Wujiang Production Base in 2017, which is expected to be completed in 2018. As part of such upgrade, we plan to introduce additional 1,500L bioreactors, thereby bringing the total fermentation capacity to 3,000L. We also plan to install additional purification equipment, build new storage facilities and implement other enhancements to the existing manufacturing lines.

Lingang Production Base

Lingang Production Base is located in Lingang Industrial Park, Fengxian District, Shanghai. Its construction started in 2017 in accordance with cGMP standards. Lingang Production Base occupies a site area of 53,334.4 sq.m. Phase I of the Lingang Production Base has a planned fermentation capability of 24,000L. We expect the first two production lines of Lingang Production Base to commence operation with 12,000L fermentation capability by the end of 2019.

Below is a photograph of our Lingang Production Base under construction.

Photograph by: Wang Jun

Our bioreactors in our Wujiang and Lingang Production Bases use the single-use bioprocessing technology, which has emerged as a standard platform for cGMP mammalian cell culture with the benefits of lower capital and operating costs, reduced contamination risk, continuity from early development through manufacturing, flexibility, and sustainability.

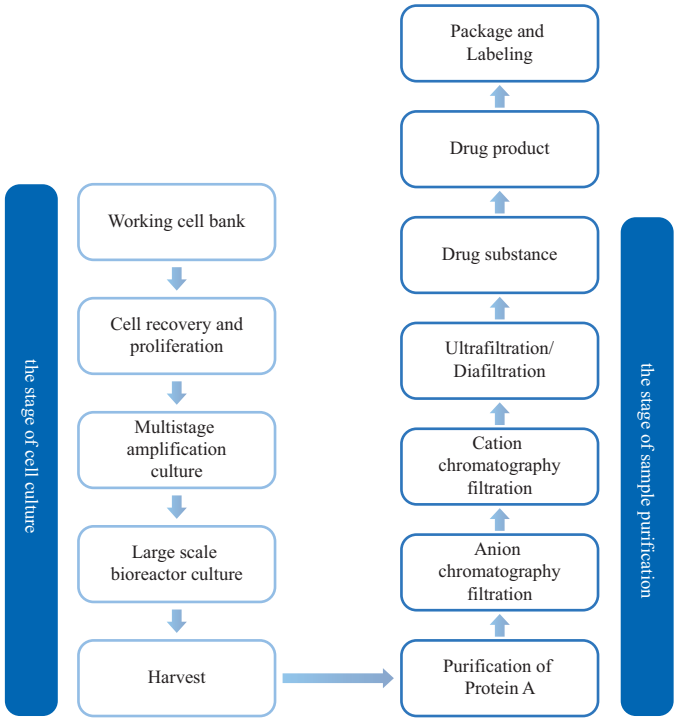
We believe the contemplated expansion and upgrades to our manufacturing facilities will increase the efficiency of our manufacturing processes, equip us with new manufacturing technology for our drug candidates, satisfy the needs for large-scale commercial manufacturing in the future, and allow us to continue to maintain an effective quality management system for our manufacturing.

In formulating our expansion and upgrade plan, we take into consideration the R&D and commercialization progress for our drug candidates, anticipated market demand and capital expenditures to be incurred. We have been funding our expansion and upgrade with a combination of equity and debt financing, and plan to use part of the proceeds from the Global Offering to fund such expansion and upgrade. For details, see "Future Plans and Use of Proceeds – Use of Proceeds".

Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements governing recordkeeping, manufacturing process and controls, personnel, quality control and quality assurance, among others. Our manufacturing facilities are designed to operate under, and are expected to receive certifications for, cGMP requirements.

Established Manufacturing Process

The following diagram summarizes the established manufacturing process for our monoclonal antibodies after proceeding to commercialization:



PROCUREMENT, SUPPLY AND INVENTORY

Our Procurement System

We have implemented a set of standardized operating procedures relating to procurement that regulate procurement related behaviors. We have made clear instructions on issues of procurement process, contract execution and quality control, which assure a transparent procurement decision-making process and fix defects in our procurement process.

According to our internal policy, our procurement department manages the procurement execution and supplier list based on the annual supplier performance evaluation. The procurement department also streamlines and optimizes the process of procurement management, monitor the implementation thereof.

Our Suppliers

Our suppliers mainly include suppliers of raw materials, CRO services and construction services. In 2016, 2017 and six months ended June 30, 2018, our five largest suppliers accounted for 23.7%, 37.6% and 30.7%, respectively, of our total purchases, and our largest supplier accounted for 7.5%, 12.6% and 13.5%, respectively, of our total purchases. All of our top five suppliers during the Track Record Period are independent third parties. During the Track Record Period, none of our Directors, their respective associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the top five suppliers. During the Track Record Period, none of our suppliers was also our major customer.

Since we may not be able to readily switch to other suppliers for major raw materials and equipment once the production process is set and long term supply agreement is entered into and since the quality of the raw materials, production equipment as well as CRO services directly affects our clinical results and successful submission for approval to the regulatory authority, our internal policy requires us to select and assess our suppliers based on a comprehensive review of their basic information, and where necessary, results of on-site visits, sample assessment and trial order testing.

We may also procure customized supplies in the case when general or standardized supplies are unable to meet the required quality or quantity. Customized supplies may take longer period to produce and deliver and have fewer alternative sources for substitutes.

We enter into long-term binding supply agreements with our key suppliers from time to time. The long-term procurement allows us to negotiate with the suppliers for a fixed price of the supplies and avoid price fluctuations. We pay for our purchases of raw materials and other supplies in cash or on credit.

Inventory Management

Our inventory primarily consists of raw materials, finished products and samples and equipment for clinical purposes. We have established inventory management standard operating procedures and inventory management system to monitor each stage of warehousing process. Our internal policy requires that all materials and products be stored in different areas of the warehouse according to their respective storage requirement, properties, usage and batch number. We pay special attention to the temperature and humidity levels, to which our materials and products are sensitive, to ensure the quality of the inventory. Warehousing personnel are responsible for the inspection of the materials and products, the safety and the regular cleaning of the warehouse.

OUR INCOME DURING THE TRACK RECORD PERIOD

During the Track Record Period, we generated income on an ad hoc basis from the provision of consulting and research services.

In 2016, 2017 and six months ended June 30, 2018, our five largest customers accounted for 67.9%, 62.3% and 84.1%, respectively, of our total revenue, and our largest customer accounted for 48.6%, 23.3% and 61.0%, respectively, of our total revenue. During the Track Record Period, none of our Directors, their respective associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the top five customers.

QUALITY CONTROL

Our quality department, comprising quality assurance team and quality control team, is responsible for ensuring a high standard of quality and maintaining compliance with relevant laws and regulations. Guided by our internal quality control procedures and SOPs, our stringent quality control covers different stages from the procurement of raw materials, R&D to production of products. As at June 30, 2018, our quality control team consisted of 67 dedicated employees.

Quality Control for Raw Materials

We procure raw materials only from our approved suppliers. All approved suppliers are selected by our procurement department, which conducts basic information checks and may carry out on-site quality audits on supplier candidates to ensure they comply with relevant requirements. We also review performance of our suppliers on an annual basis.

Quality Control during Production

Pursuant to our internal policy, we perform regular checks during our production process to monitor and adjust the process to ensure that products are in compliance with relevant quality criteria. We collect product samples and conduct sample trials to see if the quality standard is met.

Quality Control for Finished Products

We have established and implemented quality control procedures for products that will proceed to commercialization in the future. Each batch of finished products will be subject to a final inspection by the quality control team before we deliver it to customers.

CLINICAL TRIAL MANAGEMENT

The clinical medical function manages design, implementation and reporting of clinical trials.

We regularly engage qualified CROs, on a contract basis, to provide specific project-related clinical trial services, such as managing, monitoring and inspecting projects, collecting clinical results, conducting data analysis and preparing clinical trial reports and other application materials for submission to the regulatory authority. We have maintained stable relationships with the CROs engaged during the Track Record Period.

Generally, we enter into specific contracts with CROs for individual projects. The terms for scope of work, payment, data and intellectual property rights, confidentiality and liability are defined in the contracts. We oversee these third-party service providers to ensure timely and high quality deliverables.

Principal terms of the service agreements with our key CRO service providers are summarized as follows:

Scope of work. The CRO provides clinical trial services, including, among others, project management, regulatory support, investigator meeting arrangement, clinical monitoring and site management, medical and scientific services, clinical data management, biostatistical services and medical report preparation.

Payment. We are required to pay the CRO specialty service fees, pass-through costs and other fees and expenses by installments in accordance with the schedule.

Research results and intellectual property rights. All data and information provided by the CRO to us and intellectual property rights as the result of the services performed by the CRO under the service agreement belong to us.

Confidentiality. Each party to the service agreement is obligated to keep confidential all confidential information received from the other party and not to reveal, disclose or otherwise publish confidential information to third parties without prior consent from the other party. The obligation of confidentiality generally remains in effect after the completion or termination of the service agreement.

Others. We remain responsible for any cost incurred under the agreement if the clinical results are not satisfactory due to the quality, safety or efficacy of the drug itself.

During the Track Record Period, we did not experience any material return of supplies due to quality defects or any significant delays or shortage of supply of raw materials. We expect to be able to maintain adequate sources of quality supplies in the future.

COMPETITION

The development and commercialization of new drugs is highly competitive. We face competition with respect to our current drug candidates, and will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future, from pharmaceutical and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of diseases for which we are developing our drug candidates. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Many of the companies against which we are competing or may compete in the future have significantly greater financial resources and expertise in R&D, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also become significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technology complementary to, or necessary for, our programs. For further details of the specific competition landscape with respect to our drug candidates, please refer to "– Our Product Pipeline" above.

We believe that we compete primarily on the basis of strong R&D capabilities, advanced R&D platforms, experienced professional team and a robust pipeline of drug candidates catering for the medical needs of PRC patients. We believe our continued success will depend on our capabilities to (i) develop innovative products and advanced technology; (ii) expand our product portfolio; (iii) maintain a highly efficient operational model; (iv) attract and retain talented technology development personnel; (v) maintain high quality standards; and (vi) build and maintain strong medical affairs and medical liaison teams.

COMMERCIALIZATION

We have established our sales department to carry out the commercialization of JS001 and other drug candidates. Our sales department will initially have around 220 personnel according to our plan. As of the Latest Practicable Date, the head of the sales department, all director-level personnel, the majority of regional Managers and an initial sales force were already in place. We plan to hire most of the remaining personnel by the end of 2018.

Our sales department comprises the following teams:

- Our **marketing team** is led by two department directors and is mainly responsible for product positioning, market strategy and marketing activity planning.

- Our **sales team** will have around 190 personnel led by three department directors and is mainly responsible for conducting sales of our products for their respective approved indications. Our sales representatives will work in their respective regions to ensure adequate market coverage, enhance market penetration and meet the anticipated demand for our future approved drug candidates.

- Our **channel access and government affairs team** is led by one department director and is mainly responsible for the formulation and implementation of our product channel strategy and communication with the government and hospitals.

- Our **product medical team** is mainly responsible for the communication with, and training for, medical experts.

- Our **internal operations team** is mainly responsible for administrative, human resources, sales force effectiveness, financial and compliance management.

The head of our sales department, Mr. Han Jing, reports directly to our Chief Executive Officer. Mr. Han worked as director of oncology in multiple MNCs with over eight years' senior management experience in the oncology field. We have devised our medical strategy for the marketing and sales of JS001 based on its characteristics and clinical trial data. We plan to acquire our market share for JS001 through a medical innovation model including the adaptation to the multi-disciplinary treatment (MDT) platforms in leading PRC hospitals, the facilitation of investigator-initiated trials, studies and researches (IIT/IIS/IIR) and the promotion of real-world studies (RWS) to evaluate the safety and efficacy of our approved drug candidates in real-world treatment processes.

INTELLECTUAL PROPERTY

The proprietary nature of, and protection for, our drug candidates and their methods of use are an important part of our strategy to develop and commercialize novel medicines, as described in more detail below. We have obtained intellectual property in and outside China and may seek additional patents to safeguard our innovations in the future. We rely on a combination of patents, trademarks, trade secrets as well as employees and third-party confidentiality agreements to protect our intellectual property.

As of the Latest Practicable Date, we had been granted two invention patents, nine utility model patents and one design patent in the PRC, one invention patent in Japan, one invention patent in Russia, one invention patent in South Africa and two invention patents in the United States. We had seven pending patent applications in China and four international patent applications under the PCT. Details of patents we owned or applied for relating to our products as of the Latest Practicable Date are summarized below:

JS001. We held one PRC invention patent and one US invention patent for JS001, which are valid until 2033 and 2034, respectively. We also had thirteen pending patent applications filed for JS001 in other jurisdictions or under the PCT, which would expectedly expire between 2034 and 2037 if granted.

JS002. We had filed one PRC patent application and four patent applications in other jurisdictions or under the PCT for JS002, which would expectedly be valid until 2035 and 2036, respectively, if granted.

UBP1213. We had one PRC invention patent for UBP1213, which is valid until 2032. We also registered invention patents for UBP1213 in Japan, Russia, South Africa and the United States, which will expire in 2033. In addition, we had filed five patent applications for UBP1213 in other jurisdictions or under the PCT, which would expectedly expire between 2033 and 2034 if granted.

JS003. We had one pending PRC patent application and one pending PCT patent application for JS003, which would be expected to be valid until 2037 and 2038, respectively, if granted.

We conduct our business under the brand name of "Junshi" (君實). As of the Latest Practicable Date, we had three material pending trademark applications in the PRC and four pending trademark applications in Hong Kong. We have also registered two material domain names, including **www.junshipharma.com**.

For details of the patent portfolios for our drug candidates, please refer to "Statutory and General Information – 2. Further Information about Our Business – B. Intellectual Property Rights" in Appendix V to this prospectus. For risks relating to the expiry of our patent rights, please refer to "Risk Factors – Risks Relating to our IP Rights".

We also rely on trade secrets, proprietary know-how and continuing technological innovation to develop and maintain a competitive position for our products. We generally impose obligations on our key management and key technical staff to keep our trade secrets confidential. In general, relevant agreements we entered into with our key management and key technical staff provide that all of the technology which is conceived by the individual during the course of employment is our exclusive intellectual property.

As of the Latest Practicable Date, we had not been involved in any significant intellectual property disputes or encountered major difficulties in enforcing our intellectual property rights in the PRC.

LAND AND PROPERTIES

We occupy certain properties in the PRC and the United States in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our R&D buildings, production facilities, warehouses, offices and employee dormitories.

Owned Properties

As of the Latest Practicable Date, we had land use right certificates for five parcels of land with an aggregate site area of 87,757.5 sq.m. and a building ownership certificate for one property with an aggregate gross floor area of 12,384.3 sq.m.

The following table summarizes the land use rights we owned as of the Latest Practicable Date:

Location	Use of Property	Site Area sq.m.	Expiration of Land Use Right
Lingang Industrial Park, Fengxian District, Shanghai	Industrial	53,334.40	January 22, 2037
Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	Industrial	9,610.10	January 14, 2064
Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	Industrial	7,523.00	September 5, 2065

Location	Use of Property	Site Area sq.m.	Expiration of Land Use Right
Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	Industrial	10,924.00	September 5, 2065
Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	Industrial	6,366.00	September 5, 2065

The following table summarizes the properties we owned as of the Latest Practicable Date:

Location	Use of Property	Gross Floor Area sq.m.
Wujiang Economic and Technological Development Zone, Suzhou, Jiangsu Province	Industrial	12,384.27

As of the Latest Practicable Date, we were in the process of constructing our Lingang Production Base for our drug production on the parcel of land located in Fengxian District, Shanghai. We had obtained the land use right certificate for the land occupied and the relevant construction approvals and permits for such building. As confirmed by our PRC Legal Adviser, there is no material legal impediment in obtaining the building ownership certificate upon completion of the construction and all inspection proceedings of such building.

In addition, we have purchased 52 apartments intended for employee dormitories with a total gross floor area of 6,008.85 sq.m. and acquired land use right to one parcel of land with a total site area of 14,201.55 sq.m. located in the Suzhou Industrial Park for future R&D and office use. As of the Latest Practicable Date, we were in the process of obtaining the relevant building ownership certificates of such apartments and the land use right certificate. For further information regarding the prepayments that we have made and capital commitments in relation to such purchases, please refer to Notes 15 and 21, respectively, of Appendix IA – Condensed Consolidated Financial Statements.

Leased Properties

As of the Latest Practicable Date, we leased from third parties 15 properties in Shanghai, Taizhou, Beijing and Suzhou, with an aggregate gross floor area of approximately 8,173.10 sq.m.

According to relevant PRC laws and regulations, the lessee has the right to claim compensation if the lease agreement is invalid due to the lessor's fault. In case where our ability to continue leasing such properties is affected by a third-party objection, we may seek indemnity from the lessor in accordance with relevant PRC laws and regulations.

As of the Latest Practicable Date, the lease agreements had not completed lease registration with the relevant regulatory authorities. According to PRC law, the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements.

As of the Latest Practicable Date, we leased three properties in the United States as our offices and biotech laboratories, including two properties in Rockville, Maryland of approximately 3,672 sq.ft. and 3,511 sq.ft., respectively, and one property in Menlo Park, California of approximately 2,585 sq.ft.

During the Track Record Period, we did not experience any dispute arising out of our leased properties.

As at June 30, 2018, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

EMPLOYEES

As at June 30, 2018, we had a total of 354 employees, of whom 345 were located in the PRC and nine were located in the United States. As at June 30, 2018, 85 held master's or higher degrees. The following table shows a breakdown of our employees by function as at June 30, 2018:

Function[(1)]	Number of Employees	%
R&D	111	31.4
Manufacturing[(2)]	60	16.9
Quality Control[(2)]	67	18.9
Management, Administration and Marketing	116	32.8
Total	354	100.0

Notes:

(1) Certain R&D, manufacturing and quality control personnel work for the construction of our Lingang Production Base, whose remunerations are not expensed but capitalized.

(2) Currently mainly for manufacturing/quality control in relation to our clinical trials as we have not commercialized any drug candidate yet.

We believe our success depends heavily upon our employees' provision of consistent, quality and reliable services. We recruit our employees based on a number of factors, including their work experience, educational background and the needs of our vacancies. In order to maintain the quality, knowledge and skill levels of our workforce, we provide our employees with regular training, including induction for new employees and technical training.

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies, including medical care, housing subsidies, unemployment insurance, pension, occupational injury insurance and other miscellaneous benefits.

We believe our remuneration and other incentives, working environment and employee development opportunities for our employees have contributed to good employee relations.

We did not experience any strikes or significant labor disputes which have had or are likely to have a material and adverse effect on our business operation during the Track Record Period.

INSURANCE

We maintain certain employee accident insurance, health insurance and insurance for automotive. Under PRC laws and regulations, we are not required to, and we do not, maintain any insurance in relation to our business operations, such as business interruption insurance, or product liability insurance against claims or liabilities that may arise from products that we have sold. For further details of risks relating to our current insurance coverage, please refer to "Risk Factors – Risks relating to our operations – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources." in this prospectus. We did not experience any material industrial accidents during the Track Record Period.

LICENSES AND PERMITS

As a PRC based biopharmaceutical company discovering and developing monoclonal antibody drugs, we are subject to regular inspections, examinations and audits, and are required to maintain or renew the necessary permits, licenses and certifications for our business. As confirmed by our PRC Legal Advisor, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in the PRC.

The following table sets forth key licenses, permits and certificates relating to our business and operations (apart from those pertaining to general business requirements), their respective purpose, issuing authority and expiry date:

Licenses/Permit/ Certificate	Holder	Scope	Issuing Authority	Issue Date	Expiry Date
Drug Production License (藥品生產許可證)	Suzhou Union Biopharm	Production of therapeutic biologics	Jiangsu NMPA	February 14, 2017	December 31, 2020

For further details of the licenses, permits and certificates required for our business, please refer to "Regulatory Overview" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. We are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding that, in the opinion of our Directors, is likely to have a material and adverse effect on our business, financial condition or results of operations, nor have we experienced any incident of non-compliance which, in the

opinion of our Directors, is likely to materially and adversely affect our business, financial condition or results of operations. As of the Latest Practicable Date, the Company, none of our Directors or senior management was involved in any material litigation, arbitration or administrative proceeding.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Health and Occupational Safety

We are subject to various PRC laws and regulations in respect of health and occupational safety. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees. We carefully design our R&D facilities and production facilities to ensure safe storage and handling of flammable or corrosive materials used in our manufacturing process, mainly including ethanol, acetonitrile, caustic soda, hydrochloric acid and liquefied petroleum gas. Additionally, we appoint qualified consulting firms to conduct on-site safety assessment and hazard identification, which help us enhance our overall health and safety management effectiveness. As of the Latest Practicable Date, we had not experienced any material accidents in the course of our operation and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

Environmental Protection

We are subject to national and local environmental laws and regulations of the PRC. During our R&D and production processes, we must comply with PRC laws and regulations concerning the discharge of air, water and solid waste as well as noise control. In addition, an environmental impact study report should be prepared by a qualified institution setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project. For details on PRC environmental laws and regulations we are subject to, please refer to "Regulatory Overview – Other Laws and Regulations in Relation to Our Business – Environment Protection" in this prospectus.

We have established detailed internal rules regarding environmental protection. We test effluent water to ensure compliance with national emission standards. Solid waste is sorted for proper disposal. Hazardous waste is sent to qualified third parties for treatment. When a new construction project is proposed, we conduct comprehensive analysis and testing on the environmental issues involved in the production processes.

INTERNAL CONTROLS AND RISK MANAGEMENT

It is the responsibility of the Board of Directors to ensure that the Group maintains sound and effective internal controls to safeguard the Shareholders' investment and the Group's assets at all times. We have adopted a series of internal control policies, procedures and programs designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Audit committee. We have established an audit committee that assists our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The audit committee consists of two independent non-executive Directors being Mr. Chen Xinjun and Mr. Qian Zhi and one non-executive Director being Mr. Li Cong.

Scientific and Clinical Medicines Committee. The Company has established a Scientific and Clinical Medicines Committee comprising our executive Directors, senior management and certain heads of department, which holds meetings on a monthly basis and is mainly responsible for the overall governance and decision making on drug development investment, strategy and planning of the Company.

Listing Rules Compliance. We have adopted various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to corporate governance, connected transactions, notifiable transactions, inside information and securities transactions by the Directors.

Code of Conduct. Our code of conduct explicitly communicates to each employee our values and our ground rules for behavior.

During the Track Record Period and up to the Latest Practicable Date, our Directors, to their best knowledge, were not aware of any past incidents involving our employees engaging in corruption or other improper conducts that had a material impact on our Company, and believe that we were in compliance in all material respects with the laws and regulations disclosed under the "Regulatory Overview" section in this prospectus. We will also continue to implement and enforce the proper internal control procedures to ensure ongoing compliance with all applicable laws and regulations, including the prevention of our employees or affiliates engaging in any corruption, bribery, health fraud and abuse or improper conduct and other incidents of non-compliance.

OVERVIEW

Mr. Xiong Jun, together with his father Mr. Xiong Fengxiang, are the single largest Shareholder combined taking into account also the voting rights of the Other Concert Parties under the Concert Party Agreements as of the Latest Practicable Date. Mr. Xiong Jun is deemed to control, through the Concert Parties Agreements, 183,050,736 Domestic Shares, representing approximately 30.44% of the issued share capital of our Company as of the Latest Practicable Date, and which will represent approximately 24.08% of our issued share capital immediately after the Global Offering (assuming the Over-allotment Option is not exercised and without regard to the Pre-IPO Options and the 2018 Convertible Bonds).

For details, please refer to the section headed "Our History and Development – Concert Party Agreements" in respect of the Concert Parties Agreements and "Directors, Supervisors and Senior Management – Executive Directors" in this prospectus for the biography of Mr. Xiong Jun.

INDEPENDENCE OF OUR BUSINESS

We believe that we are capable of carrying on our business independently of Mr. Xiong Jun and Mr. Xiong Fengxiang upon Listing for the following principal reasons:

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold the licenses, intellectual properties, R&D facilities (whether through direct ownership and/or leasing agreement) and qualifications necessary to carry on our current business. We have sufficient capital, facilities, technology and employees to operate the business independently from Mr. Xiong Jun and Mr. Xiong Fengxiang. We have access to third parties independently from and not connected with Mr. Xiong Jun or Mr. Xiong Fengxiang for sources of suppliers and customers.

Based on the above, our Directors believe that we are operationally independent from Mr. Xiong Jun and Mr. Xiong Fengxiang.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises six executive Directors, four non-executive Directors and five independent non-executive Directors. Save and except for Mr. Xiong Jun (who is our Chairman of the Board, legal representative and executive Director), none of our Directors or members of senior management is a party to the Concert Parties Agreements. Our other Directors have relevant experience to ensure the proper functioning of the Board.

We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from Mr. Xiong Jun and Mr. Xiong Fengxiang for the following reasons:

(i) as a part of our preparation for the Global Offering, we have promulgated the Articles to comply with the Listing Rules. In particular, our Articles provide that any Director, Supervisor and senior management member should not place himself in a position where his/her duty and his/her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(ii) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders; and

(iii) each of our Directors is aware of his fiduciary duties as a director, which require, among other things, that he acts for our Company's benefit and best interests and he must not allow any conflict between his duties as a Director and his personal interests.

Financial Independence

We have our own financial management system and are able to operate independently from Mr. Xiong Jun and Mr. Xiong Fengxiang from a financial perspective. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by Mr. Xiong Jun or Mr. Xiong Fengxiang. As of June 30, 2018 and as of the Latest Practicable Date, there were no loans, advances and balances due to and from Mr. Xiong Jun or Mr. Xiong Fengxiang, nor any pledges and guarantees provided by Mr. Xiong Jun or Mr. Xiong Fengxiang on our Group's borrowing.

Delineation between our Business and other Medical R&D Business of Mr. Xiong Jun

As of the Latest Practicable Date, Mr. Xiong Jun held 30% interest in Jiangsu Tianren Life Technology Co., Ltd.* (江蘇天人生命科技有限公司) ("**Jiangsu Tianren**"). Jiangsu Tianren is a limited liability company established in the PRC on May 6, 2011 with a registered capital of RMB5,000,000. Our Directors are of the view that there is a clear delineation between the business of our Group and that of Jiangsu Tianren for the following reasons:

(i) *Different nature and scope of business*: Jiangsu Tianren is an investment company. Since its establishment and up to the Latest Practicable Date, Jiangsu Tianren has only one investment, which focuses on clinical research of certain traditional Chinese medicine conducted by the Nanjing University of Traditional Chinese

Medicine. As confirmed by Mr. Xiong Jun, save for the above investment, Jiangsu Tianren has not conducted any substantive business as of the Latest Practicable Date, and there is no foreseeable plan for Jiangsu Tianren to engage or invest in biologics business in the near future.

Our Group is a biotech company operating in the biologics market and dedicated to the discovery and development of innovative drugs while Jiangsu Tianren is an investment company targeting at traditional Chinese medicine R&D. As such, the business focus, key technology and product nature of Jiangsu Tianren are different from those of our Group and our Directors are of the view that there is no overlapping or competition in the principal business.

(ii) *Management*: Mr. Xiong Jun only undertakes the role of a supervisor of Jiangsu Tianren and is not involved in Jiangsu Tianren's daily management. The management of Jiangsu Tianren is handled by an Independent Third Party who is not a member of our Board or senior management. There is no other overlapping of management roles of our Directors, Supervisors and senior management with those of Jiangsu Tianren.

Based on the above, our Directors do not expect any overlap or competition between the businesses and management of our Group and Jiangsu Tianren in any material respect after Listing.

As of the Latest Practicable Date, apart from our Group's business, Mr. Xiong Jun and Mr. Xiong Fengxiang were not engaged, and did not have any interest, in any business which, competes or is likely to compete either directly or indirectly, with our business and which requires disclosure under Rule 8.10 of the Listing Rules. Save as disclosed in the section headed "Directors, Supervisors and Senior Management" in this prospectus, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business and which requires disclosure under Rule 8.10 of the Listing Rules.

Corporate Governance Measures

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between Mr. Xiong Jun, Mr. Xiong Fengxiang and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- each of Mr. Xiong Jun and Mr. Xiong Fengxiang has undertaken that he would not and would procure that his controlled corporations would not, directly or indirectly, engage in any business which are or may potentially be in competition with the business carried on or contemplated to be carried on by our Company or any members of our Group as disclosed in the paragraph headed "– NEEQ Non-Competition Undertaking" below;

- any transaction that is proposed between our Group and our Directors, including Mr. Xiong Jun, and/or their respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and

- we have appointed Somerley Capital Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

NEEQ NON-COMPETITION UNDERTAKING

For the purpose of compliance with the requirements for listing on the NEEQ, Mr. Xiong Jun and Mr. Xiong Fengxiang entered into the NEEQ Non-Competition Undertaking, pursuant to which they undertook that they would not, and would procure that their controlled corporations would not, directly or indirectly, engage in any business which are or may potentially be in competition with the business carried on or contemplated to be carried on by our Company or any members of our Group.

OVERVIEW

During the Track Record Period, we have transacted with Beijing Zhengdan and/or its associates. Following the Listing, our transactions with Beijing Zhengdan and/or its associates are expected to continue and will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Background of Beijing Zhengdan

Name	Connected relationship
Beijing Zhengdan	Beijing Zhengdan was established in the PRC, and it is engaged in the provision of pharmaceutical technology development and research, and related technical services. As of the Latest Practicable Date, Beijing Zhengdan held 40% of the equity interest in Beijing Junkejingde, a 60%-owned subsidiary of our Company. Beijing Zhengdan is therefore a substantial shareholder of Beijing Junkejingde and thus a connected person of our Company at the subsidiary level.

SUMMARY OF OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Nature of transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31		
			2018	2019	2020
			(in RMB'000)		
Technical Development Engagement Framework Agreement	14A.35, 14A.101, 14A.105	Announcement requirement	16,000	16,250	20,000

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The Technical Development Engagement Framework Agreement constitutes a non-exempt continuing connected transaction of our Company pursuant to Chapter 14A of the Listing Rules, which will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Technical Development Engagement Framework Agreement

Principal terms

Pursuant to the technical development engagement framework agreement (the "**Technical Development Engagement Framework Agreement**") dated December 4, 2018 entered into between our Company and Beijing Zhengdan, our Company (together with our subsidiaries) may engage Beijing Zhengdan and/or its associates to provide pharmaceutical research and technical development services, including conducting analysis for biological samples from clinical trials, and from non-clinical trials (including formation of methodology, verification, filter, tests, preparation of reports, sample treatment and related tasks), conducting stability tests, keeping of samples and files, and other services relating to drug studies and technical services. Upon completion of the research, Beijing Zhengdan and/or its associates shall deliver to our Group, among others, the research results and analysis, research report and materials for regulatory filings and all intellectual property rights in relation to the above research and technical development shall be owned by our Group.

The Technical Development Engagement Framework Agreement will commence from the Listing Date and expires on December 31, 2020.

Pricing policy

The fee to be paid by us to Beijing Zhengdan and its associates under the Technical Development Engagement Framework Agreement shall be determined based on the parties arm's length negotiations. It will take into account matters such as the scope, complexity and nature of research and services sought by us, sampling and number of researches and tests to be performed, and shall be determined with reference to pricing terms determined after due consideration of prevailing market rates from Independent Third Parties for comparable pharmaceutical research and technical development services. The fee for certain frequently adopted services have been agreed in the Technical Development Engagement Framework Agreement. Pursuant to the Technical Development Engagement Framework Agreement, if there is any deviation or additional services demanded by our Group which is not listed in the price list, its price and terms shall be determined with reference to the quotation for identical or similar services contemporaneously from at least two other service providers who are Independent Third Parties so as to confirm that such price and terms to be determined shall be fair and reasonable, and comparable to (or better than) those offered by Independent Third Parties. We will enter into separate individual agreements with Beijing Zhengdan and/or its associates with respect to our individual service request.

Historical figures

For the two years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, fees paid to Beijing Zhengdan and its associates for pharmaceutical research and technical development services in aggregate amounted to approximately RMB1.81 million, RMB7.95 million and RMB6.72 million, respectively.

Annual caps and basis

Our proposed annual caps in respect of the transactions contemplated under the Technical Development Engagement Framework Agreement are RMB16 million, RMB16.25 million and RMB20 million for the three years ending December 31, 2018, 2019 and 2020, respectively.

In estimating the annual caps, our Directors considered the following factors: (i) the historical research fees and remuneration paid to Beijing Zhengdan and its associates during the Track Record Period; (ii) the expected progress of research to be made by Beijing Zhengdan and its associates for the three years ending December 31, 2018, 2019 and 2020, particularly regarding the sample analysis in relation to anti-PD-1 monoclonal antibody and anti-PCSK9 monoclonal antibody which are expected to be commercialised during the term of the Technical Development Engagement Framework Agreement if all necessary approval is obtained; (iii) the estimated increase in our demand for pharmaceutical research and technical development services; and (iv) the prevailing market prices for comparable pharmaceutical research and technical development services from Independent Third Parties.

In the coming years ahead, we aim to accelerate our R&D progress and commercialization process. Among others, in this year and the next two years, (i) we are preparing to launch JS001 in the PRC shortly after obtaining NDA approval, and to kick off Phase II and III clinical trials for cardiovascular indications for JS002 in late 2018, (ii) we plan to launch a global large-scale pivotal clinical trial for JS001, to file UBP1211, and to commence patient enrollment for Phase I clinical trial of UBP1213 in 2019, and (iii) we aim to launch UBP1211 in 2020 if NDA approval is obtained. We are also rapidly expanding our product pipeline. To pave way for the above and to implement our plans and strategies, we expect to broaden the scale and scope of our trials and to increase the number of trials, especially clinical trials for JS001, UBP1211, JS002 and UBP1213, to be conducted considerably in the years 2018 to 2020 when compared to those of the Track Record Period. Accordingly, we estimate that our demand for pharmaceutical research and technical development services, particularly analysis for biological samples from clinical trials and from non-clinical trials would increase substantially when compared to our Track Record Period.

Reasons for and benefits of entering into the Technical Development Engagement Framework Agreement

Our Directors believe that engaging Beijing Zhengdan and/or its associates for the provision of pharmaceutical research and technical development services is fair and reasonable and in the interests of our Group and our Shareholders as a whole for the following reasons: (i) Beijing Zhengdan and its associate(s) possess the expertise in pharmaceutical research and technical development services and we can make use of their resources in order to accelerate the progress of R&D of our drug candidates in order to achieve their commercialization; (ii) in the forthcoming years covered under the Technical Development Engagement Framework Agreement, we plan to commercialize certain of our drug candidates if approval is obtained, as further described above and in the section headed "Business" in this prospectus. On the path to commercialization, we anticipate an increasing need for sample analysis and other types of

pharmaceutical research and technical development services, in particular, for anti-PD-1 monoclonal antibody and anti-PCSK9 monoclonal antibody. We also expect a higher demand for pharmaceutical research and technical development services to cope with our plans for other drug candidates to progress in R&D and pipeline expansion, together with on-going development and improvement in research and services available from Beijing Zhengdan in due course; and (iii) when compared to similar services available from Independent Third Parties, the terms offered by Beijing Zhengdan are comparable or better, and fair and reasonable.

Implications under the Listing Rules

Beijing Zhengdan is a connected person of our Group. Accordingly, the Technical Development Engagement Framework Agreement constitutes a continuing connected transaction of our Group under Chapter 14A of the Listing Rules upon Listing.

The Board has approved the Technical Development Engagement Framework Agreement and all independent non-executive Directors have confirmed that the terms of the Technical Development Engagement Framework Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole. For details, please refer to "– Confirmation from our Directors" below. Since one or more of the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Technical Development Engagement Framework Agreement exceeds 5%, the transactions contemplated under the Technical Development Engagement Framework Agreement are subject to the reporting, annual review and announcement pursuant to Rule 14A.101 of the Listing Rules, and is exempted from circular, independent financial advice and independent shareholders' approval requirements.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the reporting and announcement requirements for the transactions contemplated under the Technical Development Engagement Framework Agreement, subject to the following conditions:

(a) the continuing connected transactions under the Technical Development Engagement Framework Agreement will be carried out in compliance with the requirements of the Listing Rules and that our Company shall comply with the other relevant requirements for continuing connected transactions in accordance with Chapter 14A of the Listing Rules; and

(b) the proposed annual caps for the Technical Development Engagement Framework Agreement set out above are not exceeded. Our Company will comply with the applicable requirements under the Listing Rules if any of the respective proposed annual caps set out above is exceeded.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transaction as set out above have been or will be entered into in the ordinary and usual course of our business, on normal commercial terms or better, and the terms of the Technical Development Engagement Framework Agreement are fair and reasonable and in the interest of our Company and its Shareholders as a whole, and that the proposed annual caps for this non-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor is of the view that such non-exempt continuing connected transaction as set out above has been entered into and will be entered into during our ordinary and usual course of business, on normal commercial terms or better, and the terms of the Technical Development Engagement Framework Agreement are fair and reasonable and in the interest of our Company and its Shareholders as a whole, and that the proposed annual caps of such non-exempt continuing connected transaction are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

SUMMARY INFORMATION OF OUR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following tables set forth information regarding our Directors, Supervisors and senior management. Our Directors, Supervisors and senior management all meet the qualification requirements under the PRC Company Law for their respective positions. We have applied for waiver as to management presence in relation to our executive Directors, please also refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance" in this prospectus.

DIRECTORS

The Board consists of 15 Directors, including 6 executive Directors, 4 non-executive Directors and 5 independent non-executive Directors.

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities
Executive Directors					
Mr. Xiong Jun (熊俊)	Executive Director, Chairman and legal representative	44	March 27, 2015	April 2013	Responsible for the overall management of our Company, implementing decisions of our Company and our operations, overseeing our regulatory and commercial suitability and sustainability and acting as member of the nomination committee and chairman of the nomination and strategic committees of the Board

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities
Dr. Li Ning (李寧)	Executive Director, chief executive officer and general manager	57	June 24, 2018	January 2018	Responsible for formulating business strategies and managing operations of our Group, overseeing our regulatory and commercial suitability and sustainability and advising issues on remuneration and strategies
Dr. Feng Hui (馮輝)	Executive Director and chief operations officer	42	March 27, 2015	January 2014	Responsible for the daily operation and management of our Group and overseeing our scientific research
Mr. Zhang Zhuobing (張卓兵)	Executive Director and deputy general manager	51	December 22, 2016	December 2012	Responsible for the manufacturing of drugs and management of our Group and overseeing our scientific research
Dr. Wu Hai (武海)	Executive Director, deputy general manager and chief science officer	45	December 22, 2016	June 2013	Responsible for project development and R&D and overseeing our scientific research
Dr. Yao Sheng (姚盛)	Executive Director, deputy general manager and senior vice president	43	December 22, 2016	June 2014	Responsible for the R&D and management of our Group and overseeing our scientific research

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities
Non-executive Directors					
Mr. Tang Yi (湯毅)	Non-executive Director	49	May 30, 2015	May 2015	Participating in making major decisions of our Company
Mr. Li Cong (李聰)	Non-executive Director	54	December 22, 2016	December 2016	Participating in making major decisions of our Company and advising on issues relating to audit
Mr. Yi Qingqing (易清清)	Non-executive Director	46	December 22, 2016	December 2016	Participating in Board discussions
Mr. Lin Lijun (林利軍)	Non-executive Director	45	June 24, 2018	June 2018	Participating in making major decisions of our Company
Independent non-executive Directors					
Dr. Chen Lieping (陳列平)	Independent non-executive Director	61	June 24, 2018	June 2018	Participating in making major decisions of our Company, and advising on issues relating to corporate governance and strategies
Dr. He Jia (何佳)	Independent non-executive Director	64	June 24, 2018	June 2018	Participating in making major decisions of our Company, and advising on issues relating to corporate governance, remuneration and strategies
Mr. Chen Xinjun (陳新軍)	Independent non-executive Director	45	June 24, 2018	June 2018	Participating in making major decisions of our Company, and advising on issues relating to corporate governance, audit, nomination and remuneration

Name	Position	Age	Date of appointment as Director	Time of joining our Group	Role and responsibilities
Mr. Qian Zhi (錢智)	Independent non-executive Director	50	June 24, 2018	June 2018	Participating in making major decisions of our Company, and advising on issues relating to corporate governance, audit, remuneration and nomination
Dr. Roy Steven Herbst	Independent non-executive Director	55	June 24, 2018	June 2018	Participating in making major decisions of our Company, and advising on issues relating to corporate governance and strategies

Executive Directors

Mr. Xiong Jun (熊俊), aged 44, was appointed as an executive Director on March 27, 2015. He has been the Chairman of the Board and the legal representative of our Company since May 2015 and was the general manager of our Company from January 2016 to January 2018. Mr. Xiong has also been the chairman of the board of directors and general manager of Jiangsu Union Biopharm since April 2013, the chairman of the board of directors of Qianhai Junshi since December 2015, the chairman of the board of directors and general manager of Suzhou Junshi since July 2017, the chairman of the board of directors and general manager of Suzhou Junao, the chairman of the board of directors of Suzhou Junshi Biotechnology Co., Ltd., and the chairman of the board of directors of Wuhan Guobo Hospital Management Co., Ltd. Mr. Xiong started his investment in our Group since January 2013.

Mr. Xiong's main experience includes: from March 2004 to July 2006, he was a research associate and fund manager assistant in Guolian Fund Management Co., Ltd.; from March 2013 to November 2015, he was the chairman of the board of directors of Shanghai Union Biopharm (a company previously listed on the NEEQ (stock code: 430598.NEEQ) and merged with our Company in June 2016), and he also served as its general manager from September 2013 to November 2015; since March 2015, has been a director of Sichuan Huapu Modern Agriculture Co., Ltd. (a company listed on the NEEQ (stock code: 837890.NEEQ)); since February 2007, he has been the chairman of the board of directors of Shanghai Baoying.

Mr. Xiong obtained his bachelor's degree in investment economics management from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law), the PRC in July 1996 and his MBA from the Chinese University of Hong Kong in December 2007. Mr. Xiong is the son of Mr. Xiong Fengxiang. Save as disclosed above, Mr. Xiong is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Please also refer to the section headed "Relationship with our Single Largest Shareholder".

Dr. Li Ning (李寧), aged 57, was appointed as an executive Director on June 24, 2018. Dr. Li joined our Group in January 2018 and has been our chief executive officer and general manager since then.

Dr. Li's main experience prior to joining our Group includes: he held various positions, including team leader of the Office of Biostatistics, team leader of mathematical statistician and a statistical reviewer at the FDA; he was employed by Sanofi from September 2009 to January 2018, and the last position he held was Vice President Asia Regulatory Affairs in Global Regulatory Affairs; from November 2010 to November 2012, he was a guest professor at the Clinical Research Institute of Peking University and from January 2012 to December 2014 he was a part-time professor at the Medical Informatics Center of Peking University.

Dr. Li obtained his bachelor's degree in public health from Shanghai Medical College of Fudan University, the PRC in July 1984 and his master's degree in medicine from Shanghai Medical College of Fudan University, the PRC in October 1987. He obtained his Ph.D. degree in preventive medicine from University of Iowa, the United States in August 1994. Dr. Li is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. Feng Hui (馮輝), aged 42, was appointed as an executive Director on March 27, 2015 and was also our chief operations officer. Dr. Feng joined our Group in January 2014 as the chief operations officer of TopAlliance. Dr. Feng has also been an executive director and legal representative of Junshi Biotechnology since June 2016 and the legal representative, executive director and general manager of Suzhou Junmeng since August 2017. Dr. Feng took part in the invention of certain registered patents and patents in application in relation to JS001, JS002 and JS003 for our Group.

Dr. Feng has over 10 years of industry experience in biotechnology and drug discovery. His experience spans across multiple areas of drug development including antibody discovery, protein engineering, and immuno-oncology. Dr. Feng's main experience prior to joining our Group includes: from 2003 to 2007, he worked at Albert Einstein College of Medicine; from 2007 to 2010, he was a production manager in HumanZyme Inc.; from September 2010 to November 2013, he was a scientist in MedImmune, Inc. (a subsidiary of AstraZeneca).

Dr. Feng obtained his bachelor's degree in biological sciences and technology from Tsinghua University, PRC in July 1997 and his Ph.D. degree in molecular pharmacology from Albert Einstein College of Medicine, the United States in September 2003. Dr. Feng was selected to participate in the Leading Innovators Program (創新領軍人才) of Wujiang district, the PRC in December 2014. He has published a number of academic articles and is an inventor of a number of patents. Dr. Feng is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Zhang Zhuobing (張卓兵), aged 51, was appointed as an executive Director on December 22, 2016 and has been a deputy general manager of our Company since May 2016. Mr. Zhang was one of the founders of our Company when it was established in December 2012 and was a supervisor of our Company from December 2012 to March 2013. He has also been an executive director and general manager of Suzhou Union Biopharm since October 2013.

Mr. Zhang has over 10 years of experience in the pharmaceutical industry. Mr. Zhang has also been a director of Shanghai Union Biopharm from November 2011 to November 2015 and a deputy general manager of Shanghai Union Biopharm from July 2008 to November 2015, the legal representative, executive director and general manager of Suzhou Union Biopharm since October 2013, a director of Beijing Xinjingke Biotechnology from May 2016 until June 2018 when it was transferred and a director of Beijing Tianshi since April 2016.

Mr. Zhang obtained his master's degree in biochemistry from Tsinghua University, PRC in July 1995. Mr. Zhang was awarded the first prize of the Shandong district award for invention in 2005. Mr. Zhang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. Wu Hai (武海), aged 45, was appointed as an executive Director on December 22, 2016 and was also our chief science officer. Dr. Wu joined our Group in June 2013 and has been a deputy general manager of our Company since then. Dr. Wu was the chief financial officer of our Company from June 2013 to June 2018. He was appointed as the chief financial officer of TopAlliance in January 2014 and was appointed as its president in August 2017. Dr. Wu took part in the invention of certain registered patents and patents in application in relation to JS002 and JS003 for our Group.

Dr. Wu has over 10 years of experience in the biopharmaceutical industry. Dr. Wu's main experience prior to joining our Group includes: from March 2003 to September 2007, he worked as a postdoctoral res affiliate at the Stanford University; from August 2007 to February 2009, he was a scientist at Trellis Biosciences; from February 2009 to May 2013, he was a senior scientist at Amgen.

Dr. Wu obtained his bachelor's degree in biochemistry from Nanjing University, PRC in July 1994 and his Ph.D. degree from the University of Texas Southwestern Medical Center at Dallas, the United States in May 2002. He has published approximately 20 articles in relation to biopharmaceutical in academic journals including Nature, Science and EMBO. Dr. Wu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. Yao Sheng (姚盛), aged 43, was appointed as an executive Director on December 22, 2016. Dr. Yao joined our Group in June 2014 as a senior vice president of TopAlliance. He has also been a deputy general manager of our Company since December 2016, the senior vice president of TopAlliance since June 2016 and a director of Suzhou Junao since January 2018. Dr. Yao took part in an invention of certain registered patents and patents in application in relation to JS002 and JS003 for our Group.

Dr. Yao's main experience prior to joining our Group includes: from January 2003 to April 2004, he was a research fellow in immunology at the Mayo Clinic College of Medicine; in 2004, he was a research fellow at the Johns Hopkins University School of Medicine in the Department of Dermatology; from January 2011 to November 2011, he was an associate research scientist in the Human Translational Immunology Department at Yale University; from October 2011 to October 2013, he was a senior scientist at Amplimmune Inc., a subsidiary of AstraZeneca, responsible for the tumor immunology and anti-autoimmune diseases antibody project.

Dr. Yao obtained his bachelor's degree in biotechnology from School of Life Sciences of Peking University, the PRC in June 1998 and his Ph.D. degree from Albert Einstein College of Medicine, the United States in January 2003. Dr. Yao has a number of articles published in journals including Nature Communications, Science Advances, Immunity, Jem, Blood and JI. Dr. Yao is also an inventor of six registered patents or patents in application. Dr. Yao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Non-executive Directors

Mr. Tang Yi (湯毅), aged 49, was appointed as a non-executive Director on May 30, 2015. He has also been a director of Suzhou Junshi since July 2017, a director of Suzhou Junao since January 2018, a director of Qianhai Junshi since December 2015 and a director of Suzhou Junshi Biotechnology Co., Ltd. since June 2018.

Mr. Tang has over 20 years of experience in the equity investment industry. Mr. Tang's main experience includes: since June 1996, he has been the chairman of the board of directors at Shenzhen Finevalue Capital Co., Ltd.* (深圳泛友創業投資有限公司); since March 2001, he has been the chairman of the board of directors at Shenzhen Finevalue Technology Co., Ltd.* (深圳市泛友科技有限公司); since December 2010, he has been the chairman of the board of directors at Shenzhen Dingyuan Growth Investment Management Co., Ltd.* (深圳市鼎源成長投資管理有限公司); from October 2010 to October 2013, he was a director at Jiajia Food

Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002650.SZ); from June 2011 to November 2018, he was a director of SMMC Marine Drive Systems (Suzhou) Co., Ltd. (a company previously listed on NEEQ (stock code: 832549.NEEQ) and delisted in August 2017); since April 2013, he has been a director of Shenzhen Yuanben; since June 2014, he has been an executive partner representative at Suzhou Ruiyuan, our Shareholder; since July 2017, he has been the chairman of the board of directors of Jiangsu Xinyun Capital Management Co., Ltd.* (江蘇芯雲資本管理有限公司).

Mr. Tang obtained his bachelor's double degree in mechanical engineering and business management from the National Huaqiao University, the PRC in July 1989 and January 1990, respectively. Save as disclosed above, Mr. Tang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Tang was previously a director of the companies shown in the table below at the time of their respective dissolution:

Company	Place of incorporation	Principal business activity immediately before dissolution	Position	Date of dissolution	Means of dissolution
DOBO International Corporation Limited	Hong Kong	Inactive	Director	January 4, 2013	Striking off
SGC Tungsten (Asia) Limited	Hong Kong	Inactive	Director	April 13, 2012	Striking off
Overseas United Industrial Limited	Hong Kong	Inactive	Director	May 9, 2003 (subsequently reinstated)	Deregistration (subsequently reinstated)

Mr. Tang confirmed that the reason for dissolution of the above companies was that they had never commenced any substantive business prior to their respective dissolution. Mr. Tang confirmed that there was no wrongful act on his part leading to the dissolutions and he is not aware of any liabilities and/or debt that has been or will be made against him as a result of the dissolutions, and that no misconduct or misfeasance had been involved in the dissolutions of these companies.

Mr. Li Cong (李聰), aged 54, was appointed as a non-executive Director on December 22, 2016. Mr. Li has over 14 years of experience in the pharmaceutical industry. Since January 2004, he had successfully held the positions of regional manager, sales director and general manager at Tonghua Dongbao Pharmaceutical Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600867.SH)), responsible for manufacturing of diabetes products and operations.

Mr. Li obtained his bachelor's degree in medicine from Shanghai Tiedao University School of Medicine (now known as Tongji University School of Medicine), the PRC in July 1986. Save as disclosed above, Mr. Li is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Yi Qingqing (易清清), aged 46, was appointed as a non-executive Director on December 22, 2016. Mr. Yi is a partner at Hillhouse Capital Group and has worked with Hillhouse Capital since 2005. Mr. Yi's work at Hillhouse includes investments in the healthcare sector.

Mr. Yi received a B.S. degree in engineering from Shanghai Maritime University, the PRC in July 1995 and his MBA from University of Southern California, the United States in May 2003. Mr. Yi has also been an independent non-executive Director of BeiGene, Ltd. (a company listed on NASDAQ (stock code: BGNE.NASDAQ) and the Stock Exchange (stock code: 6160.HK)) since October 2014. Save as disclosed above, Mr. Yi is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Lin Lijun (林利軍), aged 45, was appointed as a non-executive Director on June 24, 2018. Mr. Lin's main experience includes: from May 2004 to May 2015, he was a general manager at China Universal Asset Management Co., Ltd.; since June 2015, he has been an executive director of Shanghai Shengge Asset Management Co., Ltd.* (上海盛歌投資管理有限公司); he founded Loyal Valley Innovation Capital and has been its chairman since November 2015. Mr. Lin has served as a director of Hangzhou Jiuyan Technology Co., Ltd. (a company listed on NEEQ (stock code: 836484.NEEQ)) since July 2015 and a non-executive director of Wenzhou Kangning Hospital Co., Ltd. (a company listed on the Stock Exchange (stock code: 2120.HK)) since June 2017. Mr. Lin has also served as an independence non-executive director in each of the following companies: Shanghai Chengtou Holding Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600649.SH)) from June 2014 to March 2017; Shanghai Xinhua Media Co., Ltd (stock code: 600825.SH) since September 2017; Hwabao Trust Co., Ltd., a subsidiary of China Baowu Steel Group from March 2017 to June 2018; Yintech Investment Holdings Limited (a company listed on NASDAQ (stock code: YIN.US)) since April 2016; TANSH Global Food Group Co., Ltd. (a company listed on the Stock Exchange (stock code: 3666.HK)) since March 2016; Yunfeng Financial Group Limited (a company listed on the Stock Exchange (stock code: 376.HK)) since November 2015.

Mr. Lin obtained his master's degree in global economics from Fudan University, the PRC in June 1997 and his master's degree in business administration from Harvard University, the United States in June 2003. Save as disclosed above, Mr. Lin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Independent Non-executive Directors

Dr. Chen Lieping (陳列平), aged 61, was appointed as an independent non-executive Director on June 24, 2018. Dr. Chen has over 35 years in the medical and pharmaceutical R&D and education industry. He discovered B7-H1 (also called PD-L1) molecule in 1999, demonstrated the role of PD-L1 in the evasion of immunity in tumor microenvironment, established the PD-1/PD-L1 pathway as the target for immuno-oncology in 1999-2002, initiated and helped organize the first-in-man clinical trial of anti-PD-1 monoclonal antibody for treating human cancer in 2006 and developed PD-L1 staining as a biomarker to predict treatment outcome. Dr. Chen's experience includes: in 1990, he was a scientist at the Bristol-Myers Squibb Company; in 1997, he was a professor in the Johns Hopkins University School of Medicine and Mayo Clinic; in 2004, Dr. Chen joined the faculty at School of Medicine of Johns Hopkins University. Since 2011, Dr. Chen has held various positions at the School of Medicine of Yale University, including Professor of Immunobiology, Professor of Medicine (medical oncology), Professor of Dermatology, co-director of the Cancer Immunology Program at Yale Cancer Center and United Technologies Corporation Professor in Cancer Research. He also worked on SPORE in Lung Cancer at the School of Medicine of Yale University.

As of the Latest Practicable Date, Dr. Chen was the chairman of the board of directors and directly interested in 60% of the equity interest of Fuzhou Tuoxin Tiancheng Biological Technology Co., Ltd.* (福州拓新天成生物科技有限公司) ("**Fuzhou Tuoxin**"), which was a limited liability company established in the PRC on April 17, 2017 with a registered capital of RMB2 million. According to its business licence, Fuzhou Tuoxin is licensed to engage in business activities including, among others, R&D in biological and pharmaceutical areas. As confirmed by Dr. Chen, Fuzhou Tuoxin focused on the area of cellular immunotherapy in practice and it currently maintains a minimal operation with no substantial business. Our Company is of the view that as Fuzhou Tuoxin has no substantial business operation or R&D activities, Fuzhou Tuoxin is not in competition with us. Dr. Chen has undertaken to our Company to keep us promptly and fully informed of his business or other activities which would or is likely to be in conflict or in competition (or may potentially compete) with our Group. If Fuzhou Tuoxin becomes engage in any operation or R&D that compete (or may potentially compete) with us, our Company will disclose such information in our annual report during the tenure of Dr. Chen following the Listing.

As of the Latest Practicable Date, Dr. Chen was a director and directly interested in 15% of the equity interest of Dayou Huaxia Biotech Medical Group Co. Ltd.* (大有華夏生物醫藥集團有限公司) ("**Dayou Huaxia**"), which was a limited liability company established in the PRC on September 27, 2016 with a registered capital of RMB300 million. According to its business licence, Dayou Huaxia is licensed to engage in business activities including, among

others, R&D in biopharmaceutical technology and diagnostic technology, medical research and tests. As confirmed by Dr. Chen, Dayou Huaxia is engaged in development of new antibody drug candidates and immunotherapy in practice, and it is currently at an early stage of R&D, and as of the Latest Practicable Date, it had not registered or applied for registration of any patents, and there is currently no overlap between our biologic drug candidates and those of Dayou Huaxia. Our Company is of the view that since Dayou Huaxia is only at an early stage of R&D and with reference to the progress our Group has already achieved, there is no actual competition between us and Dayou Huaxia, notwithstanding that there may be potential competition in the future if Dayou Huaxia achieves any significant advancement in their R&D. Our Company will disclose any significant change or progress of Dayou Huaxia which may render it in competition with our Company in our annual report during the tenure of Dr. Chen as an independent non-executive Director.

Our Directors are of the view that our Company is capable of carrying on its business independently of Fuzhou Tuoxin and Dayou Huaxia. We have not transacted (and do not intend in near future to transact) with Fuzhou Tuoxin or Dayou Huaxin and we do not rely on any intellectual property or technology owned by Dr. Chen, Fuzhou Tuoxin and Dayou Huaxia; Fuzhou Tuoxin and Dayou Huaxia are at relatively early stage of R&D, and except for Dr. Chen (who is one of our five independent non-executive Directors and is not involved in our daily operations), there is no overlap between our management and those of Fuzhou Tuoxin and Dayou Huaxin. There are adequate corporate governance measures in place to monitor and manage the potential conflict of interests between our Directors and our Group, to maintain confidentiality of our Group's intellectual properties and information, and to safeguard the interests of our Shareholders taken as a whole. We believe that with the corporate measures in place, in particular, those in relation to address potential conflict and competition and to reinforce the confidentiality obligations, we could benefit from the vision and expertise of Dr. Chen. As an independent non-executive Director, Dr. Chen is also fully aware of his duties to our Company and the Shareholders. Please also refer to "– Corporate Governance" below. Our Company will review the competing or potentially competing interests of Dr. Chen from time to time.

Dr. Chen obtained his M.D. degree from Fujian Medical University, Fuzhou, the PRC in 1982, M.S. degree from Peking Union Medical College, Beijing, the PRC in 1986 and Ph.D. degree from Drexel University College of Medicine, Philadelphia, Pennsylvania, the United States in 1989. Dr. Chen has received several awards and professional recognitions including William B. Coley Award (2014) of Cancer Research Institute, AAI-Steinman Award of American Association of Immunologists (2016), Warren Alpert Foundation Prize (2017) and Luminary Award of World Affairs Council of Connecticut (2018). Dr. Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. He Jia (何佳), aged 64, was appointed as an independent non-executive Director on June 24, 2018. Dr. He has over 20 years of experience in the finance and education industry. Dr. He was an associate professor (life tenure) of the University of Houston from September 1996, a professor of the Department of Finance of the Chinese University of Hong Kong from August 1997 to August 2014, a member of the Strategy and Development Committee of the

CSRC from June 2001 to July 2002. Dr. He has served as an independent non-executive director in the following listed companies: Bank of Tianjin Co., Ltd. (a company listed on the Stock Exchange (stock code: 1578.HK) since June 2018, Norinco International Cooperation Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 000065.SZ)) since January 2017, CITIC Securities Company Limited (a company listed on the Stock Exchange (stock code: 6030.HK) and Shanghai Stock Exchange (stock code: 600030.SH)) since March 2016, China Chengtong Development Group Limited (a company listed on the Stock Exchange (stock code: 217.HK)) since September 2015, Tsinghua Tongfang Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600100.SH)) since May 2015, Shenzhen Xinguodu Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 300130.SZ)) since May 2014, Tibet Huayu Mining Co., Ltd. (a company listed on the Shenzhen Stock Exchange (stock code: 601020.SH)) from October 2015 to October 2018and OP Financial Limited (a company listed on the Stock Exchange (stock code: 1140.HK)) since February 2003.

The Sole Sponsor and the Board have considered Dr. He's concurrent service as an independent non-executive director of the above seven other listed companies. The Sole Sponsor concurs with the Directors' view that they are satisfied with Dr. He's time commitments to the affairs of our Company having regard to all relevant factors including:

(a) based on the published annual reports for 2016 and 2017 of the other listed companies in which he has directorships as of the Latest Practicable Date and the confirmation from Dr. He, he has participated, by personal attendance or by correspondence, in over 95% the board meetings of such listed companies during these two years;

(b) Dr. He has sufficient knowledge and experience in discharging the directors' duties through his past working experience and his services as an independent non-executive director in different listed companies. He has sufficient understanding in his role as independent director of these companies and in estimating the time required for attending to the affairs of each listed company;

(c) Dr. He has held directorship for over three years in five of the above listed companies. He has confirmed that he has not found any difficulty in devoting and managing his time to the listed companies that he is involved in and none of the listed companies that he has directorship has questioned or complained about his time devoted to the listed companies;

(d) Dr. He has confirmed and undertaken to our Company that he has the capability and is committed to devote sufficient time to discharge his duties and responsibilities as an independent non-executive Director of our Company, taking into account his experience in acting as independent non-executive director of a number of listed companies and the time he is required to devote to each of these listed companies; and

(e) in addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board will regularly review whether each of the Directors is spending sufficient time in performance of his responsibilities. Our Board will, from time to time, review the attendance record of the Directors of their meetings with the Board and its committees. The Board may request the relevant Director(s) to provide an update to the Board in relation to any changes to his significant commitments in the event any concerns arise as to the time committed to us by any Director. At the time where any re-election of Director is proposed, we will also set out in the circular to our Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting the reasons why the Board believes such individual should be elected, why such individual is considered to be independent by the Board and, if appropriate or otherwise required, whether such individual would be able to devote sufficient time to the Board.

Dr. He also held various other positions, including serving as a chair professor of Southern University of Science and Technology of China, Cheung Kong Visiting Chair Professor of the Ministry of Education, executive director and academic member of the China Society for Finance and Banking, and financial consultant for Quanzhou government.

Dr. He graduated from Heilongjiang University, the PRC in August 1978 majoring in mathematics (worker-peasant-soldier student), obtained his double master's degree in computer science and decision science engineering from Shanghai Jiao Tong University, the PRC in November 1983 and obtained his Ph.D. degree in finance from the Wharton School of the University of Pennsylvania, the United States in May 1989. Save as disclosed above, Dr. He is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Chen Xinjun (陳新軍), aged 45, was appointed as an independent non-executive Director on June 24, 2018. Mr. Chen's experiences include: from April 1998 to March 2005, he worked at the investment banking department of GF Securities Co., Ltd. and was responsible for general securities business; from March 2005 to September 2011, he was an executive general manager at the investment banking department of Pingan Securities Company Limited and was responsible for general securities business; from August 2011 to June 2014, he was a managing director at the investment banking department of Chinalion Securities Co., Ltd.; since November 2015, he has been a deputy general manager at the investment banking department of Haitong Securities Co., Ltd.

Mr. Chen obtained his master's degree in engineering from South China University of Technology, the PRC in April 1998. He has been qualified as a Chartered Financial Analyst since March 2007 and a sponsor representative under the Securities Association of China since 2004. Mr. Chen is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Qian Zhi (錢智), aged 50, was appointed as an independent non-executive Director on June 24, 2018. Mr. Qian previously worked at Jiangsu Law School, Nanjing Xiemanlin Law Firm and Jiangsu Weishide Law Firm; since March 2006, he has been a lawyer and is currently a partner at Jiangsu Gowin Law Firm.

Mr. Qian obtained his bachelor of laws degree from Fudan University, the PRC in July 1989 and his master of laws degree from Nanjing University, the PRC in December 2004. Mr. Qian was also awarded "grade one lawyer" (一級律師) by the Jiangsu Municipal Human Resources and Social Security Bureau in November 2015. Mr. Qian has been an arbitrator under the Nanjing Arbitration Committee since September 2017 and was employed as a legal consultant of the Nanjing People's Government in December 2017. Mr. Qian is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. Roy Steven Herbst, aged 55, was appointed as an independent non-executive Director on June 24, 2018. Dr. Herbst's experiences include: he was a Clinical Fellow from July 1991 to June 1994 at Harvard Medical School; he held various positions at the University of Texas M.D. Anderson Cancer Center (UT-MDACC) including the Barnhart Family Distinguished Professor of Targeted Therapy, Professor of Cancer Biology, and the Chief of Section of Thoracic Medical Oncology at the Department of Thoracic/Head and Neck Medical Oncology; since March 2011, he has held various positions at Yale University, including Ensign Professor of Medicine (Medical Oncology), Professor of Pharmacology, Professor of Medicine, Chief of Medical Oncology at Yale Cancer Center, leader of the Clinical Research Program in Phase I Cancers at Smilow Cancer Hospital, Associate Director for Translational Research at the Yale Cancer Center and leader of Disease Aligned Research Team in the Thoracic Oncology Program at the Yale Cancer Center.

Dr. Herbst obtained his M.S. degree from Yale University, the United States in June 1984, his Ph.D. in Molecular Cell Biology from The Rockefeller University, the United States in June 1990, his M.D. degree in Medicine from Cornell University Medical College, the United States in May 1991, his M.S. degree from Harvard University, the United States in November 1997 and an Honorary M.A. degree from Yale University in December 2012. Dr. Herbst is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SUPERVISORS

Our Board of Supervisors consists of 5 Supervisors.

Name	Position	Age	Date of appointment as a Supervisor	Time of joining our Group	Role and responsibilities
Supervisors					
Mr. Gao Yucai (高玉才)	Supervisor	37	March 27, 2015	June 2014	Monitoring the operations of our Group on behalf of the employees of our Company and participating in R&D in Suzhou Junmeng
Mr. Liu Hongchuan (劉洪川)	Supervisor	31	March 27, 2015	June 2013	Monitoring the operations of our Group on behalf of the employees of our Company and participating in R&D in Suzhou Junmeng
Ms. Wang Pingping (王萍萍)	Supervisor	36	June 24, 2018	June 2018	Monitoring the operations of our Group
Mr. Yan Jiawei (嚴佳煒)	Supervisor	33	June 24, 2018	June 2018	Monitoring the operations of our Group
Mr. Wu Yu (鄔煜)	Supervisor	33	June 24, 2018	June 2018	Monitoring the operations of our Group

Mr. Gao Yucai (高玉才), aged 37, was appointed as a Supervisor on March 27, 2015. Mr. Gao joined our Group in June 2014 as a senior researcher at Suzhou Junmeng and has been a deputy manager at Suzhou Junmeng since June 2017. Mr. Gao took part in an invention of a patent in relation to JS001 for our Group. Mr. Gao's main experience includes: from September 2010 to October 2011, he was a team leader at Shanghai Celgen Biopharma Co., Ltd. (上海賽金生物醫藥有限公司) responsible for the product development of recombinant human antibody receptor fusion protein; from December 2011 to April 2013, he worked at Wuxi AppTec Biotechnology Co., Ltd. Mr. Gao obtained his bachelor's degree in business management from Yan Tai University, the PRC in January 2009. Mr. Gao is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Liu Hongchuan (劉洪川), aged 31, was appointed as a Supervisor on March 27, 2015. Mr. Liu joined our Group in June 2013 as a researcher at our Company until December 2013. He joined Suzhou Junmeng as a researcher in February 2014. Mr. Liu took part in an invention of patents in relation to JS001 and JS002 for our Group. Mr. Liu obtained his master's degree in pharmacology from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, the PRC in July 2013. Mr. Liu is one of the inventors of anti-PCSK9

antibody and application and humanized monoclonal antibody stabilizer. He has published a number of science research articles. Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Ms. Wang Ping Ping (王萍萍), aged 36, joined our Group and was appointed as a Supervisor on June 24, 2018. Since October 2008, Ms. Wang has been a full-time teacher at the College of Economics and Management of the Shanghai University of Electric Power. Ms. Wang obtained her master's degree in statistics from Shanghai University of Finance and Economics, the PRC in January 2006 and was awarded the college teacher qualification by the Shanghai Municipal Education Commission in September 2006. Ms. Wang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Yan Jiawei (嚴佳煒), aged 33, joined our Group and was appointed as a Supervisor on June 24, 2018. Mr. Yan's experience includes: from November 2010 to November 2012, he was a securities analyst at Guotai Junan Securities Co., Ltd.; since August 2014, he has been a securities analyst at the development research centre of GF Securities Co., Ltd. Mr. Yan obtained his bachelor's degree in information and computing science from Fudan University, the PRC in July 2007 and his master's degree in applied mathematics from the Fudan University, the PRC in June 2010. Mr. Yan is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Wu Yu (鄔煜), aged 33, joined our Group and was appointed as a Supervisor on June 24, 2018. Mr. Wu's experience includes: from November 2011 to October 2013, he was the analyst at Sinolink Securities Research Centre; from January 2016 to April 2017, he worked at Huatai Securities Co., Ltd.; since October 2017, he has been the investment director at Shanghai Guoyin Asset Management Centre (LP)* (上海國殷資產管理中心(有限合夥)). Mr. Wu obtained his bachelor's degree in electrical engineering and automation from Shanghai Jiao Tong University, the PRC in July 2008 and his master's degree in computational mathematics from Shanghai Jiao Tong University, the PRC in January 2011. Mr. Wu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group.

Name	Position	Age	Time of joining our Group	Roles and responsibilities
Dr. Li Ning (李寧)	General manager	57	January 2018	Responsible for formulating business strategies and managing operations of our Group, overseeing our regulatory and commercial suitability and sustainability and advising issues on remuneration and strategies

Name	Position	Age	Time of joining our Group	Roles and responsibilities
Mr. Zhang Zhuobing (張卓兵)	Deputy general manager	51	December 2012	Responsible for the manufacturing of drugs and management of our Group and overseeing our scientific research
Dr. Wu Hai (武海)	Deputy general manager	45	June 2013	Responsible for project development and R&D and overseeing our scientific research
Dr. Yao Sheng (姚盛)	Deputy general manager	43	June 2014	Responsible for the R&D and management of our Group and overseeing our scientific research
Ms. Gu Juanhong (顧娟紅)	Deputy general manager	49	January 2018	Overseeing the clinical trials and operations
Ms. Yuan Lu (原璐)	Financial director	36	June 2018	Responsible for overall financial control and management
Ms. Chen Yingge (陳英格)	Secretary of the Board	26	April 2017	Responsible for our compliance with relevant securities rules and requirements

Dr. Li Ning (李寧) was appointed as our general manager on January 8, 2018. Please also refer to the paragraph headed "– Executive Directors" above.

Mr. Zhang Zhuobing (張卓兵) was appointed as our deputy general manager on May 24, 2016. Please also refer to the paragraph headed "– Executive Directors" above.

Dr. Wu Hai (武海) was appointed as our deputy general manager on March 27, 2015. Please also refer to the paragraph headed "– Executive Directors" above.

Dr. Yao Sheng (姚盛) was appointed as our deputy general manager on December 6, 2016. Please also refer to the paragraph headed "– Executive Directors" above.

Ms. Gu Juanhong (顧娟紅), aged 49, joined our Group and has served as the deputy general manager in the clinical research and operations department of our Company since January 8, 2018. Ms. Gu has over 20 years of experience in the medical and clinical research industry. Ms. Gu's main experience includes: from August 1997 to March 1999, she worked at Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.; from April 1999 to May 2002, she was a clinical research project manager at MSD R&D (China) Co., Ltd.; from May 2002 to August 2005, she worked at Fujisawa Hong Kong, Limited Shanghai representative office; from August 2005 to August 2012, she was the head of clinical operations, TA medical science director of the medical department and medicine development department at GlaxoSmithKline (China) R&D Company Limited; from August 2012 to December 2017, she was a clinical development senior director at AstraZeneca Investment (China) Co., Ltd. Ms. Gu obtained her master's degree in pediatrics from Shanghai Medical College of Fudan University, the PRC in June 1997.

Ms. Yuan Lu (原璐), aged 36, joined our Group and has served as the financial director of our Company since June 27, 2018. Ms. Yuan has over 10 years of experience on finance controlling. Ms. Yuan's main experience includes: from April 2007 to July 2009, she was a finance analyst (management trainee) at Dow Chemical (China) Co. Ltd.; from August 2009 to May 2011, she was employed as the Junior Management Program Finance and Controlling Officer at Bosch (China) Co., Ltd.; she worked in Henkel (China) Investment Company Limited from May 2011 to September 2017, the last position held was BU-Adhesive Consumer China controller; from September 2017 to June 2018, she was the Asia-Pacific business controller at Festo (China) Co., Ltd. Ms. Yuan obtained her bachelor's degree in financial management from Shanghai University of Finance and Economics, School of Accountancy, the PRC in July 2004 and her master's degree in financial management from Shanghai University of Finance and Economics, School of Accountancy, the PRC in January 2007.

Ms. Chen Yingge (陳英格), aged 26, has served as the secretary of the Board since January 8, 2018. Ms. Chen joined our Group in April 2017 and was a securities affairs representative of our Company from April 2017 to January 2018. Prior to joining our Group, Ms. Chen was a corporate banking assistant manager at China Merchants Bank, Shanghai branch from July 2016 to March 2017. Ms. Chen obtained her bachelor's degree in pharmacy from Shanghai University of Traditional Chinese Medicine, the PRC in July 2014 and her master's of science degree in drug design from University College London, the United Kingdom in November 2015. Ms. Chen has obtained the qualification of NEEQ secretary of the Board since November 2017.

JOINT COMPANY SECRETARIES

Ms. Chen Yingge (陳英格) was appointed as one of our Company's joint company secretaries on January 8, 2018. Please also refer to the paragraph headed "– Senior Management" above.

Ms. Yuen Wing Yan Winnie (袁穎欣) was appointed as one of our Company's joint company secretaries on December 3, 2018. She is a director of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Yuen has over 25 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Yuen is currently the company secretary of three listed companies on the Stock Exchange, namely, China First Chemical Holdings Limited (stock code: 2121.HK), Genes Tech Group Holdings Company Limited (stock code: 8257.HK) and OneForce Holdings Limited (stock code: 1933.HK).

Ms. Yuen is a chartered secretary and a fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators ("**ICSA**") in the United Kingdom. Ms. Yuen is a holder of the Practitioner's Endorsement from HKICS. Ms. Yuen graduated from Lingnan College (now known as Lingnan University).

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us in the following circumstances:

- before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date.

BOARD COMMITTEES

We have established the following committees in our Board: an audit committee, a remuneration committee, a nomination committee and a strategic committee. The committees operate in accordance with terms of reference established by our Board.

Audit Committee

Our Company has established an audit committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 and paragraph D.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"). The audit committee consists of two independent non-executive Directors being Mr. Chen Xinjun and Mr. Qian Zhi and one non-executive Director being Mr. Li Cong. The chairman of the audit committee is Mr. Chen Xinjun. Mr.

Chen Xinjun holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board.

Remuneration Committee

Our Company has established a remuneration committee (with effect from the Listing Date) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the Corporate Governance Code. The remuneration committee consists of three independent non-executive Directors being Dr. He Jia, Mr. Qian Zhi and Mr. Chen Xinjun, and two executive Directors being Mr. Xiong Jun and Dr. Li Ning. The remuneration committee is chaired by Dr. He Jia. The primary duties of the remuneration committee include the following: (i) making recommendations to our Board on our 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; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Nomination Committee

Our Company has established a nomination committee (with effect from the Listing Date) with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code. The nomination committee consists of two independent non-executive Directors being Mr. Chen Xinjun and Mr. Qian Zhi, and one executive Director being Mr. Xiong Jun. The chairman of the nomination committee is Mr. Xiong Jun. The primary functions of the nomination committee include reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to our Board on matters relating to the appointment of Directors.

Strategic Committee

Our Company has established a strategic committee (with effect from the Listing Date) with written terms of reference. The strategic committee consists of three independent non-executive Directors being Dr. Chen Lieping, Dr. Roy Steven Herbst and Dr. He Jia, and two executive Directors being Mr. Xiong Jun and Dr. Li Ning. The chairman of the strategic committee is Mr. Xiong Jun. The primary functions of the strategic committee include considering and making recommendations to the Board in relation to our Company's long-term development strategies and major investment decisions.

CORPORATE GOVERNANCE

Our Company intends to comply with all code provisions under the Corporate Governance Code after the Listing.

Our corporate management structure consists of our Board and our senior management, and our executive Directors and our senior management are primarily responsible for our operations. Our non-executive Directors reinforce the supervisory function of our Board and do not take part in our day-to-day operations. Our independent non-executive Directors provide an independent opinion and judgment to our Board, and to give our Company the benefit of their skills, expertise and background.

Further, to effectively manage the potential conflict of interests and competition between our Directors, Supervisors or members of our senior management and our Group and to safeguard the interests of our Shareholders taken as a whole, our Company has put in place corporate governance measures including:

(a) our Articles of Association provide that any Director, Supervisor and senior management member should not place himself/herself in a position where his/her duty and his/her own interests may conflict. Directors are also required to declare their interests. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, any Directors (including independent non-executive Directors) with conflicting interest shall be excluded from and abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(b) our Board currently includes five independent non-executive Directors, each having extensive experience in different areas and are professionals in different industries. We believe that they singly and jointly will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(c) each of our Directors is aware of his fiduciary duties as a director, which require, among other things, that he acts for our Company's benefit and best interests and he must not allow any conflict between his duties as a Director and his personal interests;

(d) as part of his fiduciary duties as a Director, he owes a duty of confidentiality towards our Company and must not use our Company's confidential information, including our technology and intellectual property rights, for his own benefit. Their confidentiality obligation is further reinforced in the service contracts between us and our Directors (including our independent non-executive Directors), that they shall not, among other things, disclose any confidential information they obtained to any third party, and must not use such in any way for the benefit of themselves or any third party at any time during and after their tenure;

(e) our Directors (including our independent non-executive Directors) have also undertaken to our Company in their service contracts that they will keep our Company promptly and fully informed of their business or other activities which would or is likely to be in conflict or in competition (or may potentially compete) with our Group ("**Potential competing business**"), and they will provide details of such information as required by our Company. In particular, they have undertaken that they will not use any resources or assets, intellectual property rights, trade secret, technology on their Potential competing business.

(f) any transaction that is proposed between our Group and our Directors and their respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements;

(g) our Directors, Supervisors and senior management will be provided with and are required to receive continuous professional training on corporate governance and directors' duties including, Directors' fiduciary duties and duty to avoid conflict, and on identifying potential conflict situation;

(h) we will also provide our Board and our company secretaries with access to legal advisers and such other professional as may be appropriate to facilitate the identification of any conflict and competition situation, and to facilitate the enforcement of the above mechanisms if any actual or potential conflict or competition arise; and

(i) we have appointed Somerley Capital Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance.

KEY TERMS OF EMPLOYMENT CONTRACTS

We normally enter into an employment contract and a confidentiality and proprietary rights agreement with our key management and technical staff (other than Directors and Supervisors). The term of the employment contracts with our key management and technical staff is usually three to five years. The key terms of which are set out below:

Confidentiality and proprietary rights

- The employment contracts with our key management and technical staff usually impose obligations on the employee to keep our trade secrets confidential. The penalty for breach of such obligation generally shall be equivalent to the monthly salary of such employee.

- Certain employment contracts also provide that the rights and interests in any work, patent, copyright and other intellectual property produced with the use of our equipment, technology and information during the course of employment belong to us.

COMPENSATION OF DIRECTORS AND MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration and benefits in kind which was paid to our Directors for the two years ended December 31, 2016 and 2017 and six months ended June 30, 2018 were approximately RMB7.63 million, RMB8.33 million and RMB5.22 million, respectively.

It is estimated that remuneration and benefits in kind equivalent to approximately RMB12.04 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2018 under arrangements in force at the date of this prospectus.

The aggregate amount of remuneration which were paid by our Group to our five highest paid individuals (including both employees and Directors) for the two years ended December 31, 2016 and 2017 and six months ended June 30, 2018 were approximately RMB6.68 million, RMB8.32 million and RMB5.20 million, respectively.

No remuneration was paid to our Directors, Supervisors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, past Directors, our Supervisors, past Supervisors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 13 of the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

EMPLOYEE'S SHARE INCENTIVES

In order to attract, retain and motivate our employees, and to align the interests of our Company, our Shareholders, our management and our employees, we approved and adopted the Share Incentive Scheme pursuant to resolution passed by the Shareholders on May 14, 2018 and we have also entered into the Share Incentive Agreements. A total of 268 Grantees have been granted 6,023,000 Pre-IPO Options in aggregate, among which 13 Grantees had left our Group and their 225,000 Pre-IPO Options had therefore lapsed. As of the Latest Practicable Date, a total of 5,798,000 Pre-IPO Options granted remained outstanding. For further details, please refer to the section headed "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V to this prospectus.

As of the Latest Practicable Date, the total issued share capital of our Company was RMB601,400,000 divided into 601,400,000 Domestic Shares with a nominal value of RMB1.00 each. So far as the Directors are aware, as of the Latest Practicable Date, the following persons have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our 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 nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company (as if the H Shares are listed on the Stock Exchange):

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate % of interest in our Company
Xiong Fengxiang[(1)]	Beneficial owner	Domestic Shares	58,560,000	9.74%
	Parties acting in concert	Domestic Shares	117,577,736	19.55%
Xiong Jun[(2)]	Beneficial owner	Domestic Shares	50,339,968	8.37%
	Parties acting in concert/Interest in controlled corporations	Domestic Shares	132,710,768	22.07%
Suzhou Ruiyuan[(3)]	Beneficial owner	Domestic Shares	43,584,000	7.25%
	Parties acting in concert	Domestic Shares	132,553,736	22.04%
Zhou Yuqing	Beneficial owner	Domestic Shares	30,742,800	5.11%
Suzhou Benyu[(3)]	Beneficial owner	Domestic Shares	4,600,000	0.76%
	Parties acting in concert	Domestic Shares	171,537,736	28.52%
Shanghai Baoying[(3)]	Beneficial owner	Domestic Shares	4,372,144	0.73%
	Parties acting in concert	Domestic Shares	171,765,592	28.56%
Meng Xiaojun[(3)]	Beneficial owner	Domestic Shares	4,288,400	0.71%
	Parties acting in concert	Domestic Shares	171,849,336	28.57%
Gao Shufang[(3)]	Beneficial owner	Domestic Shares	3,789,720	0.63%
	Parties acting in concert	Domestic Shares	172,348,016	28.66%

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate % of interest in our Company
Zhuhai Huapu Investment Management Co., Ltd.* (珠海華樸投資管理有限公司)[3]	Beneficial owner	Domestic Shares	3,719,504	0.62%
	Parties acting in concert	Domestic Shares	172,418,232	28.67%
Zhao Yun[3]	Beneficial owner	Domestic Shares	2,884,000	0.48%
	Parties acting in concert	Domestic Shares	173,253,736	28.81%
Gongqingcheng Juntuo Investment Management Partnership (LP)* (共青城君拓投資管理合夥企業(有限合夥))[3]	Beneficial owner	Domestic Shares	6,913,000	1.15%
	Parties acting in concert	Domestic Shares	50,339,968	8.37%
Zhuhai Gaoling Equity Investment Management Ltd.* (珠海高瓴股權投資管理有限公司) ("**Zhuhai Gaoling**")[5]	Interest in controlled corporations	Domestic Shares	30,750,000	5.11%
Tang Yi[6]	Beneficial owner	Domestic Shares	10,366,000	1.72%
	Interest in controlled corporations	Domestic Shares	176,137,736	29.29%
Shanghai Tanying[4]	Beneficial owner	Domestic Shares	58,844,265	9.78%
Lin Lijun[4][7]	Interest in controlled corporation	Domestic Shares	58,844,265	9.78%
Shanghai Shengge[4][7]	Interest in controlled corporation	Domestic Shares	58,844,265	9.78%

Notes:

(1) As of the Latest Practicable Date, Mr. Xiong Fengxiang directly held 58,560,000 Domestic Shares. Pursuant to the 2017 Concert Party Agreement, Mr. Xiong Fengxiang is deemed to be interested in an aggregate of 117,577,736 Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 50,339,968 Domestic Shares directly held by Mr. Xiong Jun, son of Mr. Xiong Fengxiang).

(2) As of the Latest Practicable Date, Mr. Xiong Jun directly held 50,339,968 Domestic Shares. Pursuant to (i) the 2017 Concert Party Agreement, Mr. Xiong Jun is deemed to be interested in an aggregate of 125,797,768 Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 58,560,000 Domestic Shares directly held by Mr. Xiong Fengxiang, the father of Mr. Xiong Jun); and (ii) the 2018 Concert Party Agreement, Mr. Xiong Jun is further deemed to be interested in 6,913,000 Domestic Shares

held by the other party to the 2018 Concert Party Agreement under the SFO. Therefore, Mr. Xiong Jun is deemed to be interested in an aggregate of 183,050,736 Domestic Shares, representing approximately 30.44% of the issued share capital of our Company, under the SFO as of the Latest Practicable Date.

As of the Latest Practicable Date, Mr. Xiong Jun (i) was an executive director and was directly interested in 20% of the equity share capital of Shanghai Baoying, which directly held 4,372,144 Domestic Shares; Shanghai Baoying was also a party to the 2017 Concert Party Agreement; (ii) was the chairman of the board of directors and was directly interested in 40% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan, which in turn directly held 4,600,000 and 43,584,000 Domestic Shares, respectively, and were each a party to the 2017 Concert Party Agreement. Shenzhen Yuanben also holds a limited partner interest of approximately 86.28% of Suzhou Benyu. Mr. Xiong Jun is deemed to be interested in an aggregate of such 52,556,144 Domestic Shares under the SFO.

(3) Each of them is an Other Concert Party. Pursuant to the Concert Party Agreements, the Other Concert Parties are deemed to be interested in the Domestic Shares held by the other parties to the respective Concert Party Agreements under the SFO.

(4) As of the Latest Practicable Date, Shanghai Tanying directly held 50,783,000 Domestic Shares, and the 2018 Convertible Bonds in a principal amount of RMB200 million, which were outstanding and convertible into 8,061,265 Domestic Shares. The total number of Domestic Shares in which Shanghai Tanying is interested represents 9.78% of the issued share capital of our Company as of the Latest Practicable Date and 9.66% of the issued share capital of our Company as enlarged by the conversion. For further information of the 2018 Convertible Bonds, please refer to the section "Our History and Development – Issuance of the 2018 Convertible Bonds".

(5) As of the Latest Practicable Date, Zhuhai Gaoling Tiancheng Equity Investment Fund, L.P.* (珠海高瓴天成股權投資基金(有限合夥)) and Zhuhai Gaoling Tiancheng Equity Investment Fund II, L.P.* (珠海高瓴天成二期股權投資基金(有限合夥)), which directly held 25,200,000 and 5,550,000 Domestic Shares, respectively were both managed by Zhuhai Gaoling. Therefore, Zhuhai Gaoling is deemed to be interested in an aggregate of 30,750,000 Domestic Shares through its interest in controlled corporations under the SFO. Zhuhai Gaoling is a Sophisticated Investor (as defined in Chapter 18A of the Listing Rules) of our Company.

(6) As of the Latest Practicable Date, Mr. Tang Yi directly held 10,366,000 Domestic Shares. As of the Latest Practicable Date, Mr. Tang Yi was a director of and directly interested in 60% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan. Shenzhen Yuanben also holds a limited partner interest of approximately 86.28% of Suzhou Benyu. Therefore, Mr. Tang Yi is deemed to be interested in Shares in which Suzhou Benyu and Suzhou Ruiyuan are interested (including Shares they are deemed to be interested pursuant to the 2017 Concert Party Agreement) under the SFO.

For further details of the Concert Party Agreements, see "Our History and Development – Concert Party Agreements".

Having made due and careful inquiry, save as disclosed in this prospectus, the above Shareholders are independent from each other.

So far as the Directors are aware, immediately following the completion of the Global Offering, the following persons will have or be deemed or taken to have interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to our 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 nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Approximate % of interest in our Company	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Approximate % of the relevant class of Shares	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Approximate % of interest in our Company	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Approximate % of the relevant class of Shares
Xiong Fengxiang[1]	Beneficial owner	Domestic Shares	58,560,000	7.70%	9.74%	7.47%	9.74%
	Parties acting in concert	Domestic Shares	117,577,736	15.46%	19.55%	14.99%	19.55%
Xiong Jun[2]	Beneficial owner	Domestic Shares	50,339,968	6.62%	8.37%	6.42%	8.37%
	Parties acting in concert/Interest in controlled corporation	Domestic Shares	132,710,768	17.45%	22.07%	16.92%	22.07%
Shanghai Tanying[4]	Beneficial owner	Domestic Shares	58,844,265	7.74%	9.78%	7.50%	9.78%
Suzhou Ruiyuan[3]	Beneficial owner	Domestic Shares	43,584,000	5.73%	7.25%	5.56%	7.25%
	Parties acting in concert	Domestic Shares	132,553,736	17.43%	22.04%	16.90%	22.04%
Suzhou Benyu[3]	Beneficial owner	Domestic Shares	4,600,000	0.61%	0.76%	0.59%	0.76%
	Parties acting in concert	Domestic Shares	171,537,736	22.56%	28.52%	21.88%	28.52%
Shanghai Baoying[3]	Beneficial owner	Domestic Shares	4,372,144	0.58%	0.73%	0.56%	0.73%
	Parties acting in concert	Domestic Shares	171,765,592	22.59%	28.56%	21.90%	28.56%
Meng Xiaojun[3]	Beneficial owner	Domestic Shares	4,288,400	0.56%	0.71%	0.55%	0.71%
	Parties acting in concert	Domestic Shares	171,849,336	22.60%	28.57%	21.92%	28.57%
Gao Shufang[3]	Beneficial owner	Domestic Shares	3,789,720	0.50%	0.63%	0.48%	0.63%
	Parties acting in concert	Domestic Shares	172,348,016	22.67%	28.66%	21.98%	28.66%
Zhuhai Huapu Investment Management Co., Ltd.* (珠海華樸投資管理有限公司)[3]	Beneficial owner	Domestic Shares	3,719,504	0.49%	0.62%	0.47%	0.62%
	Parties acting in concert	Domestic Shares	172,418,232	22.68%	28.67%	21.99%	28.67%
Zhao Yun[3]	Beneficial owner	Domestic Shares	2,884,000	0.38%	0.48%	0.37%	0.48%
	Parties acting in concert	Domestic Shares	173,253,736	22.79%	28.81%	22.09%	28.81%
Gongqingcheng Juntuo Investment Management Partnership (LP)* (共青城君拓投資管理合夥企業(有限合夥))[3]	Beneficial owner	Domestic Shares	6,913,000	0.91%	1.15%	0.88%	1.15%
	Parties acting in concert	Domestic Shares	50,339,968	6.62%	8.37%	6.42%	8.37%

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Approximate % of interest in our Company	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Approximate % of the relevant class of Shares	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Approximate % of interest in our Company	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Approximate % of the relevant class of Shares
Tang Yi[6]	Beneficial owner	Domestic Shares	10,366,000	1.36%	1.72%	1.32%	1.72%
	Interest in controlled corporations	Domestic Shares	176,137,736	23.17%	29.29%	22.46%	29.29%
Lin Lijun[7]	Interest in controlled corporations	Domestic Shares	58,844,265	7.74%	9.78%	7.50%	9.78%
		H Shares	37,189,000	4.89%	23.40%	4.74%	20.35%
Shanghai Shengge[7]	Interest in controlled corporations	Domestic Shares	58,844,265	7.74%	9.78%	7.50%	9.78%
		H Shares	37,189,000	4.89%	23.40%	4.74%	20.35%
Loyal Valley Capital Advantage Fund LP[11]	Beneficial owner	H Shares	10,106,000	1.33%	6.36%	1.29%	5.53%
Loyal Valley Capital Advantage Fund II LP[11]	Beneficial owner	H Shares	12,127,000	1.60%	7.63%	1.55%	6.64%
LVC Renaissance Fund LP[11]	Beneficial owner	H Shares	14,956,000	1.97%	9.41%	1.91%	8.18%
Loyal Valley Capital Advantage Fund GP Limited[7]	Interest in controlled corporation	H Shares	10,106,000	1.33%	6.36%	1.29%	5.53%
Loyal Valley Capital Advantage Fund II Limited[7]	Interest in controlled corporation	H Shares	12,127,000	1.60%	7.63%	1.55%	6.64%
LVC Renaissance Limited[7]	Interest in controlled corporation	H Shares	14,956,000	1.97%	9.41%	1.91%	8.18%
LVC Holdings Ltd[7]	Interest in controlled corporations	H Shares	37,189,000	4.89%	23.40%	4.74%	20.35%
LVC Management Ltd[7]	Interest in controlled corporations	H Shares	37,189,000	4.89%	23.40%	4.74%	20.35%

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Approximate % of interest in our Company	Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option) Approximate % of the relevant class of Shares	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Approximate % of interest in our Company	Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option) Approximate % of the relevant class of Shares
Highbury Investment Pte Ltd[8][11]	Beneficial owner	H Shares	18,190,000	2.39%	11.45%	2.32%	9.95%
	Interest in controlled corporation	H Shares	12,127,000	1.60%	7.63%	1.55%	6.64%
GIC Private Limited[8]	Interest in controlled corporations	H Shares	18,190,000	2.39%	11.45%	2.32%	9.95%
		H Shares	12,127,000	1.60%	7.63%	1.55%	6.64%
Beijing Dinglianxin Technology Development Co., Ltd.*[9][11]	Beneficial owner	H Shares	8,489,000	1.12%	5.34%	1.08%	4.65%
Zhang Yan[9]	Interest in controlled corporation	H Shares	8,489,000	1.12%	5.34%	1.08%	4.65%
Zhang Chen[9]	Interest in controlled corporation	H Shares	8,489,000	1.12%	5.34%	1.08%	4.65%
Zheng Huiqing[9]	Interest in controlled corporation	H Shares	8,489,000	1.12%	5.34%	1.08%	4.65%
Yu Jianwu[11]	Beneficial owner	H Shares	13,339,000	1.75%	8.39%	1.70%	7.30%
Wang Shujun[10][11]	Beneficial owner	H Shares	13,339,000	1.75%	8.39%	1.70%	7.30%

Notes:

(7) As of the Latest Practicable Date, Mr. Lin Lijun was a director and wholly interested in Shanghai Shengge Asset Management Co., Ltd.* (上海盛歌投資管理有限公司) ("**Shanghai Shengge**"), which was the general partner of Shanghai Tanying. Therefore, Mr. Lin Lijun and Shanghai Shengge are deemed to be interested in the Shares Shanghai Tanying is interested through his interest in a controlled corporation under the SFO. See also Note 4 above.

To our Company's best knowledge based on the information provided, Mr. Lin Lijun is a director and (through LVC Holdings Ltd) controls general partners of Loyal Valley Capital Advantage Fund LP (with its general partner being Loyal Valley Capital Advantage Fund GP Limited), Loyal Valley Capital Advantage Fund II LP (with its general partner being Loyal Valley Capital Advantage Fund II Limited) and LVC Renaissance Fund LP (collectively, "**LVC Funds**") (with its general partner being LVC Renaissance Limited). LVC Management Ltd is the fund manager. Therefore, Mr. Lin Lijun is deemed to be interested in the H Shares in which the LVC Funds are interested under the SFO.

(8) To the best knowledge of our Company based on the information provided by Highbury Investment Pte Ltd ("**Highbury**"), Highbury is wholly owned by GIC Private Limited. GIC Private Limited is deemed to be interested in the Shares held by Highbury. Highbury has committed approximately 90% of the aggregate committed capital of LVC Fund II as of the Latest Practicable Date which is expected to be reduced to approximately less than 50% of the aggregate committed capital as of LVC Fund II's final closing date if LVC Fund II reaches its target fund size.

(9) To the best knowledge of our Company based on the information provided by Beijing Dinglianxin Technology Development Co., Ltd.* ("**Beijing Dinglianxin**"), Beijing Dinglianxin is owned as to approximately 33.33% by Zhang Yan, approximately 33.33% by Zhang Chen and approximately 33.33% by Zheng Huiqing. Each of Zhang Yan, Zhang Chen and Zheng Huiqing are deemed to be interested in the Shares held by Beijing Dinglianxin under the SFO.

(10) Wang Shujun is also interested in 3,628,880 Domestic Shares.

(11) A cornerstone investor. See "Cornerstone Investors" in this prospectus. The number of Shares are calculated based on the Offer Price of HK$19.38, being the low-end of the indicative Offer Price range.

(12) The above shareholding percentage does not take into account the 2018 Convertible Bonds and the Pre-IPO Options. Please refer to the paragraph headed "Our History and Development – Issuance of the 2018 Convertible Bonds" for details of the 2018 Convertible Bonds and the paragraph headed "Appendix V – Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" for details of the Pre-IPO Options in this prospectus.

As of the Latest Practicable Date, the total issued share capital of our Company was RMB601,400,000 divided into 601,400,000 Domestic Shares with a nominal value of RMB1.00 each.

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), the total issued share capital of our Company will be as follows:

Class of Shares	Number of Shares	Approximate % of share capital
Domestic Shares	601,400,000	79%
H Shares to be issued pursuant to the Global Offering	158,910,000	21%
Total	760,310,000	100%

Immediately following completion of the Global Offering and assuming the Over-allotment Option is exercised in full, the total issued share capital of our Company will be as follows:

Class of Shares	Number of Shares	Approximate % of share capital
Domestic Shares	601,400,000	77%
H Shares to be issued pursuant to the Global Offering	182,746,500	23%
Total	784,146,500	100%

Note:

The above shareholding percentages do not take into account the 2018 Convertible Bonds and the Pre-IPO Options. Please refer to the paragraph headed "Our History and Development – Issuance of the 2018 Convertible Bonds" for details of the 2018 Convertible Bonds and the paragraph headed "Appendix V – Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" for details of the Pre-IPO Options.

SHARES OF OUR COMPANY

Upon completion of the Global Offering, our Company will have two classes of Shares, namely Domestic Shares and H Shares, both of which are ordinary Shares in our share capital. However, the H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC, other than certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold the H Shares pursuant to relevant PRC laws and regulations or upon approval by any competent authorities.

The rights conferred on any class of Shareholders may not be varied or abrogated unless approved by a special resolution of the Shareholders at a Shareholders' general meeting and by holders of such class of Shares at a separate Shareholders' general meeting. The circumstances which shall be deemed to be a variation or abrogation of the rights of a class of Shareholders are listed in "Appendix IV – Summary of Articles of Association" of this prospectus. However, the procedures for approval by separate classes of Shareholders do not apply where: (i) our Company issues Shares representing no more than 20% of each of the existing issued Domestic Shares and H Shares upon approval by a special resolution of the Shareholders at a Shareholders' general meeting, either separately or concurrently once every 12 months; (ii) our Company's plan to issue Domestic Shares and H Shares at the time of our incorporation is completed within 15 months from the date of approval by the securities regulatory authorities of the State Council; or (iii) our Company converts our unlisted Shares into overseas listed Shares upon the approval by the securities regulatory authorities of the State Council.

RANKING

Pursuant to the Articles of Association, the Domestic Shares and the H Shares are categorized as different classes of Shares. Their differences and the provisions on class rights, the dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of members, the method of share transfer and appointment of dividend receiving agents are set forth in the Articles of Association and summarized in "Appendix IV – Summary of Articles of Association" of this prospectus.

Except for the differences above, the Domestic Shares and the H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. All dividends in respect of the H Shares are to be declared in Renminbi and paid by our Company in Hong Kong dollars whereas all dividends in respect of Domestic Shares are to be paid by our Company in Renminbi. In addition to cash, dividends may be distributed in the form of shares.

CONVERSION OF OUR DOMESTIC SHARES INTO H SHARES

Upon completion of the Global Offering, our Company will have two classes of ordinary Shares, namely Domestic Shares and H Shares.

According to the regulations by the securities regulatory authorities of the State Council and our Articles of Association, the Domestic Shares may be converted into H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the conversion, listing and trading of such converted Shares have been approved by the securities regulatory authorities of the State Council. In addition, such conversion, trading and listing shall complete any requisite internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange. Based on the procedures for the conversion of Domestic Shares into H Shares as described below, we may apply for the listing of all or any portion of the Domestic 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 our listing 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 our listing in Hong Kong. Class shareholder voting is not required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

Registration on our H Share register will be conditional on (a) our 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 complying 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 our H Share register, such Shares would not be listed as H Shares. The relevant procedural requirements for the conversion of Domestic Shares into H Shares are as follows:

- The holder of Domestic Shares shall obtain the requisite approval of the CSRC or the authorised securities regulatory authorities of the State Council for the conversion of all or part of its Domestic Shares into H Shares.

- The holder of Domestic Shares shall issue to us a removal request in respect of a specified number of Shares attaching the relevant documents of title.

- Subject to our Company being satisfied with the authenticity of the documents and with the approval of our Board, we would then issue a notice to our H Share Registrar with instructions that, with effect from a specified date, our H Share Registrar is to issue the relevant holders with H Share certificates for such specified number of Shares.

- The relevant Domestic Shares will be withdrawn from the Domestic Shares register and re-registered on our H Share register maintained in Hong Kong on the condition that:

  – our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant Shares on the H Share register and the due dispatch of Share certificates; and

  – the admission of the H Shares (converted from the Domestic Shares) to trade in Hong Kong will comply with the Listing Rules and the general rules of CCASS and CCASS Operational Procedures in force from time to time.

- Upon completion of the conversion, the shareholding of the relevant holder of Domestic Shares in our Domestic Share register will be reduced by such number of Domestic Shares converted and the number of H Shares in the H Share register will correspondingly increase by the same number of Shares.

- We will comply with the Listing Rules to inform Shareholders and the public by way of an announcement of such fact not less than three days prior to the proposed effective date.

RESTRICTIONS OF SHARE TRANSFER BY DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are listed and traded on a stock exchange, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of our Shares held by our Directors, Supervisors and senior management.

SHAREHOLDERS' GENERAL MEETINGS AND CLASS MEETINGS

For details of circumstances under which our Shareholders' general meeting and Shareholders' class meeting are required, please see subsections headed "Summary of Articles of Association – VI. Requirements on General Meetings" and "Summary of Articles of Association – V. Voting Rights (Generally Relating to Rights on Poll or Rights to Demand a Poll)" in Appendix IV to this prospectus.

EMPLOYEES' SHARE INCENTIVES

Please also refer to "Statutory and General Information – 2. Further Information about our Business – C. Share Incentives" in Appendix V for details of the Share Incentive Scheme and the Pre-IPO Options.

You should read the following discussion and analysis of our financial condition and in conjunction with our consolidated financial information included in Appendix I – "Accountants' Report" to this prospectus, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. We have applied IFRS 9 and IFRS 15, which became effective for annual periods beginning on or after January 1, 2018, to our financial statements during the Track Record Period. For details, see "– Early Application of IFRS 9 and IFRS 15". You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are an innovation-driven biopharmaceutical company dedicated to the discovery and development of innovative drugs and their clinical research and commercialization on a global scale. We have a robust pipeline of 13 biologic drug candidates as of the Latest Practicable Date, including seven immuno-oncology biologic drug candidates, two drug candidates for metabolic diseases, three drug candidates targeting inflammation or autoimmune diseases, and one drug candidate to treat neurologic diseases, covering a wide variety of indications with high unmet medical needs. Currently, we have one anti-PD-1 monoclonal antibody near commercial stage and being reviewed by the NMPA for NDA approval, one anti-TNFα monoclonal antibodies expected to complete patient enrollment for Phase III clinical trial in the near future, one anti-PCSK9 monoclonal antibody undergoing Phase I clinical trial, one anti-BLyS monoclonal antibody expected to commence patient enrollment for Phase I clinical trial in 2019 and one anti-PD-L1 monoclonal antibody preparing for clinical trial following the receipt of IND approval. We have not commercialized any drugs and therefore did not record any revenue from sales of drug products during the Track Record Period.

BASIS OF PRESENTATION

Our consolidated financial statements for the Track Record Period have been prepared in accordance with the accounting policies which conform with the IFRS issued by the International Accounting Standards Board and were audited in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. In addition, our financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance. The functional currency of the Company is RMB, which is the same as the presentation currency of our financial information.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the key factors that have affected, or are expected to affect, our results of operations and financial condition include, among others:

- *Clinical trial progress and commercialization of our drug candidates*. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we incurred losses of approximately RMB132.0 million, RMB321.1 million and RMB272.8 million, respectively, as we had not commercialized any drugs or generated any revenue from the sales of drug products. Among our drug candidates, JS001 has completed the pivotal clinical trial for malignant melanoma and as of the Latest Practicable Date, it was being reviewed by the NMPA for NDA approval; UBP1211 is close to complete patient enrollment for Phase III clinical trial in the near future; JS002 is under Phase I clinical trial; UBP1213 is expected to commence patient enrollment for Phase I clinical trial in 2019 and JS003 is preparing for clinical trial following the receipt of IND approval. We are targeting to commercially launch and begin to generate revenue from JS001 and UBP1211 in 2019 and 2020, respectively. We expect the sales of JS001 and UBP1211 to be the main source of our revenue for the next few years. We believe our robust and diverse pipeline of drug candidates in several fast-growing therapeutic areas will be the driving force for our long-term competitiveness, as well as our future growth and profitability.

- *Research and development expenses*. We believe that research and development is critically important to the sustainable growth of our business and we have devoted significant resources and focus on the research and development of our drug candidates. Our research and development expenses increased significantly by 125.7% from approximately RMB122.0 million for the year ended December 31, 2016 to approximately RMB275.3 million for the year ended December 31, 2017, and increased by 86.8% from approximately RMB116.6 million for the six months ended June 30, 2017 to approximately RMB217.8 million for the six months ended June 30, 2018, primarily due to increases in the clinical trial expenses and the number of our research and development staff. We expect to continue to increase our research and development expenses to facilitate our clinical trials and commercialization plan.

- *Potential competition upon commercialization of our drug candidates and product price*. We may face competition from a number of domestic and international companies developing, manufacturing and selling biologics of the same or similar types as our drug candidates, and we expect competition to intensify as new players enter the market. In such an environment, competitive pricing may be an important factor affecting our results of operations, while changes in pricing strategies by our competitors may have an adverse impact on our results of operations.

- *Cost Structure*. During the Track Record Period, a substantial part of our costs of our continuing operations were in relation to research and development and office administration. We expect our cost structure to evolve as we develop and expand our business. As we commercially launch JS001, UBP1211 and other drugs, we expect to incur additional costs in relation to our raw materials procurement,

manufacturing, marketing and sales, among other things. Moreover, to support our business growth, we also expect to expand our headcount, particularly for our research and development team and marketing and sales team, and incur higher staff costs as a result.

- *The entry of our drug products in the National Medical Insurance Drug Catalogue and Provincial Medical Insurance Drug Catalogues*. The entry of our drug candidates, mainly including JS001 and UBP1211 upon commercialization, in the National Medical Insurance Drug Catalogue and Provincial Medical Insurance Drug Catalogues may significantly increase the demand for such products. Under the national medical insurance program in the PRC, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in these catalogues. As a result, the entry in these catalogues will typically increase the demand for the listed products.

- *Financing for our operations*. During the Track Record Period, we devoted substantially all of our resources on the research and development of our drug candidates, mainly including JS001 and UBP1211. We financed our operations principally through a combination of income generated from debt and equity securities offerings, loans, consulting and research services, collaboration agreements, capital contribution from our Shareholders and government grants. Upon successful commercialization of our drug candidates, we expect to fund our business activities mainly with revenue derived from sales of drug products as well as debt and equity securities offerings. Any changes in our ability to fund our operations may have an impact on our cash flow plan.

EARLY APPLICATION OF IFRS 9 AND IFRS 15

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments" for recognition and measurement for financial assets and liabilities. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to early apply IFRS 9, which has been applied consistently in the Track Record Period.

We have assessed the effects of early adoption of IFRS 9 on our financial statements and concluded that there was no significant impact on the Group's financial position and performance as compared to the requirements of IAS 39. Specifically:

(1) All our financial assets and financial liabilities would be measured on the same bases under IFRS 9 and IAS 39 except for our investments in debt instruments. The debt instruments meet the FVTOCI criteria and therefore the fair value changes of the debt instruments are recognized in other comprehensive income and accumulated under the heading of investment revaluation reserve under IFRS 9 as opposed to in profit or loss under IAS 39 during the Track Record Period;

(2) The application of expected credit loss model under IFRS 9 would not cause a material impact on the impairment loss allowance for our financial assets measured at amortized cost during the Track Record Period as compared with the incurred loss model under IAS 39; and

(3) The fair value changes of our financial liabilities which we had designated as at FVTPL attributable to our credit risk change are insignificant during the Track Record Period and thus the measurement difference for the fair value changes of our financial liabilities designated as at FVTPL attributable to the credit risk change under IFRS 9 and IAS 39 has no significant impact on our profit or loss during the Track Record Period.

IFRS 15 "Revenue from Contracts with Customers" replaces IAS 18 "Revenue" to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from a contract with a customer. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to early apply IFRS 15, which has been applied consistently in the Track Record Period.

We have assessed the effects of early adoption of IFRS 15 on our financial statements and concluded that there was no significant impact on the Group's financial position and performance as compared to the requirements of IAS 18 except that contract liabilities are recognized for our obligation to transfer goods or provide consultancy services to a customer for which we have received consideration from the customer under IFRS 15.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

In the application of our accounting policies, which are described in Note 4 to the Accountants' Report in Appendix I to this prospectus, our Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimates, that our Directors have made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in our financial information.

Research and Development Expenses

Research and development expenses incurred on our drug product pipelines are capitalized 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 pipeline and the ability to measure reliably the expenditure during the development. Research and development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalization. All research and development expenses were expensed when incurred during the Track Record Period.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation of uncertainty at the end of the Track Record Period, that may have a significant risk of causing a material judgement to the carrying amount of assets and liabilities within the coming 12 months are described below:

Useful Lives and Estimated Impairment on Property, Plant and Equipment

Our management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for our property, plant and equipment. This estimate is reference to useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold.

As at December 31, 2016 and 2017 and June 30, 2018, the carrying amount of our property, plant and equipment not classified as held for sale amounted to approximately RMB168.5 million, RMB359.6 million and RMB520.5 million, respectively.

Fair Value of Convertible Loan Notes Designated at Fair Value through Profit or Loss

The Company has issued convertible loan notes to an investor during the Track Record Period. We designated the financial instrument as financial liabilities at fair value through profit or loss ("FVTPL") in which no quoted prices in an active market exist. The fair value of the financial instrument is established by using binomial options pricing model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL as at December 31, 2016, December 31, 2017 and June 30, 2018 was nil, nil and RMB209.6 million, respectively.

DESCRIPTION OF SELECTED ITEMS IN OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	3,757	1,148	1,148	–
Cost of sales	(986)	(446)	(446)	–
Gross profit	2,771	702	702	–
Other income	16,409	52,342	1,776	2,635
Other gains and losses	15,140	(24,599)	(10,591)	(4,829)
Impairment loss, net of reversal	(808)	(165)	(165)	(615)
Research and development expenses	(122,001)	(275,303)	(116,567)	(217,778)
Administrative expenses	(42,760)	(73,752)	(30,522)	(49,792)
Share of profit (loss) of a joint venture	–	31	(1)	(3)
Other operating expenses	–	–	–	(156)
Finance costs	–	–	–	(2,439)
Loss before tax	(131,249)	(320,744)	(155,368)	(272,977)
Income tax (expense) credit	(241)	(58)	859	70
Loss for the year/period from continuing operations	(131,490)	(320,802)	(154,509)	(272,907)
Discontinued operations				
(Loss) profit for the year/period from discontinued operations	(477)	(269)	(37)	147
Loss for the year/period	(131,967)	(321,071)	(154,546)	(272,760)
Other comprehensive income (expense)				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference arising on translation of foreign operations	3,738	(5,480)	(2,085)	4,886
Fair value (loss) gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")	(438)	(364)	(65)	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI	–	–	–	262
Other comprehensive income (expense) for the year/period	3,300	(5,844)	(2,150)	5,375
Total comprehensive expense for the year/period	(128,667)	(326,915)	(156,696)	(267,385)

Continuing operations

Revenue

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we had not commercialized any drugs and therefore did not record any revenue from drug product sales. During the Track Record Period, we derived our revenue from consulting and research services income through fee-for-service contracts, pursuant to which we provided specific project-related consultancy services related to technology, personnel and production process and equipment for the development of drug candidates, among others, as well as pharmaceutical research services. We recognized revenue of approximately RMB3.8 million, RMB1.1 million, RMB1.1 million and nil for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively.

We are targeting to commercially launch JS001 in 2019 after receiving NDA approval from the NMPA. In addition, we plan to file an NDA for UBP1211 to the NMPA in the first half of 2019 and launch the drug in 2020 if the NDA approval is obtained. We expect the sales of JS001 and UBP1211 to be the main source of our revenue for the next few years.

Our revenue decreased from approximately RMB3.8 million in 2016 to approximately RMB1.1 million in 2017, mainly because (i) we provided less consulting and research services to our customers in 2017 which were one-off contract based service; and (ii) there was a greater focus on clinical research study of our drug candidates in 2017. Our revenue decreased from RMB1.1 million for the six months ended June 30, 2017 to nil for the six months ended June 30, 2018, mainly because we did not engage in any such business during the period.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of costs related to the provision of consulting and research services. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our overall cost of sales was approximately RMB1.0 million, RMB0.4 million, RMB0.4 million and nil, respectively. Our cost of sales decreased in terms of actual amount from 2016 to 2017 in line with the decrease in our revenue generated from the provision of consulting and research services in 2017. Our cost of sales decreased from RMB0.4 million for the six months ended June 30, 2017 to nil for the six months ended June 30, 2018, mainly because we did not engage in any such business during the period.

Upon the commercialization of our drug candidates such as JS001 and UBP1211, our costs of sales will mainly relate to the sales of drug products.

Other Income

Other income includes government grants, income from business of non-recurring nature under consulting and collaboration agreements and interest income from bank and time deposits. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, we had other income of approximately RMB16.4 million, RMB52.3 million, RMB1.8 million and RMB2.6 million, respectively.

The following table sets forth the components of our other income for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Continuing operations				
Interest income from bank and time deposit	2,729	2,308	1,486	1,615
Government grants *(Note a)*	13,680	2,614	290	1,020
Income received from collaboration agreements *(Note b)*	–	47,420	–	–
	16,409	52,342	1,776	2,635

Notes:

(a) Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognized as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities, and (iii) other subsidies for listing on NEEQ, which are recognized upon meeting certain conditions.

(b) On February 28, 2017, our Group entered into an agreement with Jiangsu T-mab Biopharma Co., Ltd (江蘇泰康生物醫藥有限公司) ("T-mab"), pursuant to which our Group provided T-mab with know-how and consulting services to build up a certificate of cGMP compliant facility. All performance obligations were completed in 2017 and therefore our Group recognized approximately RMB10.8 million as service income in 2017.

On August 28, 2017, our Group and T-mab entered into a co-development and commercialisation agreement (the "Collaboration Agreement") for UBP1211, a biosimilar our Group originally had sole ownership of patents and know-how. Under the terms of the Collaboration Agreement, the patents and know-how from the research and development of UBP1211 will be registered under the name of both parties while all future research and development costs and net profit from sales of UBP1211 upon successful commercialisation will be evenly shared between our Group and T-mab. Our Group has joint control over the arrangement that unanimous consent is required from all parties to the agreement for relevant activities including clinical studies, manufacturing and marketing. As such, our Group accounted for the arrangement as joint operation. A non-refundable consideration of approximately RMB36.6 million received upon the signing of the Collaboration Agreement from T-mab on passing T-mab the right to access the know-how of UBP1211 was recognized in other income.

As part of the Collaboration Agreement, T-mab also granted our Group a loan commitment of RMB60.0 million at the benchmark borrowing rate of the People's Bank of China plus 30% premium with expiration date of August 27, 2019. As at June 30, 2018, RMB20.0 million of the loan commitment was utilized by our Group. For further information, please refer to Note 26 of the Accountants' Report in Appendix I to this prospectus.

During the Track Record Period, our bank interest income decreased by approximately RMB0.4 million from RMB2.7 million for the year ended December 31, 2016 to RMB2.3 million for the year ended December 31, 2017, and increased by approximately RMB0.1 million from RMB1.5 million for the six months period ended June 30, 2017 to RMB1.6 million for the same period in 2018. The decrease in bank interest income from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily attributable to the lower average cash account balance in such period as a result of our increasing capital needs for our research and development, clinical trials as well as the construction of our production bases. The increase in bank interest income from the six months ended June 30, 2017 to the six months ended June 30, 2018 was primarily attributable to the increase in our overseas bank interest income as a result of our higher average U.S. dollar cash account balance in such period.

During the Track Record Period, we received certain government grants to invest in our research and development activities for various reasons such as encouragement of innovation and research and development, awarding companies in the strategic emerging industries and supporting high-level technology talents. Government grants include subsidies from the PRC government for (i) the capital expenditure incurred for plant and machinery; (ii) the incentive and other subsidies for research and development activities; and (iii) other subsidies for listing on NEEQ, which are recognized upon meeting with certain conditions attached to the grants received. As there is a risk that government grants previously received by us may be forfeited if we fail to satisfy the conditions, we generally do not recognize such grants in profit or loss until the relevant projects have been completed and the conditions attached to the grants have been fulfilled.

During the Track Record Period, we occasionally engaged in business of non-recurring nature by entering into collaboration agreements and providing technology consulting services. Our other income increased significantly from approximately RMB16.4 million in 2016 to approximately RMB52.3 million in 2017, mainly because we recorded a one-off payment of approximately RMB47.4 million from collaboration agreements in 2017 consisting of (i) approximately RMB36.6 million received from the co-development and commercialization agreement we entered into with T-mab; and (ii) approximately RMB10.8 million from the know-how and consulting services we provided to T-mab. Our other income increased from approximately RMB1.8 million for the six months ended June 30, 2017 to approximately RMB2.6 million for the six months ended June 30, 2018, primarily because we recognized more government grants in profit for the six months ended June 30, 2018 compared with the six months ended June 30, 2017 as a result of our compliance with the conditions attached to the grants received.

Other Gains and Losses

Our other gains and losses mainly comprise gain/loss from fair value changes of other financial assets measured at FVTPL, loss on fair value changes of foreign exchange forward contracts and loss on fair value changes of convertible loan notes measured at FVTPL. The following table sets forth a breakdown of our other gains and losses for the period indicated:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Interest income from debt investment	341	341	170	119
Net gain/loss on disposal of debt investment	–	–	–	(262)
Net gains from fair value changes of other financial assets measured at FVTPL	10,211	6,158	355	3,617
Net gains (losses) on fair value changes of foreign exchange forward contracts	4,588	(31,098)	(11,116)	(6,422)
Loss on fair value changes of convertible loan notes measured at FVTPL	–	–	–	(9,601)
Less: amounts included in the cost of properties under construction *(Note)*	–	–	–	7,720
	15,140	(24,599)	(10,591)	(4,829)

Note: The Company designated the convertible loan notes as a single financial liability which included debt instrument portion. As such, the fair value changes incorporated the effective interest of the convertible loan notes and the portion directly attributable to the construction of qualifying assets are eligible for capitalisation.

For the year ended December 31, 2016, we recorded other gains of approximately RMB15.1 million. For the year ended December 31, 2017 and the six months ended June 30, 2018, we recorded other losses of approximately RMB24.6 million and RMB4.8 million, respectively.

Our interest income from debt investment was stable at approximately RMB0.3 million in 2016 and 2017. Our net loss on disposal of debt investment increased from nil for the six months ended June 30, 2017 to a loss of approximately RMB0.3 million for the six months ended June 30, 2018, mainly due to the disposal of our investments in publicly traded corporate bonds in March 2018.

Our net gains from fair value changes of other financial assets measured at FVTPL decreased from approximately RMB10.2 million in 2016 to approximately RMB6.2 million in 2017. This was mainly driven by the loss from contracts we entered into in respect of financial products with financial institutions and decrease in fair value of the contracts of funds we entered into with financial institutions. Our net gains from fair value changes of other financial assets measured at FVTPL increased from approximately RMB0.4 million for the six months ended June 30, 2017 to approximately RMB3.6 million for the six months ended June 30, 2018, primarily due to the gain of our financial products. For details of the financial products we procured, see "– Current Assets and Liabilities – Other Financial Assets".

We recorded gain on fair value changes of foreign exchange forward contracts of approximately RMB4.6 million in 2016 and recorded loss on fair value changes of foreign exchange forward contracts of approximately RMB31.1 million and RMB6.4 million in 2017 and for the six months ended June 30, 2018, respectively. The fluctuation in gain and loss is mainly due to the rising or declining trend, as the case may be, of the U.S. dollar exchange rate against the Renminbi in the relevant year or period.

We issued convertible loan notes in February 2018 and recorded approximately RMB9.6 million as loss on fair value changes of the convertible loan notes measured at FVTPL for the six months ended June 30, 2018, primarily due to changes to key inputs used in assessing the fair value of convertible loan notes. For further details, please refer to Note 27 of the Accountants' Report in Appendix I to this prospectus.

Research and Development Expenses

Our research and development expenses mainly include clinical trial expenses, preclinical study costs, reagents and consumables, staff salary and welfare and depreciation and amortization. The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,		
	2016	**2017**	**Changes**	**2017**	**2018**	**Changes**
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Clinical trial expenses	11,465	106,296	827.1	33,461	97,184	190.4
Preclinical study costs	51,448	73,292	42.5	45,685	52,243	14.4
Reagents and consumables	31,368	42,288	34.8	17,532	18,749	6.9
Staff salary and welfare	17,470	31,557	80.6	14,212	32,276	127.1
Depreciation and amortization	4,851	8,899	83.4	2,402	10,407	333.2
Others	5,399	12,971	140.2	3,275	6,919	111.3
Total	**122,001**	**275,303**	**125.7**	**116,567**	**217,778**	**86.8**

Note: The research and development expenses set out above excluded the amount of expenses reimbursed from T-mab pursuant to the collaborative research, development and commercialization agreement.

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we incurred research and development expenses in the amount of approximately RMB122.0 million, RMB275.3 million and RMB217.8 million, respectively. The significant increases in our research and development expenses were mainly due to (i) increases in clinical trial expenses and preclinical study costs, as we initiated a number of preclinical research and clinical trials for several new indications and accelerated the progress of clinical trials; (ii) increases in our staff salary and welfare for research and development personnel, which was primarily due to the increase in the number of our research and development personnel from 94 as at December 31, 2016 to 101 as at December 31, 2017 and further to 111 as at June 30, 2018; and (iii) increases in depreciation and amortization expenses, which was attributable to the commencement of operation of our Wujiang Production Base.

Administrative Expenses

Our administrative expenses primarily consist of administrative staff cost, office administration expenses, depreciation and amortization and audit and consultancy fees. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Administrative staff costs	17,497	32,700	13,471	25,207
Audit and consultancy fees	3,053	5,607	1,044	2,059
Depreciation and amortization	3,933	9,106	5,257	5,787
Dormitory, shuttle bus and canteen expenses	861	1,074	474	742
Office administration expenses	14,393	19,441	8,418	11,652
Taxes	417	968	657	729
Others	2,606	4,856	1,205	3,616
Total	**42,760**	**73,752**	**30,522**	**49,792**

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our administrative expenses were approximately RMB42.8 million, RMB73.8 million, RMB30.5 million and RMB49.8 million, respectively. The significant increases in our administrative expenses were mainly due to (i) increases in our administrative staff costs, which was primarily attributable to the increase in the number of our administrative personnel; (ii) increases in our depreciation and amortization, which was related to the property and equipment in our Wujiang Production Base; and (iii) increases in our office administration expenses, primarily because we increased general office expenses in line with the growth in our business scale as well as in the number of our administrative personnel, and as a result of the commencement of operation of our Wujiang Production Base.

Finance Costs

Our finance costs consist of transaction costs for the issue of convertible loan notes and interest expense on short-term borrowings. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, our finance cost was nil, nil and approximately RMB2.4 million, respectively.

Income Tax (Expense) Credit

For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, we recorded income tax expense of approximately RMB0.2 million and RMB58,000 and income tax credit of approximately RMB70,000, respectively. We recorded loss before tax of approximately RMB131.2 million, RMB320.7 million and RMB273.0 million, respectively.

The provision for PRC enterprise income tax is based on the statutory rate of 25% of the assessable profits of PRC companies as determined in accordance with the EIT Law which became effective on January 1, 2008. The EIT Law imposes a unified enterprise income tax rate of 25% on all domestic and foreign invested enterprises unless they are qualified for preferential tax treatments. Under the EIT Law and implementation regulations of the EIT Law, the basic tax rate of the Company and its PRC subsidiaries is 25% during the Track Record Period.

The United States federal imposed progressive corporate income tax rates ranging from 15% to 35%. The US Tax Cuts and Jobs Act ("**Act**") was enacted into law on December 22, 2017. The Act includes significant changes to the US corporate income tax system that have become effective on January 1, 2018, including a reduction of the US corporate income tax rate to a flat rate of 21%.

As of the Latest Practicable Date and during the Track Record Period, we fulfilled all our tax obligations and were not aware of any outstanding or potential tax disputes.

Discontinued operations

On April 25, 2018, Beijing Junkejingde entered into a share transfer agreement with an Independent Third Party to transfer the entire equity interest in Beijing Xinjingke Biotechnology to an independent third party at a consideration of RMB2.0 million. Beijing Xinjingke Biotechnology mainly engaged in the business of sales of biological reagents. As of the Latest Practicable Date, we had disposed Beijing Xinjingke Biotechnology and ceased such business as the sales of biological reagents was not our primary business and we intend to focus on the research and development of drug candidates going forward. We believe that the disposal of Beijing Xinjingke Biotechnology was in our interests and we currently have no intention to re-enter into the business of sales of biological reagents. The assets and liabilities of Beijing Xinjingke Biotechnology have been classified as a disposal entity held for sale and the comparative figures in the consolidated statements of profit or loss and other comprehensive income have been presented separately to represent the business of Beijing Xinjingke Biotechnology as discontinued operations as at June 30, 2018. For further details, please refer to Note 33 to the Accountants' Report in Appendix I to this prospectus.

The results of our discontinued operations, which have been included in our consolidated statements of profit or loss and other comprehensive income, were as follows:

	Year ended At December 31,		Six months ended At June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Note)
Discontinued operations				
Revenue (sales of goods – at a point in time)	2,183	5,932	4,045	1,994
Cost of sales	(1,890)	(4,712)	(3,365)	(1,686)
Gross profit	293	1,220	680	308
Other income	–	–	–	1
Distribution and selling expenses	(172)	(544)	(328)	(191)
Impairment loss, net of reversal	(34)	14	(30)	(16)
Administrative expenses	(526)	(959)	(359)	(396)
Finance costs	(38)	–	–	–
Gain on disposal	–	–	–	441
(Loss) profit for the year/period from discontinued operations	(477)	(269)	(37)	147

Note: The disposal transaction was completed on June 29, 2018.

Revenue

During the Track Record Period, we derived revenue from the sales of reagents through Beijing Xinjingke Biotechnology. We recognized revenue in our discontinued operations of approximately RMB2.2 million, RMB5.9 million, RMB4.0 million and RMB2.0 million in 2016, 2017 and the six months ended June 30, 2017 and 2018, respectively.

Cost of sales

During the Track Record Period, our cost of sales primarily consisted of costs related to procurement of reagents. For the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, our overall cost of sales was approximately RMB1.9 million, RMB4.7 million, RMB3.4 million and RMB1.7 million, respectively. Our cost of sales increased in terms of actual amount from 2016 to 2017 in line with the growth in our revenue generated from the sales of reagents during the same period. Our cost of sales decreased from RMB3.4 million for the six months ended June 30, 2017 to RMB1.7 million for the six months ended June 30, 2018 in line with the decreased revenue derived from the sales of reagents during the same period.

The table below sets forth major line items of cash flow statements of discontinued operations for the periods indicated:

	Year ended At December 31,		Six months ended At June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Note)
Discontinued operations				
Net cash (outflow) inflow from:				
Operating activities	(641)	293	437	117
Financing activities	562	–	–	–
Net cash (outflow) inflow	(79)	293	437	117

Note: The disposal transaction was completed on June 29, 2018.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OUR CONTINUING OPERATIONS

Six Months Ended June 30, 2018 Compared with Six Months Ended June 30, 2017

Revenue

Our revenue from consultancy service fee income decreased from approximately RMB1.1 million for the six months ended June 30, 2017 to nil for the six months ended June 30, 2018, mainly because we did not engage in any such business during the period.

Cost of sales

Our cost of sales was approximately RMB0.4 million for the six months ended June 30, 2017. We did not incur cost of sales for the six months ended June 30, 2018, mainly because we did not engage in any such business during the period.

Gross profit

Our gross profit decreased from approximately RMB0.7 million for the six months ended June 30, 2017 to nil for the six months ended June 30, 2018. Our gross profit margin, which is equal to gross profit from continuing operations divided by revenue of continuing operations, was 61.1% for the six months ended June 30, 2017. We did not record revenue or incur cost of sales for the six months ended June 30, 2018.

Other Income

Our other income increased by 48.4% from approximately RMB1.8 million for the six months ended June 30, 2017 to approximately RMB2.6 million for the six months ended June 30, 2018, mainly because we recognized more government grants in profit or loss for the six months ended June 30, 2018 compared with the six months ended June 30, 2017 as a result of our compliance with the conditions attached to the grants received.

Other gains and losses

Our other losses decreased by 54.4% from approximately RMB10.6 million for the six months ended June 30, 2017 to approximately RMB4.8 million for the six months ended June 30, 2018, mainly due to decrease in the loss on fair value changes of foreign exchange forward contracts and increase in net gains from fair value changes of other financial assets measured at FVTPL, partially offset by an increase in loss on fair value changes of convertible loan notes measured at FVTPL.

Research and development expenses

Our research and development expenses increased by 86.8% from approximately RMB116.6 million for the six months ended June 30, 2017 to approximately RMB217.8 million for the six months ended June 30, 2018, mainly due to our increased clinical trial expenses, preclinical study costs, staff salary and welfare for research and development personnel and depreciation and amortization expenses.

Administrative expenses

Our administrative expenses increased by 63.1% from approximately RMB30.5 million for the six months ended June 30, 2017 to approximately RMB49.8 million for the six months ended June 30, 2018, primarily due to our increased staff salary and welfare for administrative personnel, office administration expenses and dormitory, shuttle bus and canteen expenses.

Finance costs

We did not incur finance costs for the six months ended June 30, 2017 while we recorded finance cost of approximately RMB2.4 million for the six months ended June 30, 2018, consisting of interest expense on short-term borrowings as a result of transaction costs for the issue of 2018 Convertible Bonds and a loan granted by T-mab under a co-development and commercialization agreement with us.

Loss before tax

For the reasons described above, our loss before tax increased by 75.7% from approximately RMB155.4 million for the six months ended June 30, 2017 to approximately RMB273.0 million for the six months ended June 30, 2018.

Income tax credit

Our income tax credit amounted to RMB0.9 million for the six months ended June 30, 2017. Our income tax credit amounted to RMB70,000 for the six months ended June 30, 2018, which was primarily attributable to the decrease in our deferred tax assets.

Loss for the period from continuing operations

As a result of the foregoing, loss for the period from continuing operations increased by 76.6% from approximately RMB154.5 million for the six months ended June 30, 2017 to approximately RMB272.9 million for the six months ended June 30, 2018.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2016

Revenue

Our revenue from consultancy fee income decreased by 71.1% from approximately RMB3.8 million for the year ended December 31, 2016 to approximately RMB1.1 million for the year ended December 31, 2017, mainly because (i) we provided less consulting and research services to our customers in 2017 which were one-off contract based service; and (ii) there was a greater focus on clinical research study of our drug candidates in 2017.

Cost of sales

Our cost of sales decreased by 60.0% from approximately RMB1.0 million for the year ended December 31, 2016 to approximately RMB0.4 million for the year ended December 31, 2017, in line with the decrease in our revenue generated from the provision of consulting and research services in 2017.

Gross profit

Our gross profit decreased by 75.0% from approximately RMB2.8 million for the year ended December 31, 2016 to approximately RMB0.7 million for the year ended December 31, 2017. Our gross profit margin decreased from 73.8% for the year ended December 31, 2016 to 61.1% for the year ended December 31, 2017, mainly because our revenue decreased at a faster rate compared with our cost of sales as a result of an increase in our staff costs in 2017.

Other Income

Our other income increased by 218.9% from approximately RMB16.4 million for the year ended December 31, 2016 to approximately RMB52.3 million for the year ended December 31, 2017, mainly due to the increase in our income from collaboration agreements as a result of the technology consulting and technology transfer services we provided to a third party, which were of non-recurring nature.

Other gains and losses

We recorded other gains of approximately RMB15.1 million for the year ended December 31, 2016, while we recorded other losses of approximately RMB24.6 million for the year ended December 31, 2017, mainly due to the decrease in net gains from fair value changes of other financial assets measured at FVTPL (unrealised) driven by the loss from contracts we entered

into in respect of financial products with financial institutions; and the foreign exchange loss under our foreign exchange forward contracts as a result of the decreasing trend of the U.S. dollar exchange rate against the Renminbi in 2017.

Research and development expenses

Our research and development expenses increased by 125.7% from approximately RMB122.0 million for the year ended December 31, 2016 to approximately RMB275.3 million for the year ended December 31, 2017, mainly due to increases in our clinical trial expenses, preclinical study costs, staff salary and welfare for research and development personnel and expenses for depreciation and amortization.

Administrative expenses

Our administrative expenses increased by 72.4% from approximately RMB42.8 million for the year ended December 31, 2016 to approximately RMB73.8 million for the year ended December 31, 2017, primarily due to increases in staff salary and welfare for administrative personnel, depreciation and amortization, office administration expenses and audit and consultancy fees.

Finance costs

We did not incur any finance cost for the years ended December 31, 2016 and 2017.

Loss before tax

For the reasons described above, our loss before tax increased by 144.4% from approximately RMB131.2 million for the year ended December 31, 2016 to approximately RMB320.7 million for the year ended December 31, 2017.

Income tax expense

Our income tax expense amounted to RMB0.2 million in 2016. Our income tax expense amounted to RMB58,000 in 2017, mainly because of the decrease in the deferred tax liabilities in 2017.

Loss for the year from continuing operations

As a result of the foregoing, loss for the year from continuing operations increased by 144.0% from approximately RMB131.5 million for the year ended December 31, 2016 to approximately RMB320.8 million for the year ended December 31, 2017.

CURRENT ASSETS AND LIABILITIES

	As at December 31,		As at June 30,	As at November 30,
	2016	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Inventories	7,086	30,603	46,887	35,855
Trade receivables	514	220	–	–
Other assets, prepayments and other receivables	48,402	39,490	101,313	104,572
Other financial assets	373,469	147,434	84,179	5,516
Pledged bank deposits	4,050	26,961	–	9,739
Bank balances and cash	111,387	266,298	391,919	180,447
	544,908	511,006	624,298	336,129
Current liabilities				
Trade and other payables	18,376	41,499	108,464	225,579
Deferred income	–	–	–	970
Contract liabilities	566	646	–	–
Borrowings	–	–	20,086	112,230
Tax payables	20	381	–	–
Other financial liabilities	–	16,034	–	–
	18,962	58,560	128,550	338,779
Net current assets (liabilities)	525,946	452,446	495,748	(2,650)

Our net current assets decreased from approximately RMB525.9 million as at December 31, 2016 to approximately RMB452.4 million as at December 31, 2017, mainly due to (i) a decrease in other financial assets of approximately RMB226.0 million, reflecting the redemption of our financial products; (ii) a decrease in other assets, prepayments and other receivables of approximately RMB8.9 million; (iii) an increase in our trade and other payables of approximately RMB23.1 million; and (iv) an increase in other financial liabilities of approximately RMB16.0 million.

Our net current assets increased from approximately RMB452.4 million as at December 31, 2017 to approximately RMB495.7 million as at June 30, 2018 primarily driven by an increase in other assets, prepayments and other receivables of approximately RMB61.8 million and an increase in bank balances and cash of RMB125.6 million, partially offset by a decrease in other financial assets of RMB63.3 million and an increase in trade and other payables of RMB67.0 million.

Our net current assets decreased from approximately RMB495.7 million as at June 30, 2018 to net current liabilities of approximately RMB2.7 million as at November 30, 2018 primarily due to a decrease in bank balances and cash of RMB211.5 million which was mainly used for our clinical trials, staff salary and welfare for research and development personnel and the construction of our production facilities, a decrease in other financial assets of RMB78.7 million which mainly reflected our redemption of our financial products, an increase in trade and other payables of RMB117.1 million and an increase in short-term borrowings of RMB92.1 million, both of which were mainly used to support our construction of production facilities.

Inventories

Our inventories mainly include raw materials and finished goods, the following table sets forth a breakdown of our inventories for the periods indicated:

	As at December 31,		As at June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Raw materials	4,582	28,893	46,887
Finished goods	2,504	1,710	–
Total	7,086	30,603	46,887

Our inventories increased significantly from approximately RMB7.1 million as at December 31, 2016 to approximately RMB30.6 million as at December 31, 2017, and further increased to approximately RMB46.9 million as at June 30, 2018, mainly because we increased our purchase volumes of raw materials and consumables in line with our clinical trial progress and for NDA filing purpose.

As at November 30, 2018, the amount of subsequent utilization of inventories was RMB13.4 million, representing 47.0% of our inventories as at June 30, 2018.

Other Assets, Prepayments and Other Receivables

Our other assets, prepayments and other receivables mainly consist of prepayments, rental and utility deposits and deposits for leasehold interest in land. The following table sets forth a breakdown of our prepayments and other receivables for the periods indicated:

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deposits			
– current			
– related parties	200	200	200
– third parties	2,922	4,490	4,720
– non-current	–	–	2,311
Prepayments			
– current			
– related parties	440	–	–
– third parties	32,185	29,675	52,738
– non-current	140,368	203,679	228,441
Amount due from a partner of a joint operation (current)	–	794	3,317
Deferred issue costs (current)	–	–	17,297
Consideration receivable on disposal of a subsidiary	–	–	2,000
Deposits for leasehold interest in land			
– current	13,574	5,415	–
– non-current	–	–	5,430
Value added tax recoverable			
– current	–	–	22,733
– non-current	30,192	68,567	72,878
Less: loss allowance	(919)	(1,084)	(1,692)
	218,962	311,736	410,373

Our deposits mainly include rental and utility deposits. Our deposits increased from approximately RMB3.1 million as at December 31, 2016 to approximately RMB4.7 million as at December 31, 2017 and further increased to approximately RMB7.2 million as at June 30, 2018, mainly as a result of new leases that we entered into in line with our business expansion.

Our prepayments mainly comprise upfront fee paid for research and development services for the clinical and non-clinical studies of our drug candidates. Prepayments also include other prepaid operating expenses and prepayments for construction in progress and property, plant and equipment. Our prepayments increased from approximately RMB173.0 million as at December 31, 2016 to approximately RMB233.4 million as at December 31, 2017, primarily due to an increase in prepayments for construction in progress, acquisition of property, plant and equipment and upfront fee paid for research and development services for the clinical and non-clinical research study of our drug candidates in line with our research and development progress. Our prepayments increased to approximately RMB281.2 million as at June 30, 2018, mainly due to increases in our demand for clinical and non-clinical study of our drug candidates in line with our research and development progress.

Our deposits for leasehold interest in land decreased significantly from approximately RMB13.6 million as at December 31, 2016 to approximately RMB5.4 million as at December 31, 2017 and remained stable at approximately RMB5.4 million as at June 30, 2018, primarily due to the partial refund of the deposit we paid to the Lingang government for acquiring the land use right to construct our Lingang Production Base.

Other Financial Assets

Our other financial assets mainly comprise financial products and funds. We recorded other financial assets of approximately RMB373.5 million, RMB147.4 million and RMB84.2 million as at December 31, 2016 and 2017 and June 30, 2018, respectively. The decrease of our other financial assets from December 31, 2016 to December 31, 2017 and from December 31, 2017 to June 30, 2018 reflected the redemption of our financial products during the period, to meet our liquidity need.

During the Track Record Period, our Group entered into contracts in respect of financial products with licensed financial institutions and recorded financial products of approximately RMB243.0 million, RMB45.0 million and RMB7.5 million as at December 31, 2016 and 2017 and June 30, 2018. Most of our financial products have contractual terms from 7 days to 2 months, and the principals of most of our financial products are not guaranteed by the relevant financial institutions and the expected return ranges from 1.78% to 1.82% and 2.74% to 3.13% per annum for the years ended December 31, 2016 and 2017 and 3.75% for the six months ended June 30, 2018, respectively.

During the Track Record Period, our Group also entered into several contracts of funds with licensed financial institutions and recorded funds of approximately RMB129.2 million, RMB102.4 million and RMB76.7 million as at December 31, 2016 and 2017 and June 30, 2018. The principals are not guaranteed and the expected return of the funds are determined by reference to the performance of the underlying instruments including equity and debt securities.

For further details, please refer to Note 23 of the Accountants' Report in Appendix I to this prospectus.

Investment policies and risk management measures

During the Track Record Period, we managed our surplus cash mainly through investing in short-term financial products that we believe have relatively low risks and offer better returns than cash deposits at licensed commercial banks in the PRC. Accordingly, we generally adopt investment measures that govern our investments in such financial assets. These measures include, among other things, the following:

- Investments in available-for-sale investments shall be made when we have surplus cash that is not required for our short-term working capital purposes;

- The types of investments shall be generally low-to medium-risk wealth management products issued by licensed financial institutions in the PRC;

- Our members of senior management, including our Chairman, shall consider the criteria of the investments, which include, but are not limited to, cash liquidity, time value of currencies, investment risks involved and expected return.

To better detect and manage the risks we are exposed to in our operations, we have implemented a comprehensive set of risk management measures, which are set forth below:

- Different departments of our Company shall be separately responsible for the management, execution and supervision of our Company's surplus cash investment and capital management;

- Designated personnel would monitor the progress and stability of the investment products purchased and our Chairman will be provided with a regular update regarding the details of the investments;

- Once the risks are properly identified and analyzed, appropriate risk management measures shall be implemented, which include avoiding risks, mitigating risks and securing the safety of the principals.

Pledged Bank Deposits and Bank Balances and Cash

Our pledged bank deposits were pledged to banks for securing forward contracts with interest rate of 1.10% to 1.75%. Our bank balances and cash comprised cash and short term bank deposits with an original maturity of three months or less. Bank balances carried interest at market rates which ranged from 0.10% to 1.00% per annum as at December 31, 2016, from 0.10% to 1.00% per annum as at December 31, 2017, and 0.30% to 1.00% per annum as at June 30, 2018.

Trade and Other Payables

Our trade and other payables consist primarily of payments to be paid to raw material and consumables suppliers, clinical and non-clinical research service providers, construction service providers and for the purchase of property, plant and equipment. The following table sets forth a breakdown of our trade and other payables for the periods indicated:

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade payables			
– related parties	–	3,685	7,908
– third parties	7,251	12,621	24,535
Accrued expenses	–	4,972	34,517
Notes payables	–	–	2,990
Salary and bonus payables	6,610	16,160	20,820
Other tax payables	183	323	898
Payables for issue costs	–	–	16,184
Amount due to an executive director	1,500	–	–
Other payables			
– related parties	32	32	–
– third parties	2,800	3,706	612
	18,376	41,499	108,464

The following table sets forth the aging analysis of our trade payables and notes payables presented based on invoice date for the periods indicated:

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
0 – 30 days	5,830	15,289	16,793
31 – 60 days	145	207	6,394
61 – 180 days	878	209	8,559
Over 180 days	398	601	3,687
Total	7,251	16,306	35,433

Our trade and other payables increased significantly from approximately RMB18.4 million as at December 31, 2016 to approximately RMB41.5 million as at December 31, 2017, mainly due to our increased payables to raw material suppliers and clinical and non-clinical research service providers, which were in line with the development progress of our drug candidates, as well as to construction service providers and equipment suppliers, which were in line with the construction progress of our manufacturing bases. The increase was also attributable to the increase in salary and bonus payables as a result of an increased number of employees from 201 as at December 31, 2016 to 311 as at December 31, 2017. As at June 30, 2018, our trade and other payables further increased to approximately RMB108.5 million, primarily because of the increase in payables to raw material suppliers and clinical and non-clinical research service providers, as well as the increase in notes payables.

As at November 30, 2018, 40.7% of our trade and other payables as at June 30, 2018 had been settled.

Contract Liabilities

Our contract liabilities comprise amounts received in advance of delivery for biological reagents. Our contract liabilities remained relatively stable at approximately RMB0.6 million as at December 31, 2016 and 2017. We did not incur contract liabilities as at June 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Our use of cash primarily relates to our research and development activities, purchase of raw materials and consumables, investments in property, plant and equipment and other recurring expenses. During the Track Record Period, we financed our working capital requirements principally through a combination of debt and equity securities offerings, consulting and research services, collaboration agreements, capital contribution from our Shareholders and government grants. As at December 31, 2016 and 2017, June 30 and November 30, 2018, we had cash and cash equivalents of approximately RMB111.4 million, RMB266.3 million, RMB391.9 million and RMB180.4 million, respectively.

The directors of the Company are of the opinion that, taking into consideration the cash flows from the operations, financial resources available to the Group including existing facilities and cash and cash equivalents on hand, and the expected net proceeds from the proposed listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group has available sufficient working capital to cover at least 125% of the Group's cost, including general administrative, operating costs as well as research and development costs for at least 12 months from the date of this prospectus.

Cash Operating Costs

The following table sets forth key information relating to our cash operating costs incurred for the periods indicated:

	Year ended December 31,		Six months ended June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Costs relating to research and development and clinical trials of our Core Product			
Clinical trial expenses	17,290	98,029	69,540
Preclinical study costs	15,212	25,544	4,026
Reagents and consumables	17,732	13,719	8,306
Staff costs	10,416	18,208	20,131
Others	2,443	6,300	2,921
Total:			
Research and development	116,788	258,389	179,915
Total workforce employment[(1)]	30,424	55,785	54,147
Direct production[(2)]	–	–	–
Commercialization[(2)]	–	–	–
Contingency allowance	–	–	–

Notes:

(1) Costs associated with total workforce employment include workforce employment in operating and Property, Plant and Equipment.

(2) We had not commenced product sales as of the Latest Practicable Date.

Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash used in operating activities	(185,207)	(347,076)	(167,927)	(263,626)
Net cash (used in) from investing activities	(717,176)	187,712	(71,356)	(130,100)
Net cash from financing activities	646,286	319,634	319,634	514,489
Net (decrease) increase in cash and cash equivalents	(256,097)	160,270	80,351	120,763
Cash and cash equivalents at the beginning of the year/period	363,928	111,387	111,387	266,298
Effect of foreign exchange rate changes	3,556	(5,359)	(1,897)	4,858
Cash and cash equivalents at the end of the year/period	**111,387**	**266,298**	**189,841**	**391,919**

Net cash used in operating activities

During the Track Record Period, we derived our cash inflow from operating activities mainly from income generated from consulting and research agreements as well as sales of reagents. Our cash outflow from operating activities mainly consists of research and development expenses and administrative expenses.

For the six months ended June 30, 2018, we had net cash used in operating activities of approximately RMB263.6 million, primarily due to operating loss before movements in working capital of approximately RMB249.4 million and the negative effect of the movements in working capital. The negative movements in working capital mainly include: (i) an increase in trade and other receivables of approximately RMB55.6 million due to the increased prepayments consisting of upfront fee paid for research and development services for the clinical and non-clinical study of our drug candidates; (ii) increased value added tax recoverable; and (iii) an increase in inventories of approximately RMB17.4 million due to the increased purchase of raw materials and consumables. These cash outflow were partially offset by (i) an increase in trade and other payables of approximately RMB53.6 million due to increased trade payables to third parties and accrued expenses mainly driven by the payables to contract research organisations for drugs advancing to late clinical stage, particularly in relation to JS001, and the increase in payables for listing expenses; and (ii) an increase in deferred income of approximately RMB5.3 million, due to increased government grants.

For the year ended December 31, 2017, we had net cash used in operating activities of approximately RMB347.1 million, primarily due to operating loss before movements in working capital of approximately RMB319.5 million and the negative effect of the movements in working capital. The negative movements in working capital mainly include: (i) an increase in trade and other receivables of approximately RMB36.7 million due to increased value added tax recoverable and increased prepayments consisting of upfront fee paid for research and development services for the clinical and non-clinical study of our drug candidates; and (ii) an increase in inventories of approximately RMB23.5 million due to the increased purchase of raw materials and consumables for clinical research purposes. These cash outflow were partially offset by an increase in trade and other payables of approximately RMB17.6 million and an increase in deferred income of approximately RMB14.9 million, due to increased government grants.

For the year ended December 31, 2016, we had net cash used in operating activities of approximately RMB185.2 million, primarily due to operating loss before movements in working capital of approximately RMB151.7 million and the negative effect of the movements in working capital. The negative movements in working capital mainly include: (i) an increase in trade and other receivables of approximately RMB45.2 million due to the increased sales of reagents and increased prepayments consisting of upfront fee paid for research and development services for the clinical and non-clinical study of our drug candidates; and (ii) an increase in inventories of approximately RMB4.3 million due to the increased purchase of raw materials and consumables for clinical research purposes. These cash outflow were partially offset by an increase in trade and other payables of approximately RMB8.7 million mainly due to an increase in salary and bonus payables, and an increase in deferred income of approximately RMB6.7 million, due to increased government grants.

Net cash (used in) from investing activities

During the Track Record Period, our cash generated from investing activities mainly includes withdrawal of financial assets. Our cash used in investing activities mainly comprises payments for acquisition of financial assets and payments for property, plant and equipment.

For the six months ended June 30, 2018, we had net cash used in investing activities of approximately RMB130.1 million, primarily due to (i) acquisition of other financial assets of approximately RMB379.0 million; (ii) payments for property, plant and equipment of approximately RMB189.7 million; and (iii) advance to a joint operation of approximately RMB11.0 million.

For the year ended December 31, 2017, we had net cash generated from investing activities of approximately RMB187.7 million, primarily due to disposal of financial assets of approximately RMB1,610.3 million, partially offset by acquisition of other financial assets of approximately RMB1,176.0 million and payments for property, plant and equipment of approximately RMB263.7 million.

For the year ended December 31, 2016, we had net cash used in investing activities of approximately RMB717.2 million, primarily due to (i) purchase of other financial assets of approximately RMB1,148.8 million; and (ii) payments for property, plant and equipment of approximately RMB199.8 million, partially offset by withdrawal of financial assets of approximately RMB683.7 million.

Net cash from financing activities

During the Track Record Period, our cash inflow from financing activities primarily consists of proceeds on issue of 2018 Convertible Bonds and Shares. Our cash outflow from financing activities primarily related to payments for share issue costs and 2018 Convertible Bonds issue costs and repayment of borrowings.

For the six months ended June 30, 2018, we had net cash from financing activities of approximately RMB514.5 million, primarily due to (i) proceeds on issue of 2018 Convertible Bonds of approximately RMB200.0 million; (ii) proceeds on issue of Shares of approximately RMB299.7 million; and (iii) proceeds from borrowings of approximately RMB20.0 million, partially offset by payments for transaction costs for the issue of 2018 Convertible Bonds of approximately RMB2.0 million, payments for transaction costs for the issue of new domestic ordinary shares of RMB1.7 million and payments for transaction costs for the issue of new H Shares of RMB1.1 million.

For the year ended December 31, 2017, we had net cash from financing activities of approximately RMB319.6 million, primarily due to proceeds on issue of Shares of approximately RMB319.7 million, partially offset by payments for transaction costs attributable to issue of new Shares of approximately RMB66,000.

For the year ended December 31, 2016, we had net cash from financing activities of approximately RMB646.3 million, primarily due to proceeds on issue of Shares of approximately RMB648.7 million, partially offset by payments for transaction costs attributable to issue of new Shares of approximately RMB1.4 million and repayment of borrowings of approximately RMB1.0 million.

INDEBTEDNESS

Borrowings

Unsecured borrowings

As at December 31, 2016 and 2017, June 30, 2018 and November 30, 2018, we had unguaranteed and unsecured borrowings of nil, nil, RMB20.1 million and RMB111.7 million, respectively. These borrowings bear fixed interest rates ranging from 5.66% to 9% per annum. All of these borrowings will become due in one year from November 30, 2018. Our collaboration partner T-mab granted us a loan commitment of RMB60 million at 30% premium over the benchmark borrowing rate of the People's Bank of China with expiration date of August 27, 2019 under the Collaboration Agreement. As at November 30, 2018, RMB20.0 million of unguaranteed and unsecured loan was drawn down by us.

In October and November 2018, the Group received approximately RMB96.0 million loans from six independent third parties, namely Shen Zhen Rui He Xing Ye Asset Management Co., Ltd. (深圳市瑞和興業資產管理有限公司), Song Qi (宋琦), Wang Ting (汪霆), Diao Jingsha (刁靜莎), Zhou Hao (周浩) and Wu Jiang Zhong Tai Construction Engineering Co., Ltd. (吳江市中泰建築工程有限公司), respectively. The loans are unsecured, unguaranteed, and interest bearing from 5.66% to 9.00% per annum and have repayment periods from 60 days to 12 months. The Company early repaid RMB5.0 million loan from Song Qi in November 2018.

Secured borrowings

In October 2018, we entered into a four-year loan facility of up to RMB150.0 million with the Bank of Shanghai and drew down RMB80.0 million of guaranteed and secured loan under such facility and had carrying amount of RMB80.5 million as of November 30, 2018. We are in the process of drawing down the remaining amount of the loan facility. The loan facility bears a variable interest rate by floating upwards by 40% based on the relevant one to five years benchmark interest rate published by the People's Bank of China per annum. The loan facility will mature in November 2022 pursuant to the loan agreement, the loan is guaranteed by us and our subsidiary Suzhou Union Biopharm, and secured by mortgages over our property, plant and equipment situated in Shanghai Lingang and Wujiang Economic and Industrial Development Zone held by our subsidiaries Junshi Biotechnology and Suzhou Union Biopharm.

Convertible Loan Notes

On February 23, 2018, our Company issued 2018 Convertible Bonds in a principal amount of RMB200.0 million to qualified investors. The term of the 2018 Convertible Bonds is 6 years commencing from the issue date. The annual interest rate of the 2018 Convertible Bonds is 10.35%. The notes entitle the holders to convert them into Shares at the election of the holders during conversion period which is set up every three months starting from the first day of trading from six months after the issue date to the tenth day of trading. The initial conversion price is RMB25 per convertible note. The holders have the option to require our Company to redeem all or some of the convertible notes at par value plus accrued interest on the third interest payment date at February 23, 2021. If the notes have not been converted or redeemed at the maturity day, they will be redeemed no later than March 1, 2024 at par value. Interest of the first three years with the rate of 10.35% will be accrued annually and paid at the third interest payment date. Interest of the remaining three years will be paid annually on each interest payment date. As of November 30, 2018, the unguaranteed and unsecured principal amount of convertible loan notes was RMB200.0 million. For further details, please refer to Note 27 to the Accountants' Report in Appendix I and Note 18 to the Condensed Consolidated Financial Statements in Appendix IA to this prospectus.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase, commitments, liabilities under acceptance (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured or guarantees or contingent liabilities as of the November 30, 2018.

Since November 30, 2018 and up to the Latest Practicable Date, there was no material adverse change to our indebtedness.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures mainly include additions of (i) buildings; (ii) machinery, (iii) furniture, fixtures and equipment, (iv) transportation equipment, (v) leasehold improvement, (vi) properties under construction and (vii) equipment under installation. The following table sets forth our capital expenditures for the periods indicated:

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Buildings	2,670	–	–
Machinery	9,110	14,054	1,906
Furniture, fixtures and equipment	3,855	10,021	9,441
Transportation equipment	3,368	6,494	4,718
Leasehold improvement	821	258	1,600
Properties under construction	11,548	60,948	146,979
Equipment under installation	31,944	114,276	10,974
Total	**63,316**	**206,051**	**175,618**

We estimate that our capital expenditures for the year ending December 31, 2018 and 2019 will be primarily used to fund the construction of our manufacturing bases and the establishment of translational medical centers. We intend to finance such capital expenditures with our cash and cash equivalents and cash from our operating activities, debt and equity securities offerings and bank borrowings.

CONTRACTUAL COMMITMENTS

Operating Leases

During the Track Record Period, we had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at December 31,		As at June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	3,215	7,390	7,000
In the second to third year inclusive	12,565	9,416	7,031
Total	**15,780**	**16,806**	**14,031**

The leases are generally negotiated for a lease term of one to three years at fixed rentals.

Capital Commitments

In addition to the operating lease commitments above, we had the following capital commitments as at the date indicated:

	As at December 31,		As at June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**137,584**	**144,123**	**370,647**

RELATED PARTIES TRANSACTIONS

During the Track Record Period, we entered into the following transactions with related parties:

(a) Sales to related parties – discontinued operations

	Year ended December 31,		Six months ended June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Name of related parties			
Beijing Zhengdan International Technology Co., Ltd ("**BJZD**")[1]	129	317	141
United-Power Pharma Tech Co., Ltd. ("**UPPT**")[2]	396	793	105
Beijing Junke Huaren Pharma Tech Co., Ltd. ("**JKHR**")[3]	–	406	2
	525	**1,516**	**248**

(b) Research and development expense incurred

	Year ended December 31,		Six months ended June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Name of related parties			
BJZD	406	340	226
UPPT	1,406	7,611	6,491
	1,812	**7,951**	**6,717**

(c) Operating lease expenses incurred

	Year ended December 31,		Six months ended June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Name of related parties			
BJZD	777	–	–

Notes:

(1) BJZD is a non-controlling shareholder of Beijing Junke Jingde Biotechnology Co., Ltd, which is one of our subsidiaries.

(2) UPPT is an associate of BJZD.

(3) JKHR is a wholly owned subsidiary of UPPT.

(d) Compensation of directors and key management personnel[(1)]

	Year ended December 31,		Six months ended June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Short term benefits	8,601	10,131	6,725
Post-employment benefits	387	418	275
Total	**8,988**	**10,549**	**7,000**

Note:

(1) Key management personnel refers to the Directors and chief executive of the Company listed in Note 13 to the Accountants' Report in Appendix I to this prospectus.

The remuneration of key management personnel is determined by our management having regard to the performance of individuals, based on their responsibilities, qualification, position and seniority, and market trends.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates or for the period indicated:

	As at December 31,		As at June 30,
	2016	2017	2018
Current ratio[(1)]	28.7	8.7	4.9
Quick ratio[(2)]	28.4	8.2	4.5

Notes:

(1) The calculation of current ratio is based on current assets divided by current liabilities as at the same date.

(2) The calculation of quick ratio is based on current assets excluding inventories divided by current liabilities as at the same date.

Our current ratio decreased significantly from 28.7 as at December 31, 2016 to 8.7 as at December 31, 2017, and further decreased to 4.9 as at June 30, 2018, mainly as a result of the significant increase in our trade and other payables which is as a result of increased payables to raw material suppliers, clinical research service providers, construction service providers and equipment suppliers, increased salary and bonus payables as a result of an increased number of employees as well as the increase in notes payables. Our quick ratio decreased significantly during the same periods, primarily due to the same reasons stated above.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

FINANCIAL RISKS

We are exposed to various types of financial risks in the ordinary course of our business, including currency risk, interest rate risk, credit risk and liquidity risk.

Market risk

Currency risk

We have trade and other payables, which expose us to foreign currency risk. We have entered into foreign currency forward contracts to mitigate our foreign currency risk exposure. For further details, please refer to Note 41b to the Accountants' Report in Appendix I to this prospectus.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities other than our functional currency to which they related at the end of the reporting period are as follows:

	Assets			Liabilities		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
USD	–	–	–	–	–	(123)

We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Interest rate risk

We are exposed to fair value interest rate risk in relation to fixed-rate borrowings and convertible loan notes as set out in Notes 26 and 27 of the Accountants' Report in Appendix I to this prospectus respectively. We are also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balance as set out in Note 24 of the Accountants' Report in Appendix I to this prospectus. Our cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and pledged bank deposits. We currently do not have interest rate risk hedging policy. However, our directors closely monitor the exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Other price risk

We are exposed to security price risk through our debt instrument classified as FVTOCI, unlisted equity investment including in other financial assets and convertible loan notes as disclosed in Notes 23 and 27 of the Accountants' Report in Appendix I to this prospectus. Our management monitors the price risk and will consider hedging the risk exposure should the need arises.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to us. Management uses publicly available financial information and our own historical repayment records to rate other debtors. Our exposure and the credit ratings of our counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

We determine the expected credit losses on these items based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

We have considered the expected credit loss of amounts due from counterparties based on their financial qualities. We assessed that the trade receivables and other receivables had low credit risk at their initial recognition and did not change in credit risk since then. Specifically:

(1) We applied simplified approach for trade receivables for our biological reagent sales business. Considering the historical default rate is low and no material economics changes which impact our customers' credit qualities, we assessed that the expected credit loss rate for those customers is consistent as at December 31, 2016 and 2017. During the period ended June 30, 2018, we disposed of our biological reagent sales business and therefore had no trade receivable balance as at June 30, 2018; and

(2) For other receivables mainly composed of rental deposits due from landlords and deposits for leasehold interest in land due from a local government, we assessed the possibilities of default remained unchanged throughout the Track Record Period.

The credit risk on our liquid funds is limited because the counterparties are banks, asset management companies and securities companies with high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by our directors to finance our operations and mitigate the effects of fluctuations in cash flows.

We relied on borrowings, convertible loan notes and the issuance of ordinary shares as a significant source of liquidity. For further details, please refer to Notes 26, 27 and 30 to the Accountants' Report in Appendix I to this prospectus.

The following table details our remaining contractual maturity for our non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amounts are derived from interest rates at the end of December 31, 2016 and 2017 and June 30, 2018, respectively.

In addition, the following table details our liquidity analysis for our derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for our derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016								
Non-derivative financial liabilities								
Trade and other payables	–	11,583	–	–	–	–	11,583	11,583

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017								
Non-derivative financial liabilities								
Trade and other payables	–	20,044	–	–	–	–	20,044	20,044
Derivatives – gross settlement								
Foreign-currency forward contracts								
– inflow		–	(223,737)	–	–	–	(223,737)	N/A
– outflow		–	245,540	–	–	–	245,540	N/A
		–	21,803	–	–	–	21,803	16,034

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2018								
Non-derivative financial liabilities								
Trade and other payables	–	52,385	–	–	–	–	52,385	52,385
Borrowings	5.66%	20,189	–	–	–	–	20,189	20,086
Convertible loan notes	21%	–	–	–	103,500	220,700	324,200	209,601
		72,574	–	–	103,500	220,700	396,774	282,072

DIVIDENDS

No dividend was paid or declared by the Company since its incorporation.

DISTRIBUTABLE RESERVES

As at June 30, 2018, the Company did not have any distributable reserves.

LISTING EXPENSES AND ISSUE COSTS

Listing expenses and issue costs represent the professional expenses, underwriting commissions and other expenses incurred in respect of the Listing and the Global Offering. We expect to incur a total of approximately RMB122.6 million of listing expenses and issue costs (assuming an Offer Price of HK$19.88, being the mid-point of the indicative Offer Price range between HK$19.38 and HK$20.38, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which RMB17.3 million was recognized as deferred issue costs for future deduction from equity upon the Listing and RMB0.2 million was recognized as listing expense. For the remaining listing expenses and issue costs of approximately RMB105.1 million, an estimated amount of RMB5.4 million is expected to be recognized as listing expenses and an estimated amount of RMB99.7 million is expected to be recognized directly as a deduction from equity upon the Listing. The listing expenses and issue costs above were the best estimate as of the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses would have a material adverse impact on our results of operations for the year ending December 31, 2018.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at June 30, 2018, set out in Appendix I – "Accountants' Report" to this prospectus.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true and fair picture of our financial position as at June 30, 2018 or at any further dates following the Global Offering.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at June 30, 2018**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company per Share as at June 30, 2018**	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ (Note 4)
Based on an Offer Price of HK$19.38 per H Share	1,154,715	2,613,367	3,768,082	4.96	5.58
Based on an Offer Price of HK$20.38 per H Share	1,154,715	2,750,179	3,904,894	5.14	5.79

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2018 of approximately RMB1,154,945,000 less the intangible assets of the Group attributable to owners of the Company as at June 30, 2018 of approximately RMB230,000.

2. The estimated net proceeds from the Global Offering are based on 158,910,000 H Shares at the Offer Price of HK$19.38 (equivalent to RMB17.20) and HK$20.38 (equivalent to RMB18.09) per Offer Share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses paid/payable by the Group and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Share Incentive Scheme.

   For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.88764, which was the exchange rate prevailing on December 3, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 760,310,000 Shares were in issue assuming that the Global Offering had been completed on June 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Share Incentive Scheme.

4. For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.88764, which was the exchange rate prevailing on December 3, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2018.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus there has been no material adverse change in our financial, operational or trading position since June 30, 2018, being the end of the period reported on in the Accountants' Report included in Appendix I in this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the Listing Rules upon the listing of the H Shares on the Stock Exchange.

THE CORNERSTONE PLACING

Our Company has entered into cornerstone investment agreements (the "**Cornerstone Investment Agreement(s)**") with certain investors described below (the "**Cornerstone Investor(s)**"), pursuant to which the Cornerstone Investors have conditionally agreed to subscribe for such number of the Offer Shares for an aggregate amount of US$242,000,000 at the Offer Price (the "**Cornerstone Placing**").

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to our Company's total issued share capital under the Cornerstone Placing:

		Assuming the Over-allotment Option is not exercised[1]		Assuming the Over-allotment Option is exercised in full[1]	
Based on the Offer Price of:	**Total number of Offer Shares to be subscribed by the Cornerstone Investors[2]**	**Percentage to our total issued share capital immediately upon completion of the Global Offering**	**Percentage to the total number of Offer Shares**	**Percentage to our total issued share capital immediately upon completion of the Global Offering**	**Percentage to the total number of Offer Shares**
		(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
HK$19.38 (being the low-end of the indicative Offer Price range)					
• LVC Funds	37,189,000	4.89%	23.40%	4.74%	20.35%
• Highbury	18,190,000	2.39%	11.45%	2.32%	9.95%
• Beijing Dinglianxin	8,489,000	1.12%	5.34%	1.08%	4.65%
• Yu Jianwu	13,339,000	1.75%	8.39%	1.70%	7.30%
• Megastar Investment	6,063,000	0.80%	3.82%	0.77%	3.32%
• TR III	1,212,000	0.16%	0.76%	0.15%	0.66%
• Wang Shujun	13,339,000	1.75%	8.39%	1.70%	7.30%
Total	**97,821,000**	**12.87%**	**61.56%**	**12.47%**	**53.53%**
HK$19.88 (being the mid-point of the indicative Offer Price range)					
• LVC Funds	36,253,000	4.77%	22.81%	4.62%	19.84%
• Highbury	17,733,000	2.33%	11.16%	2.26%	9.70%
• Beijing Dinglianxin	8,275,000	1.09%	5.21%	1.06%	4.53%
• Yu Jianwu	13,004,000	1.71%	8.18%	1.66%	7.12%
• Megastar Investment	5,911,000	0.78%	3.72%	0.75%	3.23%
• TR III	1,182,000	0.16%	0.74%	0.15%	0.65%
• Wang Shujun	13,004,000	1.71%	8.18%	1.66%	7.12%
Total	**95,362,000**	**12.54%**	**60.01%**	**12.16%**	**52.18%**

Based on the Offer Price of:	Total number of Offer Shares to be subscribed by the Cornerstone Investors[2]	Assuming the Over-allotment Option is not exercised[1]		Assuming the Over-allotment Option is exercised in full[1]	
		Percentage to our total issued share capital immediately upon completion of the Global Offering	Percentage to the total number of Offer Shares	Percentage to our total issued share capital immediately upon completion of the Global Offering	Percentage to the total number of Offer Shares
		(approximate)	*(approximate)*	*(approximate)*	*(approximate)*
HK$20.38 (being the high-end of the indicative Offer Price range)					
• LVC Funds	35,365,000	4.65%	22.25%	4.51%	19.35%
• Highbury	17,298,000	2.28%	10.89%	2.21%	9.47%
• Beijing Dinglianxin	8,072,000	1.06%	5.08%	1.03%	4.42%
• Yu Jianwu	12,685,000	1.67%	7.98%	1.62%	6.94%
• Megastar Investment	5,766,000	0.76%	3.63%	0.74%	3.16%
• TR III	1,153,000	0.15%	0.73%	0.15%	0.63%
• Wang Shujun	12,685,000	1.67%	7.98%	1.62%	6.94%
Total	**93,024,000**	**12.24%**	**58.54%**	**11.86%**	**50.90%**

Notes:

1. In each case, without regard to the Pre-IPO Options and the 2018 Convertible Bonds.

2. Rounded down to the nearest whole board lot and calculated based on the conversion of the investment amount made in US$ being converted at the rate of US$1.00 to HK$7.8342.

The Cornerstone Placing will form part of the International Placing. The Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements).

Save for LVC Funds, to our Company's best knowledge, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party and hence will count towards the public float of our Company under Rule 8.08 of the Listing Rules. For each Cornerstone Investors who subscribe for our H Shares through an asset manager that is a qualified domestic institutional investor ("**QDII**"), such asset manager is an Independent Third Party and is not a connected client of the lead broker or of any distributors (as defined in paragraph 5 of the Placing Guidelines).

LVC Funds are associates of Mr. Lin Lijun (our non-executive Director) and Shanghai Tanying (an existing Shareholder of our Company) (further details of which are set out below). Wang Shujun is an existing Shareholder of our Company (further details of which are set out below). They have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of Stock Exchange Guidance letter HKEX-GL92-18 and the waiver from Rules

9.09 and 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules as applicable as further described in the section headed "Waivers from Compliance with the Listing Rules and Exemptions from the Companies (Winding Up and Miscellaneous Provisions) Ordinance".

(1) Save for LVC Funds and Highbury (further details of which are set out below), and (2) save for LVC Funds and TR III (further details of which are set out below), to our Company's best knowledge, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other.

The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid H Shares in issue and, will not count towards the public float of our Company under Rule 18A.07 of the Listing Rules.

Immediately following the completion of the Global Offering, save for LVC Funds (further details of which are set out below), the Cornerstone Investors will not have any Board representation in our Company, nor will they become a substantial shareholder of our Company.

The number of Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering pursuant to Practice Note 18 of the Listing Rules or such other percentage as may be approved by the Stock Exchange and applicable to our Company from time to time, as further described in "Structure of the Global Offering – The Hong Kong Public Offering". Details of allocation to the Cornerstone Investors will be disclosed in the announcement of allotment results of our Company to be published on or about December 19, 2018.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. LVC Funds

Each of Loyal Valley Capital Advantage Fund LP (or its intermediate holding entities with respect to its participation in the Cornerstone Placing, as applicable) ("**LVC Fund I**"), Loyal Valley Capital Advantage Fund II LP (or its intermediate holding entities with respect to its participation in the Cornerstone Placing, as applicable) ("**LVC Fund II**") and LVC Renaissance Fund LP (or its intermediate holding entities with respect to its participation in the Cornerstone Placing, as applicable) ("**LVC Renaissance Fund**") (together the "**LVC Funds**") has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$25,000,000 (or HK$195,855,000), US$30,000,000 (or HK$235,026,000) and US$37,000,000 (or HK$289,865,400), respectively, at the Offer Price.

LVC Fund I is a Cayman Islands exempted limited partnership established in 2017, and currently manages approximately US$390 million in capital commitments for global institutional investors including but not limited to sovereign wealth funds, funds of funds and family office from the U.S. and Asia.

LVC Fund II is a Cayman Islands exempted limited partnership established in 2018 and had the first closing in December 2018 and it expects to have a total fund size of approximately US$400 million.

LVC Renaissance Fund is a Cayman Islands exempted limited partnership established in 2017.

The general partner of each LVC Fund has the power to manage and control the conduct of the business, assets and affairs of such LVC Fund and make investment and divestment decisions for such LVC Fund.

Our non-executive Director, Mr. Lin Lijun is a director and controls LVC Fund's general partner. He is also a director of and wholly-owns Shanghai Shengge Asset Management Co., Ltd.*, which in turns, is the sole general partner of Shanghai Tanying (our existing Shareholder). See also "Substantial Shareholders" and "Directors, Supervisors and Senior Management" for further information of Shanghai Tanying and Mr. Lin Lijun.

2. Highbury Investment Pte Ltd ("Highbury")

Highbury has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$45,000,000 (or HK$352,539,000) at the Offer Price.

Highbury is a private limited company incorporated in Singapore and managed by GIC Special Investments Private Limited, which in turn is wholly owned by GIC Private Limited ("**GIC**"). GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

Highbury is a limited partner in each of LVC Fund I and LVC Fund II. Highbury holds a direct limited partner interest of approximately 8% and together with its affiliates a further indirect limited partner interest (via other vehicles in which such affiliates have invested) of approximately 1% of the contributed capital of LVC Fund I. Highbury has committed approximately 90% of the aggregate committed capital of LVC Fund II as of the Latest Practicable Date which is expected to be reduced to approximately less than 50% of aggregate committed capital of LVC Fund II as of LVC Fund II's final closing date if LVC Fund II reaches its target fund size. Highbury's rights with respect to each of LVC Fund I and LVC Fund II are limited to customary limited partner protections exercisable alongside other limited partners in

LVC Fund I or LVC Fund II, as the case may be, from time to time and it has no power to direct or veto investment decisions by either LVC Fund I or LVC Fund II within the scope of their respective investment mandates. Each of the general partners of LVC Fund I and LVC Fund II has the power to manage and control the conduct of the business, assets and affairs of LVC Fund I and LVC Fund II, respectively.

Highbury has confirmed that save for its above interests in LVC Fund I and LVC Fund II, it is independent of LVC Fund I, LVC Fund II, Shanghai Tanying and Mr. Lin Lijun.

3. Beijing Dinglianxin Technology Development Co., Ltd.* (北京鼎聯鑫科技發展有限公司) ("Beijing Dinglianxin")

Beijing Dinglianxin has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$21,000,000 (or HK$164,518,200) at the Offer Price.

Beijing Dinglianxin is a company established in 2003 under the laws of the PRC. It is principally engaged in technology development and consultation, project investment, investment management and property development. As of the Latest Practicable Date, its registered capital was RMB60,000,000. It is owned as to approximately 33.33% by Zhang Yan (張研), approximately 33.33% by Zhang Chen (張忱) and approximately 33.33% by Zheng Huiqing (鄭慧卿).

4. Yu Jianwu

Yu Jianwu has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$33,000,000 (or HK$258,528,600).

Yu Jianwu is the chairman and a director of Sundy Land Investment Co., Ltd. (a company listed on the Shanghai Stock Exchange (Stock code: 600077.SH)).

5. Megastar Investment Management Limited ("Megastar Investment")

Megastar Investment has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$15,000,000 (or HK$117,513,000) at the Offer Price.

Megastar Investment was incorporated in British Virgin Islands by Mr. Feng Ye and Mr. Cui Wenli, each holding 50% of its share capital.

6. TR Capital III, L.P. ("TR III")

TR III has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$3,000,000 (or HK$23,502,600) at the Offer Price.

TR III is a Cayman Islands exempted limited partnership focused on pan-Asian secondary private equity investments. TR III is a limited partner in LVC Fund I and holds an interest of approximately 2.7% of the aggregate committed capital of LVC Fund I.

7. Wang Shujun

Wang Shujun has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot) that may be purchased for an aggregate amount of US$33,000,000 (or HK$258,528,600) at the Offer Price.

Wang Shujun is an existing Shareholder of our Company. As of the Latest Practicable Date, Wang Shujun held 3,628,880 Domestic Shares, representing approximately 0.60% of our issued share capital. Wang Shujun also holds 38.04% interest in Shenzhen Dehe Fangzhong Investment Limited Partnership (LP) (深圳德和方中投資有限合夥企業(有限合夥)), which in turn holds 2,450,000 Domestic Shares, representing approximately 0.41% of our issued share capital as of the Latest Practicable Date.

CLOSING CONDITIONS

The obligation of each Cornerstone Investors to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement 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 Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed by the Cornerstone Investors), and that such approval or permission having not been revoked;

(iv) the Offer Price having been agreed upon between the Company and the Lead Global Coordinator;

(v) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Placing or the corresponding Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the respective representations, warranties, undertakings and confirmations of the Cornerstone Investor under the relevant Cornerstone Investment Agreement are (on the date of the relevant Cornerstone Investment Agreement) and will be (on the Listing Date and where applicable, the delayed delivery date) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of such Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not at any time during the period of six months starting from and inclusive of the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its affiliate wholly-owned by the same parent entity of the Cornerstone Investor who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FUTURE PLANS AND PROSPECTS

Please see the sections headed "Business – Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming the Over-allotment Option is not exercised and assuming the Offer Price is fixed at HK$19.88 per H Share (being the mid-point of the indicative range of the Offer Price of HK$19.38 to HK$20.38 per H Share), we estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting fees and expenses payable by us in connection with the Global Offering, will be approximately HK$3,021.06 million.

We intend to use the net proceeds from the Global Offering for the purposes and in the amounts set out below:

- Approximately 65% will be allocated to the R&D and commercialization of our drug candidates as follows:

  - Approximately 40% of the net proceeds, or HK$1,208.43 million, will be used for the R&D and commercialization of our Core Product, JS001, to fund clinical trials for JS001 including (i) ongoing clinical trials in the PRC; (ii) post-launch Phase III clinical trials in the PRC; (iii) additional clinical trials to be initiated in the PRC for additional indications and combination therapies; and (iv) Phase I clinical trial in the United States and to fund the commercial launch of JS001;

  - Approximately 16% of the net proceeds, or HK$483.37 million, will be used for the R&D of our other drug candidates to fund clinical trials, including head-to-head clinical trials and post-approval studies. Specifically, it will be used to fund (i) Phase I and III clinical trials for UBP1211 in the PRC; (ii) Phase I, II and III clinical trials for JS002 in the PRC; (iii) Phase I, II and III clinical trials for UBP1213 in the PRC; and (iv) preclinical studies and clinical trials for our other drug candidates in the PRC;

  - Approximately 9% of the net proceeds, or HK$271.90 million, will be used for the construction of our Lingang Production Base and our Wujiang Production Base;

- Approximately 25% of the net proceeds, or HK$755.27 million, will be used for our investment in and acquisition of companies in the pharmaceutical sector, in particular companies with strong R&D and/or commercialization capabilities that are complementary to our Company. As of the Latest Practicable Date, we have not identified any specific targets, or adopted a concrete timetable or expected capital expenditure plan to implement any acquisition, and we have not entered into any letter of intent or agreement in relation to any acquisition; and

- Approximately 10% of the net proceeds, or HK$302.11 million, will be used for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$3,480.68 million (assuming an Offer Price of HK$19.88 per H Share, the midpoint of our indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

HONG KONG UNDERWRITERS

CICC
Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
Fosun Hani Securities Limited
China Securities (International) Corporate Finance Company Limited
Caitong International Securities Company Limited

Lead Global Coordinator

CICC

Joint Global Coordinators

CICC
Citigroup Global Markets Asia Limited
Credit Suisse (Hong Kong) Limited
Fosun Hani Securities Limited

UNDERWRITING ARRANGEMENT AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 10, 2018. Pursuant to the Hong Kong Underwriting Agreement, we are offering 15,892,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, our H Shares to be issued as mentioned herein (including any additional H Shares which may be made available pursuant to the exercise of the Over-allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Lead Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Lead Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Joint Bookrunners) shall be entitled, by notice to our Company in writing, to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any event in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United Kingdom, the United States, the European Union (or any member thereof) (each a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; 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 New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or NEEQ; or

(iv) any moratorium, or material restriction on trading in Domestic Shares or other securities or imposition of or requirement for any minimum or maximum price limit or price range on Domestic Shares or other securities of our Company listed or quoted on a stock exchange (but, for avoidance of doubt does not include, the continued suspension of trading of our Domestic Shares and of the 2018 Convertible Bonds prior to the Listing, and any restrictions under the terms and conditions of the 2018 Convertible Bonds, or applicable trading rules or laws); or

(v) any general moratorium on commercial banking activities declared by competent authority (as defined in the Hong Kong Underwriting Agreement) in any Relevant Jurisdiction, or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any new law (as defined in the Hong Kong Underwriting Agreement), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority (as defined in the Hong Kong Underwriting Agreement)) of existing laws, in or affecting any Relevant Jurisdiction; or

(vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdictions; or

(viii) a change or development involving a prospective change in or affecting taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the RMB against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(x) a Director or a Supervisor being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer or any of the Directors vacating his or her office; or

(xii) an authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director or Supervisor; or

(xiii) a contravention by any member of the Group of the Listing Rules or applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xiv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including the H Shares to be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents issued by or on behalf of our Company in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xvi) other than with the prior written consent of the Lead Global Coordinator, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents issued by or on behalf of our Company in connection with the contemplated offer and sale of the H 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

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xviii) the materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xix) 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,

which, individually or in the aggregate, in the sole opinion of the Lead Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Joint Bookrunners), (1) has or will have or likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or likely to have the effect of making any material part

of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially 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 Global Coordinators, the Sole Sponsor or any of the Hong Kong Underwriters:

(i) that any statement contained in any of this prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material aspect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the Application Forms or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) 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 this prospectus, the Application Forms or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the material obligations imposed upon our Company, Mr. Xiong Jun and/or Mr. Xiong Fengxiang under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of our Company, Mr. Xiong Jun or Mr. Xiong Fengxiang pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or

(v) any material adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the warranties stated in the Hong Kong Underwriting Agreement; or

(vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued or sold (including any additional H Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering 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, qualified (other than by customary conditions) or withheld; or

(viii) our Company withdraws this prospectus, the Application Forms, the formal notice and/or any other formal notice or announcement published by our Company on the Stock Exchange in connection with the Global Offering; or

(ix) any experts referred to as such in this prospectus withdraws or is subject to withdraw its consent (other than the withdrawal of consent by the Sole Sponsor without a reason) to being named in this prospectus or the Application Forms or to the issue of this prospectus or the Application Forms.

Undertakings by our Company to the Stock Exchange Pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our H Shares commence dealing on the Stock Exchange (whether or not such issue of H Shares or securities will be completed within six months from the commencement of dealing), except:

(a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering (including the Over-allotment Option).

Undertakings by Mr. Xiong Jun and Mr. Xiong Fengxiang

Each of Mr. Xiong Jun and Mr. Xiong Fengxiang has undertaken to the Stock Exchange that, save as approved by the Stock Exchange in writing or permitted under the Listing Rules otherwise, he shall not within the period commencing on the date by reference to which disclosure of his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those H Shares or other securities of our Company in respect of which any of them is shown by this prospectus to be the beneficial owner.

Undertakings by the Other Concert Parties

Each of the Other Concert Parties has undertaken to our Company that, he/it shall not, in the First Six-Month Period, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those H Shares or securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner.

Undertakings by Our Company Pursuant to the Hong Kong Underwriting Agreement

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the First Six-Month Period, we have undertaken to each of the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters not to, without the prior written consent of the Lead Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (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 H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any H Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing (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 H Shares or other equity securities of our Company, as applicable, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of H Shares or other equity securities of our Company, as applicable, or in cash or otherwise (whether or not the issue of such H Shares or other shares or securities will be completed within the First Six-month Period). For the avoidance of doubt, nothing in this paragraph shall be construed as preventing us from issuing Shares during the First Six-Month Period pursuant to the terms of the Pre-IPO Options, the Share Incentive Agreements and/or the 2018 Convertible Bonds or transactions contemplated under the Pre-IPO Options, the Share Incentive Agreements and/or the 2018 Convertible Bonds provided that such issuance is in compliance with the requirements of the Listing Rules.

In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), we enter into any of the transactions specified in (a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction, we shall take all reasonable steps to ensure that it will not create a disorderly or false market in our securities.

Undertakings by Mr. Xiong Jun and Mr. Xiong Fengxiang Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, each of Mr. Xiong Jun and Mr. Xiong Fengxiang has undertaken to each of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Lead Global Coordinator (for itself and on behalf of the Hong Kong Underwriters and the Joint Bookrunners) and unless in compliance with the requirements of the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

(a) he will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or other securities of our 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 H Shares or other securities of our Company or any interest in any of the foregoing), or deposit any H Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any H Shares or other securities of our 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 H Shares or other securities of our Company or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (a)(i) or (a)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified

in (a)(i), (a)(ii) or (a)(iii) of this paragraph, in each case, whether any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph is to be settled by delivery of H Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such H Shares or other securities will be completed within the First Six-Month Period); and

(b) until the expiry of the Second Six-Month Period, in the event that he enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) of the above paragraph or offers to or agrees to or announces any intention to effect any such transaction, he will take all reasonable steps to ensure that he will not create a disorderly or false market in the securities of our Company.

Each of our Company, Mr. Xiong Jun and Mr. Xiong Fengxiang has agreed to jointly and severally indemnify the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Commission and Expenses

According to the Hong Kong Underwriting Agreement, our Company will pay the Lead Global Coordinators (on behalf of the Hong Kong Underwriters and the Joint Bookrunners) an underwriting commission of 2% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares (excluding any Hong Kong Offer Shares reallocated to and from the Hong Kong Public Offering pursuant to the Hong Kong Underwriting Agreement). For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, if any, our Company will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). Our Company may at our sole and absolute discretion elect to pay to the Joint Global Coordinators for their respective accounts an incentive fee up to 1% of the Offer Price for each Hong Kong Offer Share.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$138.07 million (assuming an Offer Price of HK$19.88 per Offer Share, being the mid-point of our Offering Price range of HK$19.38 to HK$20.38), are payable and borne by our Company.

We have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Save for their obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and saved as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any H Shares or securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any H Shares or securities in our Company or any other member of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Placing

In connection with the International Placing, it is expected that our Company will enter into the International Underwriting Agreement with the Joint Global Coordinators (on behalf of the International Underwriters) on or about December 17, 2018. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to procure subscribers or purchasers for the International Placing Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Placing Shares which are not taken up under the International Placing. Please refer to the section headed "Structure of the Global Offering – The International Placing" in this prospectus for details.

Our Company expects to grant to the International Underwriters, exercisable by the Lead Global Coordinator (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 23,836,500 additional H Shares, representing 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Placing, to, among other things, cover over-allocations in the International Placing, if any. It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales 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 authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 15,892,000 H Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" in this section; and

(b) the International Placing of an aggregate of initially 143,018,000 H Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both.

The number of Hong Kong Offer Shares and International Placing Shares to be offered under the Hong Kong Public Offering and the International Placing respectively may be subject to reallocation as described in the paragraph headed "– Pricing and Allocation" in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of H Shares Initially Offered

We are initially offering 15,892,000 Hong Kong Offer Shares at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Placing, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.09% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that 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 and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of H 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 would 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.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided equally into two pools (subject to adjustment of odd lot size) for allocation purposes: 7,946,000 Hong Kong Offer Shares for pool A and 7,946,000 Hong Kong Offer Shares for pool B.

- Pool A: 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 a total subscription price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

- Pool B: 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 a total subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 7,946,000 Hong Kong Offer Shares will be rejected.

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 Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents:

- 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 47,672,000 H Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.

- 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 63,564,000 H Shares, representing 40% of the Offer Shares initially available under the Global Offering.

- 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 79,454,000 H Shares, representing approximately 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Lead Global Coordinator. If such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, in accordance with Guidance Letter HKEX-GL91-18, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering will be 31,784,000 H Shares, representing double of the initial allocation to the Hong Kong Public Offering, and the final Offer Price shall be fixed at the low-end of the indicative offer price range (that is, HK$19.38 per Offer Share) stated in this prospectus.

Applications

Each applicant under the Hong Kong Public Offering will also 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 in, and will not apply for or take up, or indicate an interest in, any International Placing Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares under the International Placing.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$20.38 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "– Pricing and Allocation" in this section, is less than the maximum price of HK$20.38 per Offer Share, appropriate refund payments (including the brokerage, 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 below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL PLACING OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Placing will be 143,018,000 H Shares (subject to reallocation and the Over-allotment Option), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Placing will represent approximately 18.81% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Placing will include selective marketing of Offer Shares to certain professional and institutional 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 offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "– Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, 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, and/or hold or sell, Offer Shares, after the listing of our Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Lead Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Lead Global Coordinator 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 application 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 Placing may change as a result of the clawback arrangement described in the paragraph headed "– The Hong Kong Public Offering – Allocation" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "– Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Placing to the Hong Kong Public Offering at the discretion of the Lead Global Coordinator.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Lead Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Lead Global Coordinator on behalf of the International Underwriters at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 23,836,500 additional Offer Shares, representing approximately 15% of the maximum number of the initial Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing, to cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional International Placing Shares to be issued pursuant thereto will represent approximately 3.04% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of our H Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist

of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our H Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of H Shares that may be sold under the Over-allotment Option, namely, 23,836,500 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the H Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price of the H Shares;

(e) selling or agreeing to sell any of our H Shares in order to liquidate any position held as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in our H Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our H Shares;
- no stabilizing action can be taken to support the price of our H Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our H Shares, and therefore the price of our H Shares, could fall;
- the price of our H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing 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.

As a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the H Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the H Shares for longer than the stabilizing period, which begins on the day on which trading of the H Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on January 13, 2019. As a result, demand for the H Shares and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market share of the H Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the H Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or

below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing 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 around, the last day for lodging applications under the Hong Kong Public Offering.

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 around Monday, December 17, 2018 and in any event no later than Friday, December 21, 2018, by agreement between the Lead Global Coordinator, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Lead Global Coordinator, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK$20.38 per Offer Share and is expected to be not less than HK$19.38 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$20.38 per Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK$20.38, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Lead Global Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Friday, December 21, 2018, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Lead Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as 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 case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is 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 website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.junshipharma.com**, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Lead Global Coordinator, for itself and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. 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 the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, where appropriate, extend the period under which the Hong Kong Public Offering was open for acceptance, and give potential investors who had applied for the Offer Shares the right to withdraw their applications. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Lead Global Coordinator, for itself and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

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 indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Lead Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.junshipharma.com**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Lead Global Coordinator, for itself and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on or around the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Global Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Lead Global Coordinator (for itself and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Lead Global Coordinator, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no 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 our Company and the Lead Global Coordinator (for itself and on behalf of the Underwriters) on or before December 21, 2018, the Global Offering will not proceed and will lapse immediately.

The completion of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates 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 our Company in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.junshipharma.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – Refund of Application Monies". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangement and Expenses – Hong Kong Public Offering" has not been exercised.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and our 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 participants of the Stock Exchange 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.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, December 24, 2018, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, December 24, 2018. The H Shares will be traded in board lots of 1,000 H Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at **www.hkeipo.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 Lead Global Coordinator, the **HK eIPO White Form** 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 the 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, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) 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 authorized 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 Lead Global Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

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 **www.hkeipo.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 copy of this prospectus during normal business hours between 9:00 a.m. on Tuesday, December 11, 2018, until 12:00 noon on Friday, December 14, 2018, from:

(i) the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited	29/F One International Finance Centre, 1 Harbor View Street, Central, Hong Kong

Credit Suisse (Hong Kong) Limited	Level 88 International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Fosun Hani Securities Limited	Suite 2101-2105 21/F Champion Tower 3 Garden Road Central Hong Kong
China Securities (International) Corporate Finance Company Limited	18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Caitong International Securities Company Limited	Unit 2401-03, 24/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong

(ii) any of the branches of the following receiving bank:

CMB Wing Lung Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
	Central Branch	189 Des Voeux Road Central
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon	Mongkok Branch	B/F, CMB Wing Lung Bank Centre, 636 Nathan Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Tuesday, December 11, 2018, until 12:00 noon on Friday, December 14, 2018, from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from 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 "CMB Wing Lung (Nominees) Limited – Shanghai Junshi Biosciences Co., Ltd. Public 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:

Tuesday, December 11, 2018	**9:00 a.m. to 5:00 p.m.**
Wednesday, December 12, 2018	**9:00 a.m. to 5:00 p.m.**
Thursday, December 13, 2018	**9:00 a.m. to 5:00 p.m.**
Friday, December 14, 2018	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, December 14, 2018, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" below in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Lead Global Coordinator (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;

(ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) 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;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained 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;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) 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 Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to the Company, our H Share Registrar, receiving bank, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) 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 none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law 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 contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) 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;

(xvii) understand that the Company, the Sole Sponsor and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (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 to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) 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 (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are 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 authorize the **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** Service Provider at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, December 11, 2018, until 11:30 a.m. on Friday, December 14, 2018, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 14, 2018, or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Applications Lists" below in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** 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).

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 Center
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 this 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 authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our 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:

(i) 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;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued 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, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (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 authorized to give those instructions as their agent;

- confirm that you understand that the Company, the Directors, the Sole Sponsor and the Lead Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us 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/or 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, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our H Share Registrar, receiving bank, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its/their respective advisers and agents;

- 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 before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us 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 before the fifth day after the time of the opening of the application lists (excluding any day which is 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 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) if a person responsible for this prospectus under Section 40 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 Company's announcement of the Hong Kong Public Offering results;

- 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 of the Company (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 itself and on behalf of each shareholder of the Company, with each CCASS Participant giving electronic application instructions) to observe and comply with the Company Law, the Special Regulations on Listing Overseas and the Articles of Association of the Company;

- 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; and

- 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

- 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 itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; 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 shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized 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 authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized 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 number of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 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(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Tuesday, December 11, 2018	**9:00 a.m. to 8:30 p.m.**
Wednesday, December 12, 2018	**8:00 a.m. to 8:30 p.m.**
Thursday, December 13, 2018	**8:00 a.m. to 8:30 p.m.**
Friday, December 14, 2018	**8:00 a.m. to 12:00 noon**

Note:

(1) These times 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 Tuesday, December 11, 2018, until 12:00 noon on Friday, December 14, 2018, (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, December 14, 2018, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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 shall 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 bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the 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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted 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 in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, December 14, 2018.

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.

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 **HK eIPO White Form** 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 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum number of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 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.hkeipo.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 are 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, please see the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 14, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, December 14, 2018, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on or before Friday, December 21, 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the Company's website at **www.junshipharma.com** and the website of 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 date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.junshipharma.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, December 21, 2018;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Friday, December 21, 2018, to 12:00 midnight on Saturday, December 29, 2018;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Friday, December 21, 2018 to Friday, December 28, 2018 (excluding Saturday, Sunday, and Hong Kong Public Holiday);

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, December 21, 2018 to Thursday, December 27, 2018 at all the receiving bank branches and sub-branches.

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 contained in the section headed "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.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, 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 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 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.

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.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Lead Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application 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.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying 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 Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;

- the Company or the Lead Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. 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 of HK$20.38 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the 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 Friday, December 21, 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted 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).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, 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:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor 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 per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee 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(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, December 21, 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, December 24, 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 21, 2018, or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, December 21, 2018 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, 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 on the relevant Application Form on or before Friday, December 21, 2018 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 the designated CCASS Participant's stock account as stated in your Application Form on Friday, December 21, 2018, or upon 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 CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

  The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the section headed "11. 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 Friday, December 21, 2018 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 CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the H Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, December 21, 2018, or such other date as notified by the Company in the announcement published by the Company as the date of dispatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, December 21, 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

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 Friday, December 21, 2018 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 number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Friday, December 21, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, December 21, 2018, 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 allotted 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 allotted 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 Friday, December 21, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of 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 the 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 Friday, December 21, 2018.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply 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 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 arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-74, received from Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 上海君實生物醫藥科技股份有限公司 SHANGHAI JUNSHI BIOSCIENCES CO., LTD.* AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of 上海君實生物醫藥科技股份有限公司 Shanghai Junshi Biosciences Co., Ltd.* (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-74, which comprises the consolidated statements of financial position of the Group at December 31, 2016 and 2017 and June 30, 2018, the statements of financial position of the Company at December 31, 2016 and 2017 and June 30, 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the two years ended December 31, 2017 and the six months ended June 30, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 11, 2018 (the "Prospectus") in connection with the initial listing of H 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 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 to the Historical Financial Information, and for such internal control as the directors of the Company 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 (the "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.

* *For identification purpose only*

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 the preparation set out in Note 2 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 of the Company, 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 Group's financial position at December 31, 2016 and 2017 and June 30, 2018, the Company's financial position at December 31, 2016 and 2017 and June 30, 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six months ended June 30, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 Stub Period Comparative Financial Information, for the purpose of accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 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 preparation of 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 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 11, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, certified public accountants registered in the People's Republic of China (the "PRC"), in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31,		Six months ended June 30,	
	NOTES	**2016**	**2017**	**2017**	**2018**
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations					
Revenue	*6*	3,757	1,148	1,148	–
Cost of sales		(986)	(446)	(446)	–
Gross profit		2,771	702	702	–
Other income	*7*	16,409	52,342	1,776	2,635
Other gains and losses	*8*	15,140	(24,599)	(10,591)	(4,829)
Impairment loss, net of reversal		(808)	(165)	(165)	(615)
Research and development expenses		(122,001)	(275,303)	(116,567)	(217,778)
Administrative expenses		(42,760)	(73,752)	(30,522)	(49,792)
Share of profit (loss) of a joint venture		–	31	(1)	(3)
Other operating expenses		–	–	–	(156)
Finance costs	*9*	–	–	–	(2,439)
Loss before tax	*10*	(131,249)	(320,744)	(155,368)	(272,977)
Income tax (expense) credit	*11*	(241)	(58)	859	70
Loss for the year/period from continuing operations		(131,490)	(320,802)	(154,509)	(272,907)
Discontinued operations					
(Loss) profit for the year/period from discontinued operations	*33*	(477)	(269)	(37)	147
Loss for the year/period		(131,967)	(321,071)	(154,546)	(272,760)
Other comprehensive income (expense)					
Items that may be reclassified subsequently to profit or loss:					
Exchange difference arising on translation of foreign operations		3,738	(5,480)	(2,085)	4,886
Fair value (loss) gain on investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")		(438)	(364)	(65)	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI		–	–	–	262
Other comprehensive income (expense) for the year/period		3,300	(5,844)	(2,150)	5,375
Total comprehensive expense for the year/period		(128,667)	(326,915)	(156,696)	(267,385)

	NOTE	Year ended December 31, 2016	Year ended December 31, 2017	Six months ended June 30, 2017	Six months ended June 30, 2018
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
(Loss) profit for the year/period attributable to Owners of the Company:					
– from continuing operations		(130,734)	(320,683)	(154,397)	(272,875)
– from discontinued operations		(286)	(161)	(22)	89
Loss for the year/period attributable to owners of the Company		(131,020)	(320,844)	(154,419)	(272,786)
(Loss) profit for the year/period attributable to non-controlling interests:					
– from continuing operations		(756)	(119)	(112)	(32)
– from discontinued operations		(191)	(108)	(15)	58
(Loss) profit for the year/period attributable to non-controlling interests		(947)	(227)	(127)	26
		(131,967)	(321,071)	(154,546)	(272,760)
Total comprehensive (expense) income for the year/period attributable to:					
Owners of the Company		(127,720)	(326,688)	(156,569)	(267,411)
Non-controlling interests		(947)	(227)	(127)	26
		(128,667)	(326,915)	(156,696)	(267,385)
Loss per share					
From continuing and discontinued operations	*12*				
Basic (RMB yuan)		(0.26)	(0.55)	(0.27)	(0.46)
Diluted (RMB yuan)		N/A	N/A	N/A	(0.46)
From continuing operations					
Basic (RMB yuan)		(0.26)	(0.55)	(0.27)	(0.46)
Diluted (RMB yuan)		N/A	N/A	N/A	(0.46)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2016	At December 31, 2017	At June 30, 2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*15*	168,549	359,626	520,533
Prepaid lease payments	*16*	3,210	69,553	67,771
Goodwill	*17*	1,519	1,519	–
Other intangible assets	*18*	–	266	230
Interest in a joint venture	*19*	1,000	1,031	1,028
Deferred tax assets	*29*	170	139	145
Other assets, prepayments and other receivables	*22*	170,560	272,246	309,060
Other financial assets	*23*	217,217	–	15,000
Debt instrument measured at FVTOCI	*23*	4,687	4,323	–
Pledged bank deposits	*24*	37,210	–	–
		604,122	708,703	913,767
Current assets				
Inventories	*20*	7,086	30,603	46,887
Trade receivables	*21*	514	220	–
Other assets, prepayments and other receivables	*22*	48,402	39,490	101,313
Other financial assets	*23*	373,469	147,434	84,179
Pledged bank deposits	*24*	4,050	26,961	–
Bank balances and cash	*24*	111,387	266,298	391,919
		544,908	511,006	624,298
Current liabilities				
Trade and other payables	*25*	18,376	41,499	108,464
Contract liabilities	*25A*	566	646	–
Borrowings	*26*	–	–	20,086
Tax payables		20	381	–
Other financial liabilities	*23*	–	16,034	–
		18,962	58,560	128,550
Net current assets		525,946	452,446	495,748
Total assets less current liabilities		1,130,068	1,161,149	1,409,515
Non-current liabilities				
Convertible loan notes	*27*	–	–	209,601
Deferred income	*28*	3,062	41,815	46,117
Deferred tax liabilities	*29*	391	–	–
		3,453	41,815	255,718
Net Assets		1,126,615	1,119,334	1,153,797
Capital and reserves				
Share capital	*30*	550,000	584,750	601,400
Reserves		577,562	535,758	553,545
Equity attributable to owners of the Company		1,127,562	1,120,508	1,154,945
Non-controlling interests		(947)	(1,174)	(1,148)
Total equity		1,126,615	1,119,334	1,153,797

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31, 2016	At December 31, 2017	At June 30, 2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	*15*	15,865	19,815	20,374
Investments in subsidiaries	*39*	304,820	533,191	1,121,598
Interest in a joint venture	*19*	1,000	1,031	1,028
Amounts due from subsidiaries	*40*	265,000	487,000	134,686
Other assets, prepayments and other receivables	*22*	6,462	15,415	12,977
Other financial assets	*23*	215,974	–	15,000
Debt instrument measured at FVTOCI	*23*	4,687	4,323	–
Pledged bank deposits	*24*	24,360	–	–
		838,168	1,060,775	1,305,663
Current assets				
Inventories	*20*	–	466	11,646
Other assets, prepayments and other receivables	*22*	9,906	10,320	68,033
Amounts due from subsidiaries	*40*	37,538	3,751	3,281
Other financial assets	*23*	373,097	102,394	76,639
Pledged bank deposits	*24*	3,000	26,533	–
Bank balances and cash	*24*	12,806	91,124	146,353
		436,347	234,588	305,952
Current liabilities				
Trade and other payables	*25*	5,172	12,619	63,532
Borrowings	*26*	–	–	20,086
Other financial liabilities	*23*	–	16,034	–
		5,172	28,653	83,618
Net current assets		431,175	205,935	222,334
Total assets less current liabilities		1,269,343	1,266,710	1,527,997
Non-current liabilities				
Convertible loan notes	*27*	–	–	209,601
Deferred income	*28*	–	8,349	12,846
		–	8,349	222,447
Net assets		1,269,343	1,258,361	1,305,550
Capital and reserves				
Share capital	*30*	550,000	584,750	601,400
Reserves	*31*	719,343	673,611	704,150
Total equity		1,269,343	1,258,361	1,305,550

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Translation reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	27,562	645,967	–	313	461	(67,015)	607,288	–	607,288
Loss for the year	–	–	–	–	–	(131,020)	(131,020)	(947)	(131,967)
Exchange differences on translating foreign operations	–	–	–	–	3,738	–	3,738	–	3,738
Fair value loss on investments measured at FVTOCI	–	–	–	(438)	–	–	(438)	–	(438)
Total comprehensive (expense) income for the year	–	–	–	(438)	3,738	(131,020)	(127,720)	(947)	(128,667)
Share premium transfer to capital	413,438	(413,438)	–	–	–	–	–	–	–
Ordinary shares issued	109,000	539,692	–	–	–	–	648,692	–	648,692
Transaction costs attributable to issue of new ordinary shares	–	(698)	–	–	–	–	(698)	–	(698)
At December 31, 2016	550,000	771,523	–	(125)	4,199	(198,035)	1,127,562	(947)	1,126,615
Loss for the year	–	–	–	–	–	(320,844)	(320,844)	(227)	(321,071)
Exchange differences on translating foreign operations	–	–	–	–	(5,480)	–	(5,480)	–	(5,480)
Fair value loss on investments measured at FVTOCI	–	–	–	(364)	–	–	(364)	–	(364)
Total comprehensive expense for the year	–	–	–	(364)	(5,480)	(320,844)	(326,688)	(227)	(326,915)
Ordinary shares issued	34,750	284,950	–	–	–	–	319,700	–	319,700
Transaction costs attributable to issue of new ordinary shares	–	(66)	–	–	–	–	(66)	–	(66)
At December 31, 2017	584,750	1,056,407	–	(489)	(1,281)	(518,879)	1,120,508	(1,174)	1,119,334

	Share capital	Share premium	Share option reserve	Investment revaluation reserve	Translation reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018	584,750	1,056,407	–	(489)	(1,281)	(518,879)	1,120,508	(1,174)	1,119,334
(Loss) profit for the period	–	–	–	–	–	(272,786)	(272,786)	26	(272,760)
Exchange differences on translating foreign operations	–	–	–	–	4,886	–	4,886	–	4.886
Fair value gain on investments measured at FVTOCI	–	–	–	227	–	–	227	–	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI	–	–	–	262	–	–	262	–	262
Total comprehensive income (expense) for the period	–	–	–	489	4,886	(272,786)	(267,411)	26	(267,385)
Ordinary shares issued	16,650	283,050	–	–	–	–	299,700	–	299,700
Transaction costs attributable to issue of new ordinary shares	–	(1,745)	–	–	–	–	(1,745)	–	(1,745)
Recognition of equity-settled share-based payment	–	–	3,893	–	–	–	3,893	–	3,893
At June 30, 2018	601,400	1,337,712	3,893	–	3,605	(791,665)	1,154,945	(1,148)	1,153,797
At January 1, 2017	550,000	771,523	–	(125)	4,199	(198,035)	1,127,562	(947)	1,126,615
Loss for the period (unaudited)	–	–	–	–	–	(154,419)	(154,419)	(127)	(154,546)
Exchange differences on translating foreign operations (unaudited)	–	–	–	–	(2,085)	–	(2,085)	–	(2,085)
Fair value loss on investments measured at FVTOCI (unaudited)	–	–	–	(65)	–	–	(65)	–	(65)
Total comprehensive expense for the period (unaudited)	–	–	–	(65)	(2,085)	(154,419)	(156,569)	(127)	(156,696)
Ordinary shares issued (unaudited)	34,750	284,950	–	–	–	–	319,700	–	319,700
Transaction costs attributable to issue of new ordinary shares (unaudited)	–	(66)	–	–	–	–	(66)	–	(66)
At June 30, 2017 (unaudited)	584,750	1,056,407	–	(190)	2,114	(352,454)	1,290,627	(1,074)	1,289,553

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
OPERATING ACTIVITIES				
(Loss) profit before tax				
– continuing operations	(131,249)	(320,744)	(155,368)	(272,977)
– discontinued operations	(477)	(269)	(37)	147
	(131,726)	(321,013)	(155,405)	(272,830)
Adjustments for:				
Bank interest income	(2,729)	(2,308)	(1,486)	(1,615)
Income received from a partner of a joint operation	–	(36,571)	–	–
Finance costs	38	–	–	2,439
Government grants income	(11,647)	(2,597)	(290)	(1,020)
Net (gains) losses from changes in fair value of financial instruments designated as at FVTPL and investment income from debt investments	(15,140)	24,599	10,591	2,948
Net losses from changes in fair value of convertible loan notes	–	–	–	1,881
Depreciation of property, plant and equipment	8,588	14,723	5,844	14,689
Amortisation of prepaid lease payments	68	3,563	1,787	34
Amortisation of other intangible assets	–	33	17	36
Impairment loss recognised on trade and other receivables	842	165	195	631
Impairment loss reversal on trade receivables	–	(14)	–	–
Gains on disposal of a subsidiary	–	–	–	(441)
Share-based payment expenses	–	–	–	3,893
Share of (profit) loss of a joint venture	–	(31)	1	3
Operating cash flows before movements in working capital	(151,706)	(319,451)	(138,746)	(249,352)
Increase in inventories	(4,311)	(23,517)	(14,933)	(17,382)
Increase in trade and other receivables	(45,166)	(36,679)	(15,229)	(55,648)
Increase (decrease) in trade and other payables	8,731	17,606	(1,131)	53,610
Increase in contract liabilities	566	80	482	141
Increase in deferred income	6,679	14,942	1,630	5,322
Cash used in operations	(185,207)	(347,019)	(167,927)	(263,309)
Income tax paid	–	(57)	–	(317)
NET CASH USED IN OPERATING ACTIVITIES	(185,207)	(347,076)	(167,927)	(263,626)

	NOTE	Year ended December 31, 2016	2017	Six months ended June 30, 2017	2018
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
INVESTING ACTIVITIES					
Interest received		2,729	2,308	1,486	1,615
Payments for property, plant and equipment		(199,789)	(263,721)	(51,458)	(189,714)
Payments for prepaid lease payment		–	(69,906)	(69,906)	–
Payments for other intangible assets		–	(299)	(99)	–
Acquisition of other financial assets		(1,148,825)	(1,176,000)	(766,000)	(379,000)
Deposits (paid) refunded for leasehold interest in land		(13,574)	8,159	–	–
Placement of pledged deposits		(41,260)	(29,986)	–	–
Withdraw of pledged deposits		–	44,285	–	26,961
Capital injection into a joint venture		(1,000)	–	–	–
Acquisition of a subsidiary		(585)	–	–	–
Repayment from a joint operation		–	–	–	8,446
Advance to a joint operation		–	(794)	–	(10,969)
Net cash outflow on disposal a subsidiary	*33*	–	–	–	(746)
Disposal of other financial assets		683,687	1,610,346	814,280	408,416
Interest income from debt instrument measured at FVTOCI		341	341	341	341
Disposal of debt instrument measured at FVTOCI		–	–	–	4,550
Reimbursement from a joint operation for shared research and development expenses		–	36,571	–	–
Receipt of government grants		1,100	26,408	–	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(717,176)	187,712	(71,356)	(130,100)
FINANCING ACTIVITIES					
Proceeds on issue of convertible loan notes		–	–	–	200,000
Payments for transaction costs for the issue of convertible loan notes		–	–	–	(1,981)
Proceeds on issue of shares		648,692	319,700	319,700	299,700
Payments for transaction costs for the issue of new domestic ordinary shares		(1,368)	(66)	(66)	(1,745)
Payments for transaction costs for the issue of new H Shares		–	–	–	(1,113)
Proceeds from borrowings		–	–	–	20,000
Interests paid		(38)	–	–	(372)
Repayments of borrowings		(1,000)	–	–	–
NET CASH FROM FINANCING ACTIVITIES		646,286	319,634	319,634	514,489
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(256,097)	160,270	80,351	120,763
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		363,928	111,387	111,387	266,298
Effect of foreign exchange rate changes		3,556	(5,359)	(1,897)	4,858
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD		111,387	266,298	189,841	391,919

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was established in the People's Republic of China (the "PRC") on December 27, 2012 and converted into a joint stock company with limited liability in May 2015. In August 2015, the Company was listed on the National Equities Exchange and Quotations ("NEEQ") (stock code 833330). The respective address of the registered office and principal place of business of the Company are stated at the "Corporate Information" section of the Prospectus.

The principal activities of the Company and its subsidiaries ("the Group") are mainly discovery, development and commercialisation of innovative drugs. During 2018, the Group disposed of its sale of biological reagent segment as disclosed in Note 33.

The functional currency of the Company is Renminbi ("RMB"), which is the same as the presentation currency of the Historical Financial Information.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRSs issued by the IASB.

The statutory financial statements of the Company for the years ended December 31, 2016 and 2017 were prepared in accordance with PRC generally accepted accounting practice and were audited by Huapu Tianjian Certified Public Accountants (華普天健會計師事務所), a certified public accountant registered in the PRC.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the IFRSs (including IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*), which are effective for the Group's accounting period beginning on January 1, 2018 throughout the Track Record Period.

In addition, the Group has applied Amendments to IFRS 9 Prepayment Feature with Negative Compensation in advance of the effective date, i.e. January 1, 2019.

At the date of this report, the following new and amendments to IFRSs and interpretation have been issued but not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after January 1, 2019

[2] Effective for annual periods beginning on or after a date to be determined

[3] Effective for annual periods beginning on or after January 1, 2021

[4] Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[5] Effective for annual periods beginning on or after January 1, 2020

Except as described below, the directors of the Company anticipate that the application of all the other new and amendments to IFRSs and interpretation will have no material impact on the Group's financial performance and position and/or on the disclosures to the Group's future financial statements.

IFRS 16 *Leases*

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows respectively by the Group.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

At June 30, 2018, the Group has non-cancellable operating lease commitments of approximately RMB14,031,000 as disclosed in Note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB6,228,000 as at June 30, 2018 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company assessed that such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in a significant impact on the financial performance of the Group upon adoption of IFRS 16.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and complied with the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment,* leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains controls until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating units (or groups of cash-generating units), the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

The Group's policy for goodwill arising on acquisition of a joint venture is described below.

Investments in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. In case that the joint venture uses accounting policies that differ from those of the Group for like transactions and events in similar circumstances, appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 28 are applied to assess whether there are objective evidence that the Group's investment in a joint venture may be impaired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with a joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position at cost less any identified impairment losses.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

The Group recognises revenue from the following major sources:

(a) Sales of goods

Revenue is recognised when control of the goods has been transferred, being when the goods have been delivered to the customer's specific location. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. A contract liability represents the Group's obligation to transfer goods to a customer for which the Group has received consideration from the customer.

(b) Consultancy service fee income

The Group primarily earns revenues by providing consulting and researching services to its customers through fee-for-service contracts. Contracts duration ranges from a few weeks to months. A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. Upfront payments received by the Group is initially recognised as a contract liability.

Revenue is recognised at a point of time when performance obligation is completed and has a present right to payment for the services performed.

The Group incurs costs to fulfil a contract in its consulting services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expenses on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) is allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss for the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefits costs

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the plans. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from "loss before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred taxes are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognised in other comprehensive income as directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress as described below are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties under construction for production purpose or equipment under installation are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or equipment and capitalised borrowing costs on related borrowed funds during the period of construction of properties. Properties under construction or equipment under installation are reclassified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are in the location and condition necessary for them to be capable of operating in the manner intended by management.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amortisation of prepaid lease payments provided during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognised if, and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories (including raw materials acquired for usage in development activities and finished goods acquired for resell) are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents estimated selling price for inventories less estimated costs necessary to make the sale. Trial batches manufactured prior to regulatory approval (including raw materials cost) is charged to development expenses when they are produced.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- 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.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- 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.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Debt instruments classified as at FVTOCI

Corporate bond held by the Group is classified as at FVTOCI. The listed corporate bond is initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of the corporate bonds as a result of foreign exchange gains and losses, impairment gains or losses and interest income calculated using the effective interest method are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bond are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Financial assets at FVTPL

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item;

- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve; and

- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

Financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of accounts receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for finance lease receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to twelve-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as at FVTPL.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the 'other gains and losses' line item.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Convertible loan notes

A conversion option that will be settled other than by exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative. The Group designated the convertible loan notes as at FVTPL upon initial recognition because the convertible loan notes contract contains one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL (see the accounting policy above).

Transaction costs relating to the issue of the convertible loan notes are recognised immediately in profit or loss.

The Group issued the convertible loan notes for specific purpose for construction of a new biologics manufacturing facility. Therefore, the effective interest relating to the debt component of the convertible loan notes is eligible for capitalisation and is deducted from the fair value changes of convertible loan notes designated at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not designated as at FVTPL are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss in the 'other gains and losses' line item for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks. Further details of derivative instruments are disclosed in Note 23.

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are 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, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Management will assess the progress of each of the research and development projects and determine the criteria met for capitalisation. All development expenses were expensed when incurred during the Track Record Period.

Key sources of estimation uncertainty

The key assumption concerning the future, and other key sources of estimation of uncertainty at the end of the Track Record Period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the coming twelve months are described below.

Useful lives and estimated impairment on property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is reference to useful lives of property, plant and equipment of similar nature and functions in the industry. Management will increase the depreciation charge where useful lives are expected to be shorter than expected, or will write-off or write-down obsolete assets that have been abandoned or sold.

At December 31, 2016 and 2017, and June 30, 2018, the carrying amount of property, plant and equipment of the Group amounted to RMB168,549,000, RMB359,626,000 and RMB520,533,000 respectively.

Fair value of convertible loan notes designated at FVTPL

The Company has issued convertible loan notes to an investor during the Track Record Period as set out in Note 27. The Group designated the financial instrument as financial liabilities at FVTPL in which no quoted prices in an active market exist. The fair value of the financial instrument is established by using binomial options pricing model. Valuation techniques are certified by an independent and recognised international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company, and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL as at December 31, 2016, December 31, 2017 and June 30, 2018 is nil, nil and RMB209,601,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the year/period is as follows:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Consultancy service fee income – at a point in time	3,757	1,148	1,148	–

For continuing operation, the Group has been operating in one reporting segment, being the discovery, development and commercialisation of drugs. On April 25, 2018, the Group has entered into a contract to sell the equity interest in the subsidiary engaged in the sales of biologic reagent, details of which are set out in Note 33 and accordingly such operating segment has been presented as discontinued operations.

For the purpose of resources allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

Geographical information

Substantially all of the Group's revenue from external customers are located in the PRC. The Group's operations are located in the PRC and the United States of America (the "United States"). An analysis of the Group's non-current assets, excluding financial assets and deferred tax assets, by geographical location of the assets is detailed below:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
The PRC	338,763	698,475	893,082
The United States	4,456	4,173	5,540
	343,219	702,648	898,622

Non-current assets excluded those relating to discontinued operations located in the PRC and excluded non-current financial assets, and deferred tax assets.

Information about major customers

Revenue from customers in respect of the Track Record Period contributing over 10% of the total revenue of the Group is as follows:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Customer A	2,887	1,101	1,101	N/A[(1)]

(1) There was no revenue for six months ended June 30, 2018.

7. OTHER INCOME

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Interest income from bank and time deposit	2,729	2,308	1,486	1,615
Government grants *(Note a)*	13,680	2,614	290	1,020
Income received from collaboration agreements *(Note b)*	–	47,420	–	–
	16,409	52,342	1,776	2,635

Notes:

(a) Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognised as income over the useful life of the related assets; (ii) the incentive and other subsidies for research and development activities and (iii) other subsidies for listing on NEEQ, which are recognised upon meeting the attached conditions.

(b) On February 28, 2017, the Group entered into an agreement with Jiangsu T-mab Biopharma Co., Ltd (江蘇泰康生物醫藥有限公司) ("T-mab"), pursuant to which the Group provided T-mab with know-how and consulting services to build up a certificate of Good Manufacturing Practice ("cGMP") compliant facility. All performance obligations were completed in 2017 and therefore the Group recognised RMB10,849,000 as service income in 2017.

On August 28, 2017, the Group and T-mab entered into a co-development and commercialisation agreement (the "Collaboration Agreement") for UBP1211, a biosimilar the Group originally had sole ownership of patents and know-how. Under the terms of the Collaboration Agreement, the patents and know-how from the research and development of UBP1211 will be registered under the name of both parties while all future research and development costs and net profit from sales of UBP1211 upon successful commercialisation will be evenly shared between the Group and T-mab. The Group has joint control over the arrangement that unanimous consent is required from all parties to the agreement for relevant activities including clinical studies, manufacturing and marketing. As such, the Group accounted for the arrangement as joint operation. A non-refundable consideration of RMB36,571,000 received upon the signing of the Collaboration Agreement from T-mab on passing T-mab the right to access the know-how of UBP1211 was recognised in other income.

As part of the Collaboration Agreement, T-mab also granted the Group a loan commitment of RMB60,000,000 at the benchmark borrowing rate of the People's Bank of China plus 30% premium with expiration date of August 27, 2019. As at June 30, 2018, RMB20,000,000 of the loan commitment was utilised by the Group as set out in Note 26.

8. OTHER GAINS AND LOSSES

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Interest income from debt investment	341	341	170	119
Net losses on disposal of debt investment	–	–	–	(262)
Net gains (losses) from fair value changes of other financial assets measured at FVTPL	10,211	6,158	355	3,617
Net gains (losses) on fair value changes of foreign exchange forward contracts	4,588	(31,098)	(11,116)	(6,422)
Loss on fair value changes of convertible loan notes measured at FVTPL	–	–	–	(9,601)
Less: amounts included in the cost of properties under construction *(Note)*	–	–	–	7,720
	15,140	(24,599)	(10,591)	(4,829)

Note: The Company designated the convertible loan notes as a single financial liability which included debt instrument portion. As such, the fair value changes incorporated the effective interest of the convertible loan notes and the portion directly attributable to the construction of qualifying assets are eligible for capitalisation.

9. FINANCE COSTS

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Interest expense on short-term borrowings	–	–	–	(458)
Transaction costs on issuance of convertible loan notes	–	–	–	(1,981)
	–	–	–	(2,439)

10. LOSS BEFORE TAX

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax from continuing operations has been arrived at after charging:				
Auditor's remuneration	283	358	226	358
Amortisation for other intangible assets	–	33	17	36
Amortisation for prepaid lease payments	68	3,563	1,787	1,782
Less: amounts included in the cost of properties under construction	–	–	–	(1,748)
Depreciation for property, plant and equipment	8,580	14,697	5,834	14,680
Minimum operating lease payment in respect of rented premises	4,414	5,747	1,086	4,159
Staff costs (including directors' emoluments):				
– Salaries and other benefits	32,188	64,159	26,687	53,459
– Retirement benefit scheme contributions	2,798	5,676	2,349	5,474
– Share-based payment	–	–	–	3,893
Less: amounts included in the cost of properties under construction	–	(6,017)	(1,118)	(6,246)
	34,986	63,818	27,918	56,580

11. INCOME TAX EXPENSE (CREDIT)

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Current tax PRC Enterprise Income Tax ("EIT")	20	418	–	–
Overprovision in prior years in respect of PRC EIT	–	–	–	(64)
Deferred tax *(Note 29)*	221	(360)	(859)	(6)
Total income tax expense (credit) recognised in the current year/period	241	58	(859)	(70)

Under the law of the PRC Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25% during the Track Record Period.

During the years ended December 31, 2016 and 2017, the United States federal imposed progressive corporate income tax rates ranging from 15% to 35%. The US Tax Cuts and Jobs Act ("Act") was enacted into law on December 22, 2017. The Act includes significant changes to the US corporate income tax system that have become effective on January 1, 2018, including a reduction of the US corporate income tax rate to a flat rate of 21%.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US State Income tax rate of 8.84% for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018. No provision for taxation in United States has been made as TopAlliance Biosciences Inc. has no assessable profit for both periods.

The tax charge for the year/period can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Continuing operations				
Loss before tax	(131,249)	(320,744)	(155,368)	(272,977)
Tax charge at the PRC EIT rate of 25%	(32,812)	(80,186)	(38,842)	(68,244)
Tax effect of share of profit of a joint venture	–	8	–	(1)
Tax effect of expenses not deductible for tax purpose	942	2,776	1,196	747
Tax effect of research and development expenses that are additionally deducted *(Note)*	(4,992)	(20,953)	(8,811)	(18,490)
Utilisation of deductible temporary differences previously not recognised	(2,912)	(650)	(71)	(5,229)
Overprovision in prior years	–	–	–	(64)
Tax effect of tax losses not recognised	37,728	88,630	40,880	88,903
Tax effect on other deductible temporary differences not recognised	2,287	10,433	4,789	2,308
Income tax expense (credit) recognised in profit or loss	241	58	(859)	(70)

Note: Pursuant to Caishui [2015] circular No. 119, the Company and three subsidiaries Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd., Suzhou Junmeng Biosciences Co., Ltd. and Shanghai Junshi Biotechnology Co.,Ltd. enjoy super deduction of 150% on qualifying research and development expenditures throughout the Track Record Period.

12. LOSS PER SHARE

(a) Basic

For continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss for the year/period attributable to owners of the Company for the purpose of basic loss per share	(131,020)	(320,844)	(154,419)	(272,786)

Number of shares:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
			(unaudited)	
Weighted average number of ordinary shares for the purpose of basic loss per share	509,716,120	579,608,904	574,382,597	595,420,718

For continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	Year ended December 31,		Six months ended June 30,	
	2016	**2017**	**2017**	**2018**
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss for the year/period attributable to owners of the Company	(131,020)	(320,844)	(154,419)	(272,786)
Less: (Loss) profit for the year/period from discontinued operations attributable to owners of the Company	(286)	(161)	(22)	89
Loss for the year/period for the purpose of basic loss per share from continuing operations	(130,734)	(320,683)	(154,397)	(272,875)

From discontinued operations

Basic (loss)/earnings per share for the discontinued operations is RMB(0.06) cent per share, RMB(0.03) cent per share, RMB(0.004) cent per share (unaudited) and RMB0.01 cent per share for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively, based on the (loss)/profit for the year/period from the discontinued operations of RMB(286,000), RMB(161,000), RMB(22,000) (unaudited) and RMB89,000 for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2017 and 2018, respectively, and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

(b) Diluted

The Group issued the convertible loan notes during the six months ended June 30, 2018 as set out in Note 27. For the purpose of calculation of diluted loss per share, it did not assume the conversion of the convertible loan notes since their assumed conversion would result in a decrease in loss per share. The Group granted share options on May 14, 2018 as set out in Note 36. The computation of diluted loss per share for the six months ended June 30, 2018 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The Company does not have any dilutive potential ordinary shares outstanding during the years ended December 31, 2016 and 2017 and thus no diluted loss per share for the years ended December 31, 2016 and 2017 are presented.

13. DIRECTORS', CHIEF EXECUTIVE'S, SUPERVISORS' AND EMPLOYEES' EMOLUMENTS

Directors and supervisors

Details of the emoluments paid or payable to the directors and the chief executive and supervisors of the Company for the services provided to the Group during the Track Record Period are as follows:

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2016					
Executive directors					
Mr. Jun XIONG (熊俊) *(Note a)*	–	1,201	48	–	1,249
Dr. Bo CHEN (陳博) *(Note b)*	–	1,094	73	–	1,167
Dr. Hui FENG (馮輝)	–	1,381	77	–	1,458
Mr. Zhuobing ZHANG (張卓兵)	–	921	27	–	948
Dr. Hai WU (武海)	–	1,337	69	–	1,406
Dr. Sheng YAO (姚盛)	–	1,337	66	–	1,403
Ms. Yali DU (杜雅勵) *(Note c)*	–	–	12	–	12
Non-executive directors					
Mr. Yi TANG (湯毅)	–	–	–	–	–
Mr. Cong LI (李聰)	–	–	–	–	–
Mr. Qingqing YI (易清清)	–	–	–	–	–
Supervisors					
Mr. Miaoxin WANG (王妙新) *(Note e)*	–	728	5	–	733
Mr. Yucai GAO (高玉才)	–	356	5	–	361
Mr. Hongchuan LIU (劉洪川)	–	246	5	–	251
	–	8,601	387	–	8,988

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2017					
Executive directors					
Mr. Jun XIONG (熊俊) *(Note a)*	–	1,202	53	–	1,255
Dr. Hui FENG (馮輝)	–	1,950	91	–	2,041
Mr. Zhuobing ZHANG (張卓兵)	–	1,002	53	–	1,055
Dr. Hai WU (武海)	–	1,902	81	–	1,983
Dr. Sheng YAO (姚盛)	–	1,902	81	–	1,983
Non-executive directors					
Dr. Bo CHEN (陳博) *(Note c)*	–	–	11	–	11
Mr. Yi TANG (湯毅)	–	–	–	–	–
Mr. Cong LI (李聰)	–	–	–	–	–
Mr. Qingqing YI (易清清)	–	–	–	–	–
Supervisors					
Mr. Miaoxin WANG (王妙新) *(Note e)*	–	811	5	–	816
Mr. Yucai GAO (高玉才)	–	424	5	–	429
Mr. Hongchuan LIU (劉洪川)	–	364	5	–	369
	–	9,557	385	–	9,942

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2017 (unaudited)					
Executive directors					
Mr. Jun XIONG (熊俊) *(Note a)*	–	390	26	–	416
Dr. Hui FENG (馮輝)	–	677	46	–	723
Mr. Zhuobing ZHANG (張卓兵)	–	290	26	–	316
Dr. Hai WU (武海)	–	654	40	–	694
Dr. Sheng YAO (姚盛)	–	654	40	–	694
Non-executive directors					
Mr. Bo CHEN (陳博) *(Note c)*	–	–	6	–	6
Mr. Yi TANG (湯毅)	–	–	–	–	–
Mr. Cong LI (李聰)	–	–	–	–	–
Mr. Qingqing YI (易清清)	–	–	–	–	–
Supervisors					
Mr. Miaoxin WANG (王妙新) *(Note e)*	–	365	4	–	369
Mr. Yucai GAO (高玉才)	–	177	4	–	181
Mr. Hongchuan LIU (劉洪川)	–	140	4	–	144
	–	3,347	196	–	3,543

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2018					
Chief executive and executive director					
Dr. Ning LI (李寧) *(Note d)*	–	1,979	–	–	1,979
Executive directors					
Mr. Jun XIONG (熊俊) *(Note a)*	–	680	25	–	705
Dr. Hui FENG (馮輝)	–	669	55	–	724
Mr. Zhuobing ZHANG (張卓兵)	–	420	25	–	445
Dr. Hai WU (武海)	–	634	48	–	682
Dr. Sheng YAO (姚盛)	–	634	48	–	682
Non-executive directors					
Mr. Bo CHEN (陳博) *(Note b)*	–	–	6	–	6
Mr. Yi TANG (湯毅)	–	–	–	–	–
Mr. Cong LI (李聰)	–	–	–	–	–
Mr. Qingqing YI (易清清)	–	–	–	–	–
Supervisors					
Mr. Miaoxin WANG (王妙新) *(Note e)*	–	263	2	–	265
Mr. Yucai GAO (高玉才)	–	191	3	66	260
Mr. Hongchuan LIU (劉洪川)	–	167	3	80	250
Ms. Pingping WANG (王萍萍) *(Note f)*	–	–	–	–	–
Mr. Jiawei YAN (嚴佳煒) *(Note f)*	–	–	–	–	–
Mr. Yu WU (鄔煜) *(Note f)*	–	–	–	–	–
	–	5,637	215	146	5,998

Notes:

(a) Mr. Jun XIONG has been appointed as general manager (the role is equivalent to chief executive) of the Company in January 2016 and resigned in January 2018 but continued to serve as the chairman of the board of directors.

(b) Mr. Bo CHEN resigned as general manager of the Company in January 2016 but continued to serve as a director of the Company until June 26, 2018.

(c) Ms. Yali DU resigned as director and secretary of the board in December, 2016.

(d) Dr. Ning LI was appointed as chief executive of the Company in January 2018 and was appointed as a director of the Company in June 2018.

(e) Mr. Miaoxin WANG was appointed as a supervisor on March 27, 2015 and resigned in April 2018.

(f) Ms. Pingping WANG, Mr. Jiawei YAN and Mr. Yu WU were appointed as supervisors on June 24, 2018.

The executive directors' and supervisors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive emoluments shown above were for their services as directors of the Company.

Dr. Ning LI is the chief executive of the Company since January 2018 and his emoluments disclosed above included those services rendered by him as the chief executive.

No director of the Company has waived or agreed to waive any emoluments during the Track Record Period.

Employees

The five highest paid individuals of the Group included five, five, five (unaudited) and four directors, chief executive and supervisors of the Company for the years ended December 31, 2016 and 2017 and six months ended June 30, 2017 and 2018, respectively, details of their emoluments are set out above. The emoluments of the remaining nil, nil, nil (unaudited) and one individual for the years ended December 31, 2016 and 2017 and six months ended June 30, 2017 and 2018, respectively, are as follows:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and other benefits	–	–	–	1,080
Retirement benefit scheme contributions	–	–	–	25
	–	–	–	1,105

Emoluments of the five highest paid individuals were fell within the following bands:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
			(unaudited)	
Nil to HK$1,000,000	–	–	5	3
HK$1,000,001 to HK$1,500,000	2	2	–	1
HK$1,500,001 to HK$2,000,000	3	–	–	–
HK$2,000,001 to HK$2,500,000	–	3	–	1

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

No dividend was paid or declared by the Company during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Properties under construction	Equipment under installation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At January 1, 2016	–	33,498	24,965	4,315	279	40,132	21,191	124,380
Additions	2,670	9,110	3,855	3,368	821	11,548	31,944	63,316
Acquisition of a subsidiary *(Note 32)*	–	–	16	92	–	–	–	108
Exchange realignment	–	–	455	–	–	–	–	455
At December 31, 2016	2,670	42,608	29,291	7,775	1,100	51,680	53,135	188,259
Additions	–	14,054	10,021	6,494	258	60,948	114,276	206,051
Transfer	54,197	102,771	–	–	–	(54,197)	(102,771)	–
Exchange realignment	–	–	(454)	–	–	–	–	(454)
At December 31, 2017	56,867	159,433	38,858	14,269	1,358	58,431	64,640	393,856
Additions	–	1,906	9,441	4,718	1,600	146,979	10,974	175,618
Transfer	4,785	10,065	622	–	–	(4,785)	(10,687)	–
Disposal of a subsidiary *(Note 33)*	–	–	(16)	(120)	–	–	–	(136)
Exchange realignment	–	–	102	–	–	–	–	102
At June 30, 2018	61,652	171,404	49,007	18,867	2,958	200,625	64,927	569,440
DEPRECIATION								
At January 1, 2016	–	1,420	8,752	764	–	–	–	10,936
Provided for the year	–	2,707	4,720	957	204	–	–	8,588
Exchange realignment	–	–	186	–	–	–	–	186
At December 31, 2016	–	4,127	13,658	1,721	204	–	–	19,710
Provided for the year	738	5,795	5,606	2,023	561	–	–	14,723
Exchange realignment	–	–	(203)	–	–	–	–	(203)
At December 31, 2017	738	9,922	19,061	3,744	765	–	–	34,230
Provided for the period	1,397	7,775	3,679	1,552	286	–	–	14,689
Disposal of a subsidiary *(Note 33)*	–	–	(3)	(59)	–	–	–	(62)
Exchange realignment	–	–	50	–	–	–	–	50
At June 30, 2018	2,135	17,697	22,787	5,237	1,051	–	–	48,907
CARRYING VALUES								
At December 31, 2016	2,670	38,481	15,633	6,054	896	51,680	53,135	168,549
At December 31, 2017	56,129	149,511	19,797	10,525	593	58,431	64,640	359,626
At June 30, 2018	59,517	153,707	26,220	13,630	1,907	200,625	64,927	520,533

The Company

	Machinery	Furniture, fixtures and equipment	Transportation equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At January 1, 2016	803	9,654	4,288	–	14,745
Additions	6,443	31	2,605	–	9,079
At December 31, 2016	7,246	9,685	6,893	–	23,824
Additions	1,515	577	5,867	–	7,959
At December 31, 2017	8,761	10,262	12,760	–	31,783
Additions	–	1,043	1,180	827	3,050
At June 30, 2018	8,761	11,305	13,940	827	34,833
DEPRECIATION					
At January 1, 2016	56	4,312	753	–	5,121
Provided for the year	100	1,796	942	–	2,838
At December 31, 2016	156	6,108	1,695	–	7,959
Provided for the year	697	1,559	1,753	–	4,009
At December 31, 2017	853	7,667	3,448	–	11,968
Provided for the period	416	801	1,274	–	2,491
At June 30, 2018	1,269	8,468	4,722	–	14,459
CARRYING VALUES					
At December 31, 2016	7,090	3,577	5,198	–	15,865
At December 31, 2017	7,908	2,595	9,312	–	19,815
At June 30, 2018	7,492	2,837	9,218	827	20,374

The above items of property, plant and equipment except for properties under construction and equipment under installation are depreciated on a straight-line basis after taking into account of the residual value as follows:

Buildings situated on leasehold land in the PRC	4.75% per annum
Machinery	9.5% per annum
Furniture, fixtures and equipment	19.00% – 31.66% per annum
Transportation equipment	19.00% per annum
Leasehold improvement	33.33% – 50.00% per annum

16. PREPAID LEASE PAYMENTS

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
COST			
At the beginning of the year/period	3,415	3,415	73,321
Additions	–	69,906	–
At the end of the year/period	3,415	73,321	73,321
AMORTISATION			
At the beginning of the year/period	137	205	3,768
Provided for the year/period	68	3,563	1,782
At the end of the year/period	205	3,768	5,550
CARRYING VALUES			
At the end of the year/period	3,210	69,553	67,771

The Group's prepaid lease payments comprise leasehold interest in land situated in the PRC on medium term leases.

17. GOODWILL

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
COST			
At beginning of the year/period	–	1,519	1,519
Acquisition of a subsidiary *(Note 32)*	1,519	–	–
Disposal of a subsidiary *(Note 33)*	–	–	(1,519)
At the end of the year/period	1,519	1,519	–

Goodwill was arisen from the Group's acquisition of Beijing Xinjingke Biotechnology Co., Ltd. ("Xinjingke") in 2016, whose principal activity is trading of biological product and equipment. For the purpose of impairment testing, goodwill has been allocated to one cash-generating unit. During the Track Record Period, management of the Group determines that there is no impairment to the cash-generating unit containing goodwill. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 20% at December 31, 2016 and 2017. The cash flows beyond the 5-year period are extrapolated at a steady growth rate of 3% at December 31, 2016 and 2017. The management believes such growth rate does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, which include budgeted revenue, such estimation is based on its past performance and management's expectation for the market development. The management determines that any reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit containing such goodwill exceeds its recoverable amount.

18. OTHER INTANGIBLE ASSETS

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
COST			
At the beginning of the year/period	–	–	299
Additions	–	299	–
At the end of the year/period	–	299	299
AMORTISATION			
At the beginning of the year/period	–	–	33
Provided during the year/period	–	33	36
At the end of the year/period	–	33	69
CARRYING VALUES			
At the end of the year/period	–	266	230

Other intangible assets represent computer software acquired from third parties.

The above intangible assets have finite useful lives and are amortised on a straight-line basis as follows:

Computer software	20% – 33% per annum

19. INTEREST IN A JOINT VENTURE

The Group and the Company

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Cost of investment in a joint venture	1,000	1,000	1,000
Share of post-acquisition profits and other comprehensive income	–	31	28
	1,000	1,031	1,028

Details of the Group's interest in a joint venture are as follows:

				Proportion of ownership interest held by the Group			Proportion of voting rights held by the Group			
Name of entity	Form of entity	Country of establishment	Principal place of business	As at December 31, 2016	As at December 31, 2017	As at June 30, 2018	As at December 31, 2016	As at December 31, 2017	At June 30, 2018	Principal activity
Beijing Tianshi Pharmaceutical Technology Co., Ltd. (北京天實醫藥科技有限公司)	Limited Company	The PRC	The PRC	50%	50%	50%	50%	50%	50%	Inactive

The joint venture is accounted for using the equity method in the Historical Financial Information.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with accounting policies conform with IFRSs.

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Current assets	2,000	2,062	2,055

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) for the year/period	–	62	–	(7)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Net assets of the joint venture	2,000	2,062	2,055
Proportion of the Group's ownership interest in the joint venture	50%	50%	50%
Carrying amount of the Group's interest in the joint venture	1,000	1,031	1,028

20. INVENTORIES

The Group

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Raw materials	4,582	28,893	46,887
Finished goods	2,504	1,710	–
	7,086	30,603	46,887

The Company

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Raw materials	–	466	11,646

21. TRADE RECEIVABLES

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Trade receivables			
– related parties *(Note)*	178	–	–
– third parties	363	233	–
Less: loss allowance	(27)	(13)	–
	514	220	–

Note: Amounts represent trade receivables from Beijing Zhengdan International Technology Co., Ltd ("BJZD") and United-Power Pharma Tech Co., Ltd. ("UPPT"). BJZD is a non-controlling shareholder of Beijing Junke Jingde Biotechnology Co., Ltd. while UPPT is an associate of BJZD.

The balance of trade receivables as at January 1, 2016 is nil.

The average credit period on sales of goods is 30 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL.

There has been no change in the estimation techniques or significant assumptions made during the Track Record Period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

The aged analysis of the Group's trade receivables, based on invoice date at the end of each reporting period are as follows:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
0 - 30 days	184	106	–
30 - 90 days	186	31	–
90 - 180 days	57	33	–
180 days - 1 year	87	24	–
1 - 2 years	–	26	–
	514	220	–

Aging of trade receivables which are past due but not impaired as at December 31, 2016 and 2017 and June 30, 2018 is as follows:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Overdue by:			
Within 30 days	138	13	–
30 - 90 days	104	28	–
90 - 180 days	60	30	–
180 days - 1 year	28	17	–
1 - 2 years	–	26	–
	330	114	–

The Group assessed ECL for trade receivables collectively based on estimated loss rates ranging from 5% to 10% taking into account the aging of the balances and historical observed default rates and are adjusted for forward-looking information that is available without undue cost or effort.

Movement of loss allowance on trade receivables measured at amortised cost:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	–	27	13
Impairment losses recognised on trade receivables	27	–	16
Amount recovered during the year/period	–	(14)	–
Disposal of a subsidiary	–	–	(29)
At end of the year/period	27	13	–

22. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	The Group			The Company		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Deposits *(Note a)*						
– current						
– related parties *(Note b)*	200	200	200	–	–	–
– third parties	2,922	4,490	4,720	542	519	655
– non-current	–	–	2,311	–	–	–
Prepayments						
– current *(Note c)*						
– related parties *(Note d)*	440	–	–	440	–	–
– third parties	32,185	29,675	52,738	8,951	9,847	35,564
– non-current *(Note e)*	140,368	203,679	228,441	–	1,050	6,145
Amount due from a partner of a joint operation *(Note f)* (current)	–	794	3,317	–	–	–
Deferred issue costs (current)	–	–	17,297	–	–	17,297
Consideration receivable on disposal of a subsidiary *(Note 33)*	–	–	2,000	–	–	–
Deposits for leasehold interest in land *(Note g)*						
– current	13,574	5,415	–	–	–	–
– non-current	–	–	5,430	–	–	–
Value added tax recoverable *(Note h)*						
– current	–	–	22,733	–	–	14,748
– non-current	30,192	68,567	72,878	6,462	14,365	6,832
	219,881	312,820	412,065	16,395	25,781	81,241
Less: loss allowance	(919)	(1,084)	(1,692)	(27)	(46)	(231)
	218,962	311,736	410,373	16,368	25,735	81,010
Analysis as						
– current	48,402	39,490	101,313	9,906	10,320	68,033
– non-current	170,560	272,246	309,060	6,462	15,415	12,977
	218,962	311,736	410,373	16,368	25,735	81,010

Notes:

(a) Deposits mainly include rental and utility deposits.

(b) Amount represents rental deposits to BJZD.

(c) Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of the drugs. Prepayments also include other prepaid operating expenses.

(d) Included in the amount is prepayments to UPPT.

(e) Amount represents prepayments for construction in progress and acquisition of property, plant and equipment.

(f) The amount is unsecured, non-interest bearing and repayable on demand.

(g) In December 2016, the Group paid a refundable and interest-bearing deposit amounting to RMB13,574,000 to Development and Construction Management Committee of Shanghai Lingang industrial area for acquiring the use right of a land located in Shanghai Lingang Industrial Area ("Shanghai Lingang") in order to construct its industrialisation facility to produce future drug pipelines. 60% of the deposit amounting to RMB8,159,000 was refunded upon the commencement of the construction in August 2017 and the remaining 40% deposit will be refunded upon the completion of the construction.

(h) As at December 31, 2017, value added tax recoverable was presented as non-current assets since they are expected to be deducted from future value added tax payables arising on the Group's revenue which are not expected to be generated within the next twelve months from the year end date. Pursuant to《關於2018年退還部分行業增值稅留抵稅額有關稅收政策的通知》(Caishui [2018] No. 70) issued in June 2018, the Group and the Company estimated that approximately RMB22,733,000 can be refunded based on the above said rule and the relevant amount is presented as current assets as at June 30, 2018 and the remaining balance as non-current assets.

The Group assessed ECL for other receivables at amortised cost based on the aging of the balances and appropriate adjustments to reflect current conditions of counter parties based on their financial qualities. The current loss rates applied range from 0% to 50%.

Movement of loss allowance on other receivables measured at amortised cost:

	The Group			The Company		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year/period	104	919	1,084	25	27	46
Impairment losses recognised on other receivables	815	165	615	2	19	185
Disposal of a subsidiary	–	–	(7)	–	–	–
At end of the year/period	919	1,084	1,692	27	46	231

23. OTHER FINANCIAL ASSETS/LIABILITIES

	The Group			The Company		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets						
Financial assets measured at FVTPL						
– Financial products *(Note a)*	243,000	45,000	7,500	243,000	–	–
– Foreign exchange forward contracts *(Note b)*	1,235	–	–	915	–	–
– Fund *(Note d)*	129,234	102,434	76,679	129,182	102,394	76,639
	373,469	147,434	84,179	373,097	102,394	76,639
Non-current assets						
Financial assets measured at FVTPL						
– Financial products *(Note a)*	213,864	–	–	213,864	–	–
– Unlisted equity investment *(Note e)*	–	–	15,000	–	–	15,000
– Foreign exchange forward contracts *(Note b)*	3,353	–	–	2,110	–	–
	217,217	–	15,000	215,974	–	15,000
Investments in debt instrument measured at FVTOCI						
– Corporate bond *(Note c)*	4,687	4,323	–	4,687	4,323	–
Current liabilities						
Financial liabilities measured at FVTPL						
– Foreign exchange forward contracts *(Note b)*	–	16,034	–	–	16,034	–
	–	16,034	–	–	16,034	–

Notes:

(a) The Group entered into contracts in respect of financial products (the "Financial Products") with financial institutions, with contractual terms from 7 days to 2 years. The principal is not guaranteed by the relevant financial institutions and the expected return ranges from 1.78% to 1.82% and 2.74% to 3.13% per annum for the years ended December 31, 2016 and 2017 and 3.75% for the six months ended June 30, 2018, respectively.

(b) The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to United States Dollar ("USD") against RMB for its planned operating funding transfer to a subsidiary in the United States. The major terms of these contracts as at Track Record Period are as follows:

Notional amount	Maturity	Exchange rate
At December 31, 2016		
Buy USD10,000,000	14/11/2017	USD1/RMB6.9510
Buy USD3,500,000	14/11/2017	USD1/RMB6.9510
Buy USD3,000,000	14/05/2018	USD1/RMB6.9930
Buy USD15,000,000	15/05/2018	USD1/RMB7.0092
Buy USD2,000,000	15/05/2018	USD1/RMB7.0092
Buy USD18,000,000	16/05/2018	USD1/RMB7.0213
Buy USD15,000,000	15/05/2018	USD1/RMB7.0092
At December 31, 2017		
Buy USD15,000,000	15/05/2018	USD1/RMB7.0092
Buy USD2,000,000	15/05/2018	USD1/RMB7.0092
Buy USD18,000,000	16/05/2018	USD1/RMB7.0213

There was no outstanding foreign exchange forward contracts as at June 30, 2018.

(c) In August 2013, the Group invested in a listed corporate bond which was traded publicly in Shanghai Stock Exchange and was subsequently disposed in March 2018.

(d) The Group entered into several contracts of funds (the "Fund") with financial institutions. The principals are not guaranteed and the return of the Fund are determined by reference to the performance of the underlying instruments including equity and debt securities.

(e) The Group invested in Hebei Boke Biotechnology Co., Ltd. (河北博科生物技術有限公司) ("Boke") at the fair value of RMB15,000,000 in April 2018, representing 5% of the registered capital of Boke. Boke is mainly engaged in drug discovery and development consulting services.

24. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

The Group and the Company

The pledged bank deposits of the Group are pledged to banks for securing forward contracts (Note 23) with interest rate of 1.10% to 1.75%. The pledged bank deposits are classified as non-current assets as at December 31, 2016 as the expected settlement date of the forward contract will be settled after twelve months from the end of the reporting period. All pledged bank deposits were released as the corresponding forward contracts were matured during the six months ended June 30, 2018.

Bank balances and cash of the Group comprised of cash, and short-term bank deposits with an original maturity of three months or less. Bank balances carrying interest at market rates which ranged from 0.10% to 1.00% per annum at December 31, 2016, from 0.10% to 1.00% per annum at December 31, 2017, and 0.30% to 1.00% per annum at June 30, 2018.

25. TRADE AND OTHER PAYABLES

	The Group			The Company		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables						
– related parties *(Note b)*	–	3,685	7,908	–	2,935	5,047
– third parties	7,251	12,621	24,535	1,132	769	11,102
Accrued expenses	–	4,972	34,517	–	3,629	24,665
Notes payables	–	–	2,990	–	–	–
Salary and bonus payables	6,610	16,160	20,820	2,419	3,715	5,775
Other tax payables	183	323	898	68	84	384
Payables for issue costs	–	–	16,184	–	–	16,184
Amount due to an executive director *(Note a)*	1,500	–	–	1,500	–	–
Other payables						
– related parties *(Note c)*	32	32	–	–	–	–
– third parties	2,800	3,706	612	53	1,487	375
	18,376	41,499	108,464	5,172	12,619	63,532

Payment terms with suppliers are mainly with credit term of 30 days from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables and notes payables presented based on invoice date at the end of the reporting period:

	The Group			The Company		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
0 – 30 days	5,830	15,289	16,793	1,051	3,299	3,313
31 – 60 days	145	207	6,394	–	207	5,813
61 – 180 days	878	209	8,559	65	182	4,072
Over 180 days	398	601	3,687	16	16	2,951
	7,251	16,306	35,433	1,132	3,704	16,149

Notes:

(a) Mr. Bo CHEN, who was an executive director of the Company, was selected to participate in the PRC Recruitment Program of Global Experts (千人計畫). The Company received RMB1,500,000 talent subsidy from the government on behalf of Mr. Bo CHEN in December 2016 and repaid to Mr. Bo CHEN in January 2017.

(b) Amount represents trade payable to UPPT.

(c) Included in the amount is other payables to BJZD, which is unsecured, interest free and repayable on demand.

25A. CONTRACT LIABILITIES

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Amounts received in advance of delivery for biological reagent	566	646	–

26. BORROWINGS

The Group and the Company

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Unsecured borrowing repayable within 1 year	–	–	20,086

The Group obtained loan from T-mab of RMB20,000,000. The loan is unsecured, interest bearing at 5.66% per annum and has a repayment period of 6 months.

27. CONVERTIBLE LOAN NOTES

On February 9, 2018, the Company obtained no objection letter from the Shanghai Stock Exchange for the issue of convertible loan notes in a principal amount of no more than RMB500,000,000. On February 23, 2018, the Company issued convertible loan notes in a principal amount of RMB200,000,000 to qualified investors. The major terms and conditions of the convertible loan notes are as follows:

(a) Maturity

The maturity date for the convertible loans notes is February 23, 2024 ("Maturity Date") which is 6 years from the date of issue of the convertible loan notes.

(b) Interest rate

The Company shall pay a non-compound coupon rate at 10.35% per annum. Interest due and repayable on 3rd, 4th, 5th and 6th anniversary dates of bond issuance.

(c) Conversion price

The bond matures in six years from the date of issuance at its nominal value of RMB200,000,000, which can be converted into ordinary shares of the Company at an original conversion price of RMB25 per share, subject to adjustments for distribution of bonus shares or capital, issuance of new shares or right issue and distribution of cash dividends. In addition, after getting approval from shareholders' meeting, the Company has the right to adjust down the conversion price, which shall not be lower than the audited net assets value per share of the Company in accordance with the latest audited financial statements.

(d) Redemption

Bondholders are entitled to an option to early redeem at 3 years before Maturity Date the whole or part of the principal outstanding amount of the convertible loan notes at principal amount, together with accrued but unpaid interest thereon.

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the convertible loan note at 100% of its principal amount, together with accrued but unpaid interest thereon.

The Group and the Company have designated the convertible loan notes as whole as financial liabilities measured at FVTPL. The change in fair value of the convertible loan notes is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income.

The movement of the convertible loan notes for the period is set out as below:

	Fair value of convertible loan notes
	RMB'000
At February 23, 2018 (date of issuance)	200,000
Change in fair value charged to profit or loss *(Note 8)*	9,601
At June 30, 2018	209,601

The Company has used the binominal option pricing model to determine the fair value of the convertible loan notes as of the date of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of convertible loan notes are as follows:

	At February 23, 2018	At June 30, 2018
Share price	RMB18.00	RMB18.00
Discount rate	21.06%	19.79%
Time to maturity	6 years	5.65 years
Risk-free rate	3.89%	3.49%
Expected volatility *(Note)*	41.27%	41.97%
Expected dividend yield	0%	0%

Note: The expected volatility was determined by using the historical volatility of the share price of the comparable companies with similar business nature of the Company as of the valuation dates.

28. DEFERRED INCOME

The Group

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Government grants related to property, plant and equipment *(Note a)*	3,062	29,276	29,081
Other subsidies *(Note b)*	–	12,539	17,036
	3,062	41,815	46,117

The Company

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Other subsidies *(Note b)*	–	8,349	12,846

Notes:

(a) The Group received government grants for capital expenditure incurred for the acquisition of plant and machineries. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

(b) Other subsidies are generally provided in relation to the research and development activities of the Group.

29. DEFERRED TAXATION

The following is a summary of the deferred tax balances for financial reporting purposes:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Deferred tax assets	170	139	145
Deferred tax liabilities	(391)	–	–
	(221)	139	145

The following are the major deferred tax assets and liabilities recognised and movements thereon before offsetting during the Track Record Period.

	Other financial assets	Doubtful debts	Fair value change of forward contract	Unused tax loss	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	–	–	–	–	–
Charged (credited) to profit or loss	(724)	170	(1,147)	1,480	(221)
At December 31, 2016	(724)	170	(1,147)	1,480	(221)
Charged (credited) to profit or loss	724	(31)	1,147	(1,480)	360
At December 31, 2017	–	139	–	–	139
Credited to profit or loss	–	6	–	–	6
At June 30, 2018	–	145	–	–	145

Balance of deductible unused tax losses and temporary differences for which no deferred tax assets have been recognised due to the unpredictability of future profit streams are as follows:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Doubtful debts	268	539	1,114
Fair value change of financial instruments	–	23,337	6,273
Deferred income	3,062	13,015	17,317
Tax losses	249,829	610,268	965,878
	253,159	647,159	990,582

The unused tax losses for the Company's PRC subsidiaries will be carried forward and expire in years as follows:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
2018	2,405	2,405	2,405
2019	12,880	12,880	12,880
2020	56,222	56,222	56,222
2021	111,433	111,433	111,433
2022	–	315,529	315,529
2023	–	–	335,848
	182,940	498,469	834,317

At December 31, 2016, 2017 and June 30, 2018, the Group had net US operating loss carryforwards for federal income tax purposes of RMB72,809,000, RMB111,799,000 and RMB131,561,000 respectively that are available to offset future income. Included in unrecognised tax losses are losses of RMB72,809,000, RMB111,799,000 and RMB111,799,000 respectively that will expire in various years between 2023 and 2037. Unrecognised tax losses incurred during the six months ended June 30, 2018 of RMB19,762,000 may be carried forward indefinitely under the Act but subject to certain limitations.

30. SHARE CAPITAL

	Total number of shares	Amount
		RMB'000
Registered, issued and fully paid at RMB1.0 per share:		
At January 1, 2016	27,562,500	27,562
Share premium transfer to share capital on March 2, 2016 *(Note a)*	413,437,500	413,438
Issue of shares by private equity placement on March 7, 2016 *(Note b)*	63,000,000	63,000
Issue of shares by private equity placement on June 16, 2016 *(Note c)*	5,100,000	5,100
Issue of shares by private equity placement on August 26, 2016 *(Note d)*	40,900,000	40,900
At December 31, 2016	550,000,000	550,000
Issue of shares by private equity placement on February 24, 2017 *(Note e)*	34,750,000	34,750
At December 31, 2017	584,750,000	584,750
Issue of shares by private equity placement on March 7, 2018 *(Note f)*	16,650,000	16,650
At June 30, 2018	601,400,000	601,400

Notes:

(a) Pursuant to the written shareholders' resolution of the Company passed on February 22, 2016, it was resolved to issue bonus shares on the basis of 150 bonus shares for every 10 shares held by the shareholders as at January 1, 2016. 413,437,500 bonus shares were issued and credited as fully paid-up shares by way of capitalisation of the share premium account of the Company on March 2, 2016.

(b) On March 7, 2016, the Company completed an issue of 63,000,000 shares. The net proceeds received from the issue amounted to RMB249,726,000, after deduction of issue expenses of RMB266,000. Part of the proceeds, amounting to RMB63,000,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB186,726,000 was credited to share premium.

(c) On June 16, 2016, the Company completed an issue of 5,100,000 shares. The net proceeds received from the issue amounted to RMB30,434,000, after deduction of issue expenses of RMB166,000. Part of the proceeds, amounting to RMB5,100,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB25,334,000 was credited to share premium.

(d) On August 26, 2016, the Company completed an issue of 40,900,000 shares. The net proceeds received from the issue amounted to RMB367,834,000, after deduction of issue expenses of RMB266,000. Part of the proceeds, amounting to RMB40,900,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB326,934,000 was credited to share premium.

(e) On February 24, 2017, the Company completed an issue of 34,750,000 shares. The net proceeds received from the issue amounted to RMB319,634,000, after deduction of issue expenses of RMB66,000. Part of the proceeds, amounting to RMB34,750,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB284,884,000 was credited to share premium.

(f) On March 7, 2018, the Company completed an issue of 16,650,000 shares. The net proceeds received from the issue amounted to RMB297,955,000, after deduction of issue expenses of RMB1,745,000. Part of the proceeds, amounting to RMB16,650,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB281,305,000 was credited to share premium.

(g) All the new shares rank pari passu with the existing shares in all respects.

31. RESERVES OF THE COMPANY

	Share premium	Share option reserve	Investment revaluation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	633,148	–	313	(7,099)	626,362
Loss for the year	–	–	–	(32,137)	(32,137)
Fair value loss on investments measured at FVTOCI	–	–	(438)	–	(438)
Total comprehensive expense for the year	–	–	(438)	(32,137)	(32,575)
Share premium transfer to capital	(413,438)	–	–	–	(413,438)
Ordinary shares issued	539,692	–	–	–	539,692
Transaction costs attributable to issue of new ordinary shares	(698)	–	–	–	(698)
At December 31, 2016	758,704	–	(125)	(39,236)	719,343
Loss for the year	–	–	–	(330,252)	(330,252)
Fair value loss on investments measured at FVTOCI	–	–	(364)	–	(364)
Total comprehensive expense for the year	–	–	(364)	(330,252)	(330,616)
Ordinary shares issued	284,950	–	–	–	284,950
Transaction costs attributable to issue of new ordinary shares	(66)	–	–	–	(66)
At December 31, 2017	1,043,588	–	(489)	(369,488)	673,611
Loss for the period	–	–	–	(255,148)	(255,148)
Fair value gain on investments measured at FVTOCI	–	–	227	–	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI	–	–	262	–	262
Total comprehensive income (expense) for the period	–	–	489	(255,148)	(254,659)
Ordinary shares issued	283,050	–	–	–	283,050
Transaction costs attributable to issue of new ordinary shares	(1,745)	–	–	–	(1,745)
Recognition of equity-settled share-based payment	–	3,893	–	–	3,893
At June 30, 2018	1,324,893	3,893	–	(624,636)	704,150

32. ACQUISITION OF A SUBSIDIARY

On August 29, 2016, Beijing Junke Jingde Biotechnology Co., Ltd, being a non-wholly owned subsidiary of the Company, acquired the entire equity interest in Xinjingke, which is mainly engaged in the business of sales of biological reagent, for a total consideration of RMB1,000,000. Xinjingke was acquired so as to expand the Group into a new line of business. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB1,519,000. No significant acquisition-related costs are recognised for the year ended December 31, 2016.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Amount
	RMB'000
Property, plant and equipment	108
Inventories	2,775
Trade and other receivables *(Note)*	616
Bank balances and cash	415
Short-term loan	(1,000)
Trade and other payables	(3,433)
Net liabilities acquired	(519)
Less: consideration transferred	(1,000)
Goodwill arising from acquisition	1,519

Note: The fair value of trade and other receivables at the date of acquisition amounted to RMB616,000 represented the gross contractual amounts at the date of acquisition. No amount at acquisition date of the contractual cash flows is not expected to be collected.

Net cash outflow on acquisition of Xinjingke

	RMB'000
Cash consideration paid	1,000
Less: Cash and cash equivalent balances acquired	(415)
	585

Goodwill arose in the acquisition of Xinjingke because the cost paid for the benefit of expected revenue growth and future relevant development to be contributed to the Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Included in the loss for the year from discontinued operations for the year ended December 31, 2016 is RMB477,000 attributable to the additional loss generated by Xinjingke. Revenue from discontinued operations for the year ended December 31, 2016 includes RMB2,183,000 revenue generated from Xinjingke.

Had the acquisition been completed on January 1, 2016, the Group's revenue for the year ended December 31, 2016 would have been RMB9,313,000 from both continuing and discontinued operations, and the Group's loss for the year ended December 31, 2016 would have been RMB132,750,000 from both continuing and discontinued operations. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2016, nor is it intended to be a projection of future results.

33. DISCONTINUED OPERATIONS AND DISPOSAL OF A SUBSIDIARY

In April 2018, the shareholder of Beijing Junke Jingde Biotechnology Co., Ltd. resolved to dispose of the segment of sales of biological reagent. The Group entered into a sales and purchase agreement with an independent third party to dispose of its entire interest in Xinjingke for a cash consideration of RMB2,000,000. The disposal was completed on June 29, 2018, on which date control of Xinjingke was passed to the acquirer. The reason for the disposal was that the Group can concentrate its resources on development and documentation of drugs.

The (loss) profit for the year/period from the discontinued operations is set out below.

Analysis of loss for the year/period from discontinued operations

The results of the discontinued operations for the year/period were as follows:

	Year ended At December 31,		Six months ended June 30,	From January 1 to June 29,
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue (sales of goods – at a point in time)	2,183	5,932	4,045	1,994
Cost of sales	(1,890)	(4,712)	(3,365)	(1,686)
Gross profit	293	1,220	680	308
Other income	–	–	–	1
Distribution and selling expenses	(172)	(544)	(328)	(191)
Impairment loss, net of reversal	(34)	14	(30)	(16)
Administrative expenses	(526)	(959)	(359)	(396)
Finance costs	(38)	–	–	–
	(477)	(269)	(37)	(294)
Gain on disposal	–	–	–	441
(Loss) profit for the year/period from discontinued operations	(477)	(269)	(37)	147

(Loss) profit for the year/period from discontinued operations include the following:

	Year ended At December 31,		Six months ended June 30,	From January 1 to June 29,
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation for property, plant and equipment	8	26	10	9
Staff costs				
– Salaries and other benefit	400	545	176	447
– Retirement benefit scheme contribution	49	76	25	55

Cash flows from discontinued operations are summarised as follows:

	Year ended At December 31,		Six months ended At June 30,	From January 1 to June 29,
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash (outflow) inflow from:				
Operating activities	(641)	293	437	117
Financing activities	562	–	–	–
Net cash (outflow) inflow	(79)	293	437	117

The major classes of assets and liabilities of Xinjingke as at June 29, 2018 are as follows:

	At June 29,
	2018
	RMB'000
Goodwill	1,519
Property, plant and equipment	74
Inventories	1,098
Trade receivables	
– third parties	471
– related parties	76
Prepayments and other receivables	227
Bank balances and cash	746
Trade and other payables	(1,865)
Contract liabilities	(787)
	1,559
Gain on disposal of a subsidiary	441
Consideration receivables, included in other receivables	2,000
Net cash outflow on disposal of a subsidiary	
Cash and cash equivalents disposed of	(746)

34. OPERATING LEASES

The Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

The Group as lessee

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	3,215	7,390	7,000
In the second to third year inclusive	12,565	9,416	7,031
	15,780	16,806	14,031

The leases are generally negotiated for a lease term of one to three years at fixed rentals.

The Company as lessee

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	1,183	3,703	3,435
In the second to third year inclusive	5,873	3,983	3,324
	7,056	7,686	6,759

35. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	137,584	144,123	370,647

36. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 14, 2018 for the primary purpose of providing incentives to eligible employees who render services to the Group. Details of the Scheme are set out in Appendix V Statutory And General Information section of the prospectus. During the six months ended June 30, 2018, 5,861,000 options were granted to the employees. The options are vested as follows:

On 1st anniversary of the date of grant	25% vest
On 2nd anniversary of the date of grant	further 35% vest
On 3rd anniversary of the date of grant	remaining 40% vest

Subject to the respective terms of issue, options may be exercised at the end of the vesting period. If the employees choose not to exercise the options on the expiry date, the options will expire at the end of the date and no longer exercisable.

The table below discloses movement of the Company's share options held by the Group's employees:

					Number of share options		
	Date of grant	Exercise price	Vesting date	Expiry date	Outstanding at January 1, 2018	Granted during the period	Outstanding at June 30, 2018
		RMB					
Employees							
– Tranche 1	May 14, 2018	9.20	May 14, 2019	May 14, 2019	–	1,465,250	1,465,250
– Tranche 2	May 14, 2018	9.20	May 14, 2020	May 14, 2020	–	2,051,350	2,051,350
– Tranche 3	May 14, 2018	9.20	May 14, 2021	May 14, 2021	–	2,344,400	2,344,400
					–	5,861,000	5,861,000
Exercisable at the end of the period							–
Weighted average exercise price (RMB)							9.20

During the six months ended June 30, 2018, share-based payment expenses of approximately RMB3,893,000 have been recognised in profit or loss.

The following assumptions were used to calculate the fair values of share options:

	Tranche 1	Tranche 2	Tranche 3
Share price *(Note a)*	RMB18.00	RMB18.00	RMB18.00
Exercise price	RMB9.20	RMB9.20	RMB9.20
Expected volatility *(Note b)*	36.40%	31.40%	43.30%
Dividend yield	0%	0%	0%
Risk-free rate	2.90%	3.10%	3.20%
Fair value per option	RMB9.11	RMB9.47	RMB10.34

Notes:

(a) The share price is determined based on the share price on February 23, 2018, which is the date of shareholders' approval of newly issued shares on March 7, 2018.

(b) The expected volatility was determined by using the historical volatility of the share price of the comparable companies with similar business nature of the Company as of the valuation dates.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

37. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the relevant local government. The Company's subsidiaries situated in the PRC are required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

A defined contributions plan in the USA pursuant to which the Group matches 50 cents for every dollar contributed by each qualifying member of staff up to 4% of their salaries. The maximum match is 2% of the qualifying member of Staff's gross pay.

During the Track Record Period, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions incurred by the Group for employees in the PRC amounted to RMB2,408,000, RMB5,189,000, RMB1,955,000 (unaudited) and RMB5,170,000 while retirement benefits scheme contributions incurred for employees in the United States amounted to RMB439,000, RMB563,000, RMB419,000 (unaudited) and RMB359,000, for the years ended December 31, 2016 and 2017 and six months ended June 30, 2017 and 2018, respectively.

38. RELATED PARTY DISCLOSURES

Except as disclosed elsewhere in the Historical Financial Information, the Group also entered into the following transactions with related parties:

(a) Sales to related parties – discontinued operations

Name of related parties	*Note*	Year ended December 31,		Six months ended June 30,	
		2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
BJZD		129	317	180	141
UPPT		396	793	325	105
Beijing Junke Huaren Pharma Tech Co., Ltd. ("JKHR")	*(i)*	–	406	181	2
		525	1,516	686	248

(b) Research and development expense incurred

Name of related parties	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
BJZD	406	340	340	226
UPPT	1,406	7,611	2,461	6,491
	1,812	7,951	2,801	6,717

(c) Operating lease expenses incurred

Name of related party	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
BJZD	777	–	–	–

(d) Compensation of directors and key management personnel

The remuneration of directors of the Company and other members of key management was as follows:

	Year ended December 31,		Six months ended June 30,	
	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short term benefits	8,601	10,131	3,506	6,725
Post-employment benefits	387	418	206	275
	8,988	10,549	3,712	7,000

Note:

(i) JKHR is a wholly-owned subsidiary of UPPT.

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

39. PARTICULARS OF SUBSIDIARIES

The Company

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at cost	323,788	701,334	1,347,363
Less: impairment loss *(Note a)*	(18,968)	(168,143)	(272,788)
Deemed investment in Shanghai Junshi Biotechnology Co., Ltd *(Note 40c)*	–	–	43,651
Share option granted to managements and employees in subsidiaries *(Note b)*	–	–	3,372
	304,820	533,191	1,121,598

Notes:

(a) The cost of the investments are reviewed at the end of each reporting period to determine whether there is any indication that those investments have suffered an impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, management needs to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash flows.

(b) Certain managements and employees who work at group's subsidiaries are granted share options under the Scheme of the Company. The Company therefore recorded the grant as deemed contribution to the subsidiaries in the Company's financial statements.

During the Track Record Period and as at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

			Shareholding/equity interest attributable to the Company					
Name of subsidiaries	Place/date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	As at December 31, 2016	As at, December 31, 2017	As at June 30, 2018	As at the date of this report	Principal activities	*Notes*
Directly held:								
Shanghai Junshi Biotechnology Co., Ltd.* (上海君實生物工程有限公司)	The PRC June 29, 2016	Registered capital of RMB350,000,000 and paid-up capital of RMB350,000,000	100%	100%	100%	100%	Development and commercialisation of drugs	*(a)*
Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.* (江蘇眾合醫藥科技有限公司)	The PRC April 1, 2013	Registered capital of RMB35,000,000 and paid-up capital of RMB35,000,000	100%	100%	100%	100%	Development and commercialisation of drugs	*(a)*
Suzhou Junmeng Biosciences Co., Ltd.* (蘇州君盟生物醫藥科技有限公司)	The PRC October 12, 2013	Registered capital of RMB134,000,000 and paid-up capital of RMB134,000,000	100%	100%	100%	100%	Development and commercialisation of drugs	*(a)*
Taizhou Junshi Biosciences Co., Ltd.* (泰州君實生物醫藥科技有限公司)	The PRC May 9, 2014	Registered capital of RMB5,000,000 and paid-up capital of RMBnil	100%	100%	100%	100%	Development and commercialisation of drugs	*(b)*
Suzhou Union Biopharm Biosciences Co., Ltd.* (蘇州眾合生物醫藥科技有限公司)	The PRC October 12, 2013	Registered capital of RMB486,000,000 and paid-up capital of RMB486,000,000	100%	100%	100%	100%	Development and commercialisation of drugs	*(a)*

Name of subsidiaries	Place/date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Company				Principal activities	Notes
			As at December 31, 2016	As at, December 31, 2017	As at June 30, 2018	As at the date of this report		
Suzhou Junshi Biosciences Co., Ltd.* (蘇州君實生物醫藥科技有限公司)	The PRC July 26, 2017	Registered capital of RMB100,000,000 and paid-up capital of RMB44,900,000	N/A	100%	100%	100%	Development and commercialisation of drugs	*(b)*
Beijing Junke Jingde Biotechnology Co., Ltd.* (北京軍科鏡德生物科技有限責任公司)	The PRC April 3, 2015	Registered capital of RMB8,000,000 and paid-up capital of RMB4,800,000	60%	60%	60%	60%	Development and commercialisation of drugs	*(c)*
Shenzhen Qianhai Junshi Hospital Investment Management Co., Ltd * (深圳前海君實醫院投資管理有限公司)	The PRC December 11, 2015	Registered capital of RMB50,000,000 and paid-up capital of RMBnil	51%	51%	51%	51%	Development and commercialisation of drugs	*(b)*
TopAlliance Biosciences Inc.	The United States March 6, 2013	Registered capital of USD50,000,000 (equivalent to RMB326,563,000) and paid-up capital of USD50,000,000 (equivalent to RMB326,563,000)	100%	100%	100%	100%	Development and commercialisation of drugs	*(b)*
Indirectly held:								
Beijing Union Biopharm Junshi Biosciences Co., Ltd.* (北京眾合君實生物醫藥科技有限公司)	The PRC June 12, 2016	Registered capital of RMB5,000,000 and paid-up capital of RMB5,000,000	100%	100%	100%	100%	Development and commercialisation of drugs	*(b)*
Xinjingke*	The PRC September 29, 1998	Registered capital of RMB5,000,000 and paid-up capital of RMB2,600,000	60%	60%	–	–	Consultation, sale of biological reagent	*(c)*
Beijing Xinjingke Trading Co., Ltd.* (北京欣經科貿有限公司)**	The PRC November 30, 2016	Registered capital of RMB1,000,000 and paid-up capital of RMBnil	60%	60%	N/A	N/A	Sale of chemical products and raw materials	*(b)*
Suzhou Junao Medicine Co., Ltd.* (蘇州君奧精準醫學有限公司)	The PRC January 10, 2018	Registered capital of RMB50,000,000 and paid-up capital of RMBnil	N/A	N/A	100%	100%	Development and commercialisation of days	*(b)*
Wuhan Guobo Hospital Management Co., Ltd.* (武漢國博醫院管理有限公司)***	The PRC January 22, 2016	Registered capital of RMB50,000,000.00 and paid-up capital of RMBnil	65%	65%	65%	–	Medical technology consulting services	*(b)*
Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司)	The PRC June 19, 2018	Registered capital of RMB51,050,000.00 and paid-up capital of RMBnil	N/A	N/A	51%	51%	Development and commercialisation of drugs	*(b)*

* *The English names are for identification purpose only.*

** *The subsidiary has been deregistered as at June 30, 2018.*

*** *The subsidiary has been deregistered on November 5, 2018.*

All subsidiaries now comprising the Group are limited liability companies and have adopted December 31, as their financial year end date.

Notes:

(a) The financial statements of those subsidiaries for the year ended December 31, 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Huapu Tianjian Certified Public Accountants (華普天健會計師事務所), a certified public accountant registered in the PRC.

(b) No audited financial statements of these subsidiaries have been prepared since the dates of the establishment as there is no such statutory requirement.

(c) The financial statements of those subsidiaries for the year ended December 31, 2016 and 2017 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Beijing Dongshendingli Certified Public Accountants (北京東審鼎立國際會計師事務所有限責任公司), a certified public accountant registered in the PRC.

None of the subsidiaries had issued any debt securities at the end of the year/period or at any time during the Track Record Period.

The Group does not have any subsidiary with significant non-controlling interests and accordingly, no details are presented.

40. AMOUNTS DUE FROM SUBSIDIARIES

	At December 31,		At June 30,
	2016	**2017**	**2018**
	RMB'000	RMB'000	RMB'000
Current *(Note a)*			
Suzhou Union Biopharm Biosciences Co., Ltd.	498	1,680	301
Suzhou Junmeng Biosciences Co., Ltd.	70	258	345
Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd.	470	813	913
Beijing Union Biopharm Junshi Biosciences Co., Ltd.	–	1,000	1,700
Shanghai Junshi Bioengineering Co., Ltd.	36,500	–	–
Taizhou Junshi Bioengineering Co., Ltd.	–	–	22
	37,538	3,751	3,281
Non-current			
Suzhou Union Biopharm Biosciences Co., Ltd. *(Note b)*	236,000	387,000	34,100
Suzhou Junmeng Biosciences Co., Ltd. *(Note b)*	23,000	73,000	14,500
Jiangsu Union Biopharm Pharmaceutical Technology Co., Ltd. (Note b)	6,000	27,000	5,200
Shanghai Junshi Bioengineering Co., Ltd. *(Notes b and c)*	–	–	80,886
	265,000	487,000	134,686

Notes:

(a) Amounts represent intercompany loans to the Company's subsidiaries to finance their daily operations. The loans are interest free, unsecured and repayable on demand.

(b) In June 2018, the Company waived outstanding loans amounting to RMB549,000,000 and capitalised as investments in subsidiaries. In November 2018, the directors of the Company further waived outstanding loans as of June 30, 2018, amounting to RMB57,000,000, and capitalised as investments in subsidiaries.

(c) The Company granted a loan of RMB118,935,000 to Shanghai Junshi Bioengineering Co., Ltd. to finance its construction of facility located in Shanghai Lingang in 2018. The loan is unsecured and bear a fixed rate of 10.35% per annum. The loan will be fully repaid in March 2024 and carried at amortised cost using the effective interest rate of 21% per annum. The difference between the principal amount of the loan and the present value of the contractual cash flows by discounting with effective interest rate amounted to RMB43,651,000 was recognised as deemed contribution to a subsidiary by the Company at loan inception (Note 39). The Company accrued RMB2,068,000 interest for the six months ended June 30, 2018.

41. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to its stakeholders and maintaining an adequate capital structure. The Group's overall strategy remained unchanged throughout the Track Record Period.

The capital structure of the Group consists of debts, which includes convertible loan notes, borrowings, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts and redemption of existing debts.

42. FINANCIAL INSTRUMENTS

42a. Categories of financial instruments

The Group

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Amortised cost (including bank balances and cash)	168,938	303,294	408,205
Financial assets at FVTPL	590,686	147,434	99,179
Investments in debt instruments measured at FVTOCI	4,687	4,323	–
Financial liabilities			
Amortised cost	11,583	20,044	72,471
Financial liabilities at FVTPL	–	16,034	209,601

The Company

	At December 31,		At June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Financial assets			
Amortised cost (including bank balances and cash)	343,219	608,881	227,410
Financial assets at FVTPL	589,071	102,394	91,639
Investments in debt instruments measured at FVTOCI	4,687	4,323	–
Financial liabilities			
Amortised cost	2,685	5,191	52,950
Financial liabilities at FVTPL	–	16,034	209,601

42b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, other financial assets, pledged bank deposits, bank balances and cash, trade and other payables, borrowings, other financial liabilities and convertible loan notes. The Company's major financial instruments include amounts due from subsidiaries, other financial assets, pledged bank deposits, bank balances and cash, trade and other payables, borrowings, other financial liabilities, convertible loan notes. Details of these financial instruments are disclosed in the respective notes.

The risks associated with the Group and Company's financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group and the Company have foreign currency trade and other payables, which expose the Group and the Company to foreign currency risk. The Group and the Company currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of certain significant foreign currency denominated monetary assets and liabilities other than the functional currency of the entity to which they related at the end of the reporting period are as follows:

The Group

	Assets			Liabilities		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
USD	–	–	–	–	–	(123)

The Company

	Assets			Liabilities		
	At December 31,		At June 30,	At December 31,		At June 30,
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Liabilities						
USD	–	–	–	–	–	(123)

The Group and the Company have entered into foreign currency forward contracts during the Track Record Period which also expose the Group and the Company to foreign currency risk. The foreign-currency forward contracts with notional amount are set out in Note 23.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD and the Company's sensitivity to a 5% increase and decrease in RMB against USD. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and foreign currency forward contracts and adjusts their translation, for a change in foreign currency rates of 5% for each of the years ended December 31, 2016 and 2017 and six months ended June 30, 2018. A positive/negative number below indicates an increase/decrease in loss where RMB5% strengthens against USD by 5%. For a 5% weakening of RMB against USD, there would be an equal and opposite impact on loss for the year/period.

The Group

	Year ended December 31,		Six months ended June 30,
	2016	2017	2016
	RMB'000	RMB'000	RMB'000
Impact on profit or loss after tax			
USD	19,939	14,383	(6)

The Company

	Year ended December 31,		Six months ended June 30,
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Impact on profit or loss after tax			
USD	14,685	14,383	(6)

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the year/period.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in related to fixed-rate borrowings (Note 26), convertible loan notes (Note 27) and debt instrument classified as FVTOCI. The Group interest rate risk is mainly concentrated in the fluctuation of interest rates on convertible loan notes.

The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits (Note 24) and bank balances (Note 24). The Group and the Company cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and pledged bank deposits. The Group and the Company currently do not have interest rate risk hedging policy. However, the directors of the Company closely monitor the exposure to future cash flow interest rate risk as a result of change on market interest rate and will consider hedging changes in market interest rates should the need arise.

Sensitivity analysis

The sensitivity analyzes below have been determined based on the exposure to discount rate for convertible loan notes at the end of the reporting period. A 50 basis point increase or decrease in interest rate of convertible loan notes is used which represents management's assessment of the reasonably possible change in discount rate. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate pledged bank deposits and bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

If the discount rate had been 50 basis points higher/lower as at June 30, 2018 and all other variables were held constant, the Group's loss for the six months ended June 30, 2018 would decrease by RMB1,715,000 or increase by RMB4,795,000.

(iii) Other price risk

The Group is exposed to price risk through its debt instrument classified as FVTOCI, unlisted equity investment including in other financial assets and convertible loan notes as disclosed in Note 23 and Note 27 to the Historical Financial Information. The management of the Group monitors the price risk and will consider hedging the risk exposure should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at June 30, 2018 for its convertible loan notes. The directors of the Company consider that the exposure to market price risk arising from debt instrument measured at FVTOCI and other financial assets is insignificant. Therefore no sensitivity analysis on such risk has been prepared.

If the equity price of the Company had been changed based on the 5% higher/lower:

- the post-tax loss of the Group for the six months ended June 30, 2018 would increase by RMB7,051,000 or decrease by RMB3,543,000, as a result of the changes in fair value of the Company's equity price.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Management uses publicly available financial information and the Group's own historical repayment records to rate other debtors.

The Group determines the ECL on these items based on the financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The credit risk on liquid funds and its debt instrument classified as at FVTOCI of the Group is limited because the counterparties are banks, asset management companies and securities companies and listed company with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relied on borrowings, convertible loan notes and the issuance of ordinary shares as a significant source of liquidity. Details of which are set out in Note 26, Note 27 and Note 30.

The following table details the Group and the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

In addition, the following table details the Group and the Company's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. The liquidity analysis for the Group and the Company's derivative financial instruments are prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

The Group

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016								
Non-derivative financial liabilities								
Trade and other payables	–	11,583	–	–	–	–	11,583	11,583

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017								
Non-derivative financial liabilities								
Trade and other payables	–	20,044	–	–	–	–	20,044	20,044
Derivatives – gross settlement								
Foreign-currency forward contracts								
– inflow	–	–	(223,737)	–	–	–	(223,737)	N/A
– outflow	–	–	245,540	–	–	–	245,540	N/A
		–	21,803	–	–	–	21,803	16,034

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2018								
Non-derivative financial liabilities								
Trade and other payables	–	52,385	–	–	–	–	52,385	52,385
Borrowings	5.66%	20,189	–	–	–	–	20,189	20,086
Convertible loan notes	21%	–	–	–	103,500	220,700	324,200	209,601
		72,574	–	–	103,500	220,700	396,774	282,072

The Company

Liquidity table

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2016								
Non-derivative financial liabilities								
Trade and other payables	–	2,685	–	–	–	–	2,685	2,685

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2017								
Non-derivative financial liabilities								
Trade and other payables	–	5,191	–	–	–	–	5,191	5,191
Derivatives – gross settlement								
Foreign-currency forward contracts								
– inflow	–	–	(223,737)	–	–	–	(223,737)	N/A
– outflow	–	–	245,540	–	–	–	245,540	N/A
		–	21,803	–	–	–	21,803	16,034

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At June 30, 2018								
Non-derivative financial liabilities								
Trade and other payables	–	32,864	–	–	–	–	32,864	32,864
Borrowings	5.66%	20,189	–	–	–	–	20,189	20,086
Convertible loan notes	21%	–	–	–	103,500	220,700	324,200	209,601
		53,053	–	–	103,500	220,700	377,253	262,551

42c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of December 31, 2016 and 2017 and June 30, 3018. The following table gives information about how the fair values of these financial assets and financial liabilities are determined in particular, the valuation techniques and inputs used.

Financial assets/ financial liabilities	Fair value at 31.12.2016	Fair value at 31.12.2017	Fair value at 30.6.2018	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	RMB'000	RMB'000	RMB'000			
Corporate bond – The Group and the Company	4,687	4,323	–	Level 1	Quoted bid prices in an active market	N/A
Financial products				Level 2	Discounted cash flow – Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying investments	N/A
– The Group	456,864	45,000	7,500			
– The Company	456,864	–	–			
Fund				Level 2	Fair value determined based on fair value of underlying debt investments using discounted cash flow method based on the return from the underlying investments and quoted market price of underlying equity investments	N/A
– The Group	129,234	102,434	76,679			
– The Company	129,182	102,394	76,639			
Unlisted equity investment – The Group and the Company	–	–	15,000	Level 2	Recent transaction price	N/A
Foreign currency forward contracts classified as derivative financial instruments				Level 2	Discounted cash flow – Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of each reporting date) and contracted forward rates at a rate that reflects the credit risk of various counterparties	N/A
– The Group	Assets 4,588 Liabilities nil	Assets nil Liabilities 16,034	Assets nil Liabilities nil			
– The Company	Assets 915 Liabilities nil	Assets nil Liabilities 16,304	Assets nil Liabilities nil			
Convertible loan notes designated at FVTPL – The Group and the Company	–	–	(209,601)	Level 3	Binomial option pricing model the key input are underlying share price, conversion price, discount rate, expected volatility, debt yield and risk-free rate	Expected volatility of 42%, taking into account historical of the comparable companies *(Note a)* Discount rate of 20% *(Note b)*

There were no transfers between Level 1 and Level 2 during the Track Record Period.

Note a: A slight increase in the expected volatility used in isolation would result in a slight increase in the fair value measurement of convertible loan notes, and vice versa. If the volatility was 5% higher/lower to 47%/37% while holding all other variables constant, the carrying amount of the convertible loan notes would increase by RMB7,377,000 or decrease by RMB3,969,000 as at June 30, 2018.

Note b: A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value measurement of convertible loan notes, and vice versa. If the discount rate was 0.5% higher/lower to 20.5%/19.5% while all other variables constant, the carrying amount of the convertible loan notes would decrease by RMB1,715,000 or increase by RMB4,795,000 as at June 30, 2018.

(ii) Reconciliation of Level 3 fair value measurements

	Convertible loan notes designated at FVTPL	Total
	RMB'000	RMB'000
At January 1, 2018	–	–
Issuance of convertible loan notes *(Note 27)*	(200,000)	(200,000)
Fair value change in profit or loss during the period *(Note 8)*	(9,601)	(9,601)
At June 30, 2018	(209,601)	(209,601)

Fair value gains or losses on convertible loan notes designated at FVTPL of approximately RMB1,881,000 are included in 'other gains and losses' with the remaining amount of approximately RMB7,720,000 capitalised in construction-in-progress.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities of the Group recorded at amortised cost in the Historical Financial Information approximate to their fair value based on the discounted cash flows analysis.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Convertible loan notes	Accrued issue costs	Total
	RMB'000 *(Note 26)*	RMB'000 *(Note 27)*	RMB'000	RMB'000
At January 1, 2016	1,000	–	670	1,670
Financing cash flows	(1,038)	–	(670)	(1,708)
Finance costs	38	–	–	38
At December 31, 2016	–	–	–	–
At January 1, 2018	–	–	–	–
Financing cash flows	19,628	198,019	(1,113)	216,534
Finance costs	458	–	–	458
Issue costs	–	1,981	–	1,981
Change in fair value charged to profit or loss	–	9,601	–	9,601
Deferred issue cost accrual	–	–	17,297	17,297
At June 30, 2018	20,086	209,601	16,184	245,871

During the year ended December 31, 2017 and the six months ended June 30, 2017, there is no changes in the Group's liabilities arising from financing activities.

44. SUBSEQUENT EVENTS

In June, 2018, the Group entered into a co-development and strategic collaboration agreement with CSPC Pharmaceutical Group Limited ("CSPC"), under which the Group and CSPC will co-develop PD-1 (the anti-PD-1 monoclonal antibody exclusively supplied by the Group), in combination with albumin-bonded paclitaxel (the "Product") for the treatment of breast cancer in PRC including Hong Kong, Taiwan and Macau. A joint steering committee was established with equal representation from each party to coordinate and oversee development and commercialisation activities and decisions for the Product. CSPC at its own expense, shall be responsible for designing and executing the clinical trial for the Product, supplying albumin-bonded paclitaxel to the Group for conducting clinical trials, applying and securing approval and commercialisation of the Product. The Group shall be responsible for securing approval of PD-1 single treatment, supplying PD-1 for CSPC to conduct clinical trials and supplying PD-1 to CSPC for sale of the Product. All intellectual property rights related to the Product shall be jointly owned by the Group and CSPC. Further, CSPC was granted an exclusive royalty based license to commercialise the Product within the PRC from the receipt of the relevant regulatory approval in the PRC for 20 years. On July 11, 2018, the Group received RMB30.0 million upfront fee upon execution of the Agreement. The Group is also entitled to receive an aggregate of RMB120.0 million future milestone payments from CSPC upon the achievement of contractually specified development milestones in the Agreement. Details of the sales royalty arrangement is to be determined between both parties.

On August 23, 2018, TopAlliance Biosciences Inc. ("TopAlliance"), a subsidiary of the Company, entered into a Patent and Technology License Agreement with the Board of Regents of The University of Texas System ("System Board") on behalf of The University of Texas Health Science Center at Houston, under which System Board granted TopAlliance a royalty-bearing non-exclusive license for certain patent right related to monoclonal antibodies against EGFL6 for diagnostic and cancer therapeutic use and technology right related to EGFL6-Binding antibodies and the use of thereof. On September 7, 2018, TopAlliance paid USD2.5 million (equivalent to approximately RMB17.1 million) non-refundable and non-creditable upfront fees to System Board upon entering the agreement. TopAlliance is also obligated to make up to USD6 million (equivalent to approximately RMB41.7 million) milestone payments upon regulatory approval in China and up to USD31.0 million (equivalent to approximately RMB215.2 million) milestone payments upon regulatory approval in territories other than China and royalty payments at the applicable royalty rate based on the net sales of the licensed product upon commercialisation.

In September, 2018, the Company together with other four independent third parties established a company in the PRC, Beijing Zhenzhi Medical Technology Co., Ltd. (北京臻知醫學科技有限責任公司) ("Zhenzhi"), a limited liability company principally engaged in technology services and medical research and development. The total capital commitment by the Company is RMB3.0 million, representing 15% equity interests of Zhenzhi. In November, 2018, the Company paid capital of RMB3.0 million to Zhenzhi.

In October 2018, the Group entered into a 4 year loan facility up to RMB150.0 million with the Bank of Shanghai and drew down RMB80.0 million under the facility. The loan facility bears a variable interest rate by floating upwards by 40% based on the relevant 1 to 5 years benchmark interest rate published by the People's Bank of China per annum. The loan facility will mature in November 2022 and guaranteed by the Company and its subsidiary Suzhou Union Biopharm Biosciences Co., Ltd. Pursuant to the agreement, the bank borrowing is also secured by mortgages over the Group's property, plant and equipment situated in Shanghai Lingang and Wujiang Economic and Industrial Development Zone held by its subsidiaries, Shanghai Junshi Biotechnology Co.,Ltd. and Suzhou Union Biopharm Biosciences Co., Ltd.

On October 8, 2018, the Company entered into a collaboration agreement with Hutchison MediPharma Limited ("Hutchison") to collaborate on developing an oncology therapy in combination of PD-1 (the Company's compound) and Sulfatinib (Hutchison's compound) in the PRC, including Hong Kong, Taiwan and Macau, the United States and Europe. Hutchison shall be solely responsible for all costs and expenses for developing the combination therapy under the China initial development plan and the Company shall be solely responsible for all costs and expenses for developing the combination therapy under the global initial development plan. Each party shall, at its own expense, provide clinical supplies of its own compound under the applicable development plan.

In October and November 2018, the Group received approximately RMB96.0 million loans from six independent third parties, namely Shen Zhen Rui He Xing Ye Asset Management Co., Ltd. (深圳市瑞和興業資產管理有限公司), Song Qi (宋琦), Wang Ting (汪霆), Diao Jingsha (刁靜莎), Zhou Hao (周浩) and Wu Jiang Zhong Tai Construction Engineering Co., Ltd. (吳江市中泰建築工程有限公司), respectively. The loans are unsecured, unguaranteed, and interest bearing from 5.66% to 9.00% per annum and have repayment periods from 60 days to 12 months. The Company early repaid RMB5.0 million loan from Song Qi in November 2018.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2018 and up to the date of this report.

The following is the text of a report set out on pages IA-1 to IA-2, received from Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF
SHANGHAI JUNSHI BIOSCIENCES CO., LTD
上海君實生物醫藥科技股份有限公司
(incorporated in People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of 上海君實生物醫藥科技股份有限公司 Shanghai Junshi Biosciences Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages IA-3 to IA-27, which comprise the condensed consolidated statement of financial position as of September 30, 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements 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.

* *For identification purpose only*

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 11, 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	NOTES	For the three months ended September 30,		For the nine months ended September 30,	
		2018	2017	2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing operations					
Revenue	3	–	–	–	1,148
Cost of sales		–	–	–	(446)
Gross profit		–	–	–	702
Other income	4	1,922	323	4,557	2,099
Other gains and losses	5	793	(9,308)	(4,036)	(19,899)
Impairment loss reversed (recognised) in respect of trade and other receivables		1,158	162	543	(3)
Research and development expense		(131,614)	(54,939)	(349,392)	(171,506)
Administrative expenses		(28,250)	(16,970)	(78,042)	(47,492)
Share of results of a joint venture		(1)	–	(4)	(1)
Other operating expenses		(606)	–	(762)	–
Finance costs		(284)	–	(2,723)	–
Loss before tax		(156,882)	(80,732)	(429,859)	(236,100)
Income tax (expense) credit	6	(144)	959	(74)	1,818
Loss for the period from continuing operations	8	(157,026)	(79,773)	(429,933)	(234,282)
Discontinued operations					
(Loss) profit for the period from discontinued operations	7	–	(345)	147	(382)
Loss for the period		(157,026)	(80,118)	(429,786)	(234,664)
Other comprehensive income (expense) for the period					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		7,302	(1,390)	12,188	(3,475)
Fair value gain (loss) on the investments in debt instruments measured at fair value through other comprehensive income ("FVTOCI")		–	41	227	(24)
Reclassification to profit or loss upon disposal of investments measured at FVTOCI		–	–	262	–
Other comprehensive income (expense) for the period		7,302	(1,349)	12,677	(3,499)
Total comprehensive expense for the period		(149,724)	(81,467)	(417,109)	(238,163)

	NOTE	For the three months ended September 30,		For the nine months ended September 30,	
		2018	2017	2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
(Loss) profit for the period attributable to owners of the Company					
– from continuing operations		(157,065)	(79,756)	(429,940)	(234,153)
– from discontinued operations		–	(207)	89	(229)
		(157,065)	(79,963)	(429,851)	(234,382)
Profit (loss) for the period attributable to non-controlling interests					
– from continuing operations		39	(17)	7	(129)
– from discontinued operations		–	(138)	58	(153)
		39	(155)	65	(282)
		(157,026)	(80,118)	(429,786)	(234,664)
Total comprehensive (expense) income for the period attributable to:					
Owners of the Company		(149,763)	(81,312)	(417,174)	(237,881)
Non-controlling interests		39	(155)	65	(282)
		(149,724)	(81,467)	(417,109)	(238,163)
		RMB yuan	RMB yuan	RMB yuan	RMB yuan
Loss per share	*10*				
From continuing and discontinued operations					
– Basic		(0.26)	(0.14)	(0.72)	(0.41)
– Diluted		(0.26)	N/A	(0.72)	N/A
From continuing operations					
– Basic		(0.26)	(0.14)	(0.72)	(0.41)
– Diluted		(0.26)	N/A	(0.72)	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2018

	NOTES	As at September 30, 2018	As at December 31, 2017
		RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	685,981	359,626
Prepaid lease payments		75,344	69,553
Goodwill		–	1,519
Other intangible assets		749	266
Interests in joint ventures		1,027	1,031
Deferred tax assets		–	139
Other assets, prepayments and other receivables	*13*	344,438	272,246
Other financial assets	*14*	15,000	–
Debt instrument measured at FVTOCI	*14*	–	4,323
		1,122,539	708,703
Current assets			
Inventories		37,267	30,603
Trade receivables	*12*	–	220
Other assets, prepayments and other receivables	*13*	99,657	39,490
Other financial assets	*14*	8,850	147,434
Pledged bank deposits	*15*	9,739	26,961
Bank balances and cash	*15*	205,701	266,298
		361,214	511,006
Current liabilities			
Trade and other payables	*16*	163,651	41,499
Deferred income		1,633	–
Contract liabilities	*16A*	–	646
Borrowings	*17*	20,173	–
Tax payable		–	381
Other financial liabilities	*14*	–	16,034
		185,457	58,560
Net current assets		175,757	452,446
Total assets less current liabilities		1,298,296	1,161,149
Non-current liabilities			
Convertible loan notes	*18*	213,988	–
Contract liabilities	*16A*	28,302	–
Deferred income		44,239	41,815
		286,529	41,815
Net assets		1,011,767	1,119,334
Capital and reserves			
Share capital	*19*	601,400	584,750
Reserves		411,476	535,758
Equity attributable to owners of the Company		1,012,876	1,120,508
Non-controlling interests		(1,109)	(1,174)
Total equity		1,011,767	1,119,334

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	Equity attributable to owners of the Company								
	Share capital	Share premium	Share option reserve	Investments revaluation reserve	Translation reserve	Accumulated losses	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2018 (Audited)	584,750	1,056,407	–	(489)	(1,281)	(518,879)	1,120,508	(1,174)	1,119,334
(Loss) profit for the period	–	–	–	–	–	(429,851)	(429,851)	65	(429,786)
Exchange differences on translating foreign operations	–	–	–	–	12,188	–	12,188	–	12,188
Fair value gain on investments measured at FVTOCI	–	–	–	227	–	–	227	–	227
Reclassification to profit or loss upon disposal of investments measured at FVTOCI	–	–	–	262	–	–	262	–	262
Total comprehensive income (expense) for the period	–	–	–	489	12,188	(429,851)	(417,174)	65	(417,109)
Ordinary shares issued	16,650	283,050	–	–	–	–	299,700	–	299,700
Transaction costs attributable to issue of new ordinary shares	–	(1,745)	–	–	–	–	(1,745)	–	(1,745)
Recognition of equity-settled share-based payment	–	–	11,587	–	–	–	11,587	–	11,587
At September 30, 2018 (Unaudited)	601,400	1,337,712	11,587	–	10,907	(948,730)	1,012,876	(1,109)	1,011,767
At January 1, 2017 (Audited)	550,000	771,523	–	(125)	4,199	(198,035)	1,127,562	(947)	1,126,615
Loss for the period	–	–	–	–	–	(234,382)	(234,382)	(282)	(234,664)
Exchange differences on translating foreign operations	–	–	–	–	(3,475)	–	(3,475)	–	(3,475)
Fair value loss on investments measured at FVTOCI	–	–	–	(24)	–	–	(24)	–	(24)
Total comprehensive expense for the period	–	–	–	(24)	(3,475)	(234,382)	(237,881)	(282)	(238,163)
Ordinary shares issued	34,750	284,950	–	–	–	–	319,700	–	319,700
Transaction costs attributable to issue of new ordinary shares	–	(66)	–	–	–	–	(66)	–	(66)
At September 30, 2017 (Unaudited)	584,750	1,056,407	–	(149)	724	(432,417)	1,209,315	(1,229)	1,208,086

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

	NOTE	For the nine months ended September 30, 2018	2017
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES		(330,536)	(288,086)
INVESTING ACTIVITIES			
Interest received		2,335	1,807
Payment for property, plant and equipment		(369,437)	(143,787)
Payments for prepaid lease payment		(8,479)	(69,906)
Payments for other intangible assets		(556)	(182)
Acquisition of other financial assets		(400,500)	(882,000)
Placement of pledged deposits		(9,739)	(2,747)
Withdraw of pledged deposits		26,961	–
Net cash inflow in disposal of a subsidiary	7	1,254	–
Advance to a joint operation		(12,898)	–
Repayment from a joint operation		10,112	–
Disposal of other financial assets		505,882	1,060,754
Interest income from debt instrument measured at FVTOCI		341	341
Disposal of debt instrument measured at FVTOCI		4,550	–
NET CASH USED IN INVESTING ACTIVITIES		(250,174)	(35,720)
FINANCING ACTIVITIES			
Proceeds on issue of convertible loan notes		200,000	–
Payments for transaction costs for the issue of convertible loan note		(1,981)	–
Proceeds on issue of shares		299,700	319,700
Payments for transaction costs for the issue of new domestic ordinary shares		(1,745)	(66)
Payments for transaction costs for the issue of new H shares		(7,276)	–
Proceeds from borrowings		20,000	–
Interest paid		(568)	–
NET CASH FROM FINANCING ACTIVITIES		508,130	319,634
NET DECREASE IN CASH AND CASH EQUIVALENTS		(72,580)	(4,172)
CASH AND CASH EQUIVALENTS AT JANUARY 1,		266,298	111,387
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		11,983	(3,327)
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30, represented by bank balances and cash		205,701	103,888

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2018

1. BASIS OF PREPARATION

Shanghai Junshi Biosciences Co., Ltd (the "Company") was established in the People's Republic of China (the "PRC") on December 27, 2012 and converted into a joint stock company with limited liability in May 2015. In August 2015, the Company was listed on the National Equities Exchange and Quotations ("NEEQ") (stock code 833330). The condensed consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company.

The principal activities of the Company and its subsidiaries (the "Group") are mainly discovery, development and commercialisation of innovative drugs.

The condensed consolidated financial statements have been prepared in accordance with *International Accounting Standard 34* ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Significant transactions in the current interim period

The Group completed the disposal of the segment of sales of biological reagent during the current interim period, resulting a gain on disposal of approximately RMB441,000. Details of the disposal are set out in Note 7.

The Group also entered into a collaboration agreement and details are set out in Note 16A.

On August 23, 2018, TopAlliance Biosciences Inc. ("TopAlliance"), a subsidiary of the Company, entered into a Patent and Technology License Agreement ("Agreement") with the Board of Regents of The University of Texas System ("System Board") on behalf of The University of Texas Health Science Center at Houston, under which System Board granted TopAlliance a royalty-bearing non-exclusive license for certain patent right related to monoclonal antibodies against EGFL6 for diagnostic and cancer therapeutic use and technology right related to EGFL6-Binding antibodies and the use of thereof. On September 7, 2018, TopAlliance paid USD2,500,000 (equivalent to approximately RMB17,053,000) non-refundable and non-creditable upfront fees to System Board upon entering into the agreement. TopAlliance is also obligated to make up to USD6,000,000 (equivalent to approximately RMB41,659,000) milestone payments upon regulatory approval in China and up to USD31,000,000 (equivalent to approximately RMB215,236,000) milestone payments upon regulatory approval in territories other than China and royalty payments at the applicable royalty rate based on the net sales of the licensed product upon commercialisation. The upfront payments was recognised as research and development expenses during the nine months ended September 30, 2018.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the nine months ended September 30, 2018 are the same as those followed in the preparation of the Group's historical financial information for the two years ended December 31, 2017 and the six months ended June 30, 2018 ("Historical Financial Information") included in the accountant's report as set out in Appendix I to this prospectus.

3. REVENUE AND SEGMENT INFORMATION

An analysis of the Group's revenue for the period is as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing operations				
Consultancy service fee income				
– at a point in time	–	–	–	1,148

For continuing operation, the Group has been operating in one reporting segment, being the discovery, development and commercialisation of drugs.

On April 25, 2018, the Group has entered into a contract to sell the equity interest in the subsidiary engaged in the sales of biologic reagent. The disposal was completed on June 29, 2018 and details of which are set out in Note 7 and accordingly such operating segment has been presented as discontinued operation.

For the purpose of resources allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented.

4. OTHER INCOME

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing operations				
Interest income from bank and time deposit	720	321	2,335	1,807
Government grants *(Note)*	1,202	2	2,222	292
	1,922	323	4,557	2,099

Note: Government grants include subsidies from the PRC government which are specifically for (i) the capital expenditure incurred for plant and machinery, which is recognised as income over the useful life of the related assets and (ii) the incentive and other subsidies for research and development activities, which are recognised upon meeting the attached conditions.

5. OTHER GAINS AND LOSSES

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing operations				
Interest income from debt investment	–	86	119	256
Net losses on disposal of debt investment	–	–	(262)	–
Net gains from fair value changes of other financial assets measured at FVTPL	859	3,663	4,476	4,018
Net losses on fair value changes of foreign exchange forward contracts	–	(13,057)	(6,422)	(24,173)
Loss on fair value changes of convertible loan notes measures at FVTPL	(4,387)	–	(13,988)	–
Less: amounts included in the cost of properties under construction *(Note)*	4,321	–	12,041	–
	793	(9,308)	(4,036)	(19,899)

Note: The Company designated the convertible loan notes as a single financial liability which included debt instrument portion. As such, the fair value changes incorporated the effective interest of the convertible loan notes and the portion directly attributable to the construction of qualifying assets are eligible for capitalisation.

6. INCOME TAX EXPENSE (CREDIT)

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Continuing operations				
(Over) underprovision in prior year in respect of:				
PRC Enterprise Income Tax ("EIT")	–	38	(64)	38
Deferred tax	144	(997)	138	(1,856)
Total income tax expense (credit) recognised in the current period	144	(959)	74	(1,818)

Under the law of the PRC Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25% for both periods.

During the nine months ended September 30, 2017, the United States (the "US") federal imposed progressive corporate income tax rates ranging from 15% to 35%. The US Tax Cuts and Jobs Act ("Act") was enacted into law on December 22, 2017. The Act includes significant changes to the US corporate income tax system that have become effective on January 1, 2018, including a reduction of the US corporate income tax rate to a flat rate of 21%.

TopAlliance Biosciences Inc., a wholly-owned subsidiary of the Company, is subject to the US State Income tax rate of 8.84% for both periods. No provision for taxation in the US has been made as TopAlliance Biosciences Inc. has no assessable profit for both periods.

7. DISCONTINUED OPERATION AND DISPOSAL OF A SUBSIDIARY

In April 2018, the shareholder of Beijing Junke Jingde Biotechnology Co., Ltd. resolved to dispose the segment of sales of biological reagent. The Group entered into a sales and purchase agreement with an independent third party to dispose of its entire interest in Beijing Xinjingke Biotechnology Co., Ltd. (the "Xinjingke") for a cash consideration of RMB2,000,000 (the "Disposal"). The Disposal was completed on June 29, 2018, on which date control of Xinjingke was passed to the acquirer. The reason for the Disposal was that the Group can concentrate its resources on development and documentation of drugs.

The results of the discontinued sales of biological reagent operations for the nine months ended September 30, 2018, which were included in the condensed consolidated statement of profit or loss and other comprehensive income, were as follows:

	For the three months ended September 30,	From January 1, to June 29,	For the nine months ended September 30,
	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue (sales of goods – at a point in time)	1,131	1,994	5,176
Cost of sales	(998)	(1,686)	(4,363)
Gross profit	133	308	813
Other income	–	1	–
Distribution and selling expenses	(122)	(191)	(450)
Impairment loss reversed (recognised)	25	(16)	(5)
Administrative expenses	(381)	(396)	(740)
	(345)	(294)	(382)
Gain on disposal	–	441	–
(Loss) profit for the period from discontinued operations	(345)	147	(382)

Profit (loss) for the period from discontinued operations include the following:

	For the three months ended September 30,	From January 1, to June 29,	For the nine months ended September 30,
	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation for property, plant and equipment	9	9	19
Staff costs			
– Salaries and other benefits	224	447	400
– Retirement benefit scheme contribution	32	55	57

Cash flows from discontinued operations are summarised as follows:

	For the three months ended September 30,	From January 1, to June 29,	For the nine months ended September 30,
	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Net cash (outflow) inflow from operating activities and net cash (outflow) inflow	(162)	117	275

Note: The Disposal was completed on June 29, 2018, thus no disclosure for the three months ended September 30, 2018 is presented.

The major classes of assets and liabilities of Xinjingke as at June 29, 2018 are as follows:

	At June 29, 2018
	RMB'000 (Unaudited)
Goodwill	1,519
Property, plant and equipment	74
Inventories	1,098
Trade receivables	
– third parties	471
– related parties	76
Prepayments and other receivables	227
Bank balances and cash	746
Trade and other payables	(1,865)
Contract liabilities	(787)
	1,559
Gain on disposal of a subsidiary	441
Proceed of disposal of a subsidiary received	2,000
Net cash inflow on disposal of subsidiary	1,254

8. LOSS FOR THE PERIOD

Loss for the period from continuing operations has been arrived at after charging (crediting) the following items:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Auditor's remuneration	77	43	435	269
Amortisation for other intangible assets	37	12	73	29
Amortisation for prepaid lease payments	906	891	2,688	2,678
Less: amounts included in the cost of properties under construction	(873)	–	(2,621)	–
Depreciation for property, plant and equipment	9,559	3,041	24,239	8,875
Minimum operating lease payment in respect of rented premises	2,259	2,427	6,418	3,513
Staff costs (including directors' emoluments):				
– Salaries and other benefits	19,467	12,412	72,926	39,099
– Retirement benefit scheme contributions	7,436	946	12,910	3,295
– Share-based payment	7,694	–	11,587	–
Less: amounts included in the cost of properties under construction	(2,748)	(1,349)	(8,994)	(2,467)
	31,849	12,009	88,429	39,927

9. DIVIDENDS

No dividends were paid, declared or proposed during the nine months ended September 30, 2018 (nine months ended September 30, 2017: nil). The directors of the Company have determined that no dividend will be paid in respect of the nine months ended September 30, 2018 (nine months ended September 30, 2017: nil).

10. LOSS PER SHARE

(a) Basic

From continuing and discontinued operations

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss for the period attributable to the owners of the Company for the purpose of basic loss per share	(157,065)	(79,963)	(429,851)	(234,382)

Number of shares:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic loss per share	601,400,000	584,750,000	597,435,714	577,876,374

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the owners of the Company is based on the following data:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss for the period attributable to owners of the Company	(157,065)	(79,963)	(429,851)	(234,382)
Less: (Loss) profit for the period from discontinued operations attributable to owners of the Company	–	(207)	89	(229)
Loss for the period for the purpose of basic loss per share from continuing operations	(157,065)	(79,756)	(429,940)	(234,153)

From discontinued operations

Basic earnings (loss) per share for the discontinued operations is RMB0.01 cent per share (unaudited) for the nine months ended September 30, 2018 (nine months ended September 30, 2017: basic loss per share of RMB0.04 cent (unaudited)), based on the profit for the period from the discontinued operations of RMB89,000 (unaudited) for the nine months ended September 30, 2018 (nine months ended September 30, 2017: loss of RMB229,000 (unaudited)), and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

Basic loss per share for the discontinued operations is nil per share (unaudited) for the three months ended September 30, 2018 (three months ended September 30, 2017: basic loss per share of RMB0.04 cent (unaudited)), based on the loss for the period from the discontinued operations of nil (unaudited) for the three months ended September 30, 2018 (three months ended September 30, 2017: loss of RMB207,000 (unaudited)), and the denominators detailed above for the basic loss per share from continuing and discontinued operations.

(b) Diluted

The Group issued the convertible loan notes on February 23, 2018 as set out in Note 18. For the purpose of calculation of diluted loss per share, it did not assume the conversion of the convertible loan notes since their assumed conversion would result in a decrease in loss per share.

The Group granted share options on May 14, 2018 as set out in Note 20. The computation of diluted loss per share for the nine months ended September 30, 2018 did not assume the exercise of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share.

The Company does not have any dilutive potential ordinary shares outstanding during the nine months ended September 30, 2017 and thus no diluted loss per share for the nine months ended September 30, 2017 are presented.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the nine months ended September 30, 2018, the Group had additions of property, plant and equipment of approximately RMB350,639,000 (2017: RMB130,845,000) in order to upgrade its manufacturing capabilities.

In addition, the Group disposed of certain property, plant and equipment with a carrying amount of approximately RMB74,000 through disposal of a subsidiary.

12. TRADE RECEIVABLES

The Group allows an average credit period of 30 days to its trade customers. The following is an analysis of trade receivables by age (net of allowance for doubtful debts) at the end of the reporting period, presented based on invoice dates which approximated the respective revenue recognition dates:

	As at September 30, 2018	**As at December 31, 2017**
	RMB'000 (Unaudited)	RMB'000 (Audited)
0 to 30 days	–	106
31 to 90 days	–	31
91 to 180 days	–	33
181 to 1 year	–	24
1 to 2 years	–	26
	–	220

The Group assessed ECL for trade receivables collectively based on estimated loss rates ranging from 5% to 10% taking into account the aging of the balances and historical observed default rates and are adjusted for forward-looking information that is available without undue cost or effort.

Movement of loss allowance on trade receivables measured at amortised cost:

	As at September 30, 2018	**As at December 31, 2017**
	RMB'000 (Unaudited)	RMB'000 (Audited)
At the beginning of the period/year	13	27
Impairment loss recognised	16	–
Amount recovered during the period/year	–	(14)
Disposal of a subsidiary	(29)	–
At the end of period/year	–	13

13. OTHER ASSETS, PREPAYMENTS AND OTHER RECEIVABLES

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deposits *(Note a)*		
– current		
– related parties *(Note b)*	650	200
– third parties	3,803	4,490
– non-current	2,512	–
Prepayments		
– current *(Note c)*	67,254	29,675
– non-current *(Note d)*	280,446	203,679
Amount due from a partner of a joint operation *(Note e)*	3,580	794
Deferred issue costs (current)	24,904	–
Deposits for leasehold interest in land *(Note f)*		
– current	–	5,415
– non-current	5,430	–
Value added tax recoverable (non-current) *(Note g)*	56,050	68,567
	444,629	312,820
Less: loss allowance	(534)	(1,084)
	444,095	311,736
Analysis as		
– current	99,657	39,490
– non-current	344,438	272,246
	444,095	311,736

Notes:

(a) Deposits mainly include rental and utility deposits.

(b) Amount mainly represents rental deposits to Beijing Zhengdan International Technology Co., Ltd ("BJZD"), which is a non-controlling shareholder of one of the subsidiary of the Company.

(c) Prepayments mainly include upfront fee paid for research and development services for the clinical and non-clinical study of the drugs. Prepayments also include other prepaid operating expenses.

(d) Amount represents prepayments for construction in progress and acquisition of property, plant and equipment.

(e) On August 28, 2017, the Group and Jiangsu T-mab Biopharma Co., Ltd (江蘇泰康生物醫藥有限公司) ("T-mab") entered into a co-development and commercialisation agreement (the "Collaboration Agreement") for UBP1211, a biosimilar the Group originally had sole ownership of patents and know-how. Under the terms of the Collaboration Agreement, the patents and know-how from the research and development of UBP1211 will be registered under the name of both parties while all future research and development costs and net profit from sales of UBP1211 upon successful commercialisation will be evenly shared between the Group and T-mab. The Group has joint control over the arrangement that unanimous consent is required from all parties to the agreement for relevant activities including clinical studies, manufacturing and marketing. As such, the Group accounted for the arrangement as joint operation. The amount is unsecured, non-interest bearing and repayable on demand.

(f) In December 2016, the Group paid a refundable and interest-bearing deposit amounting to RMB13,574,000 to Development and Construction Management Committee of Shanghai Lingang industrial area for acquiring the use right of a land located in Shanghai Lingang Industrial Area ("Shanghai Lingang") in order to construct its industrialisation facility to produce future drug pipelines. 60% of the deposit amounting to RMB8,159,000 was refunded upon the commencement of the construction in August 2017 and the remaining 40% deposit will be refunded upon the completion of the construction.

(g) Value added tax recoverable was presented as non-current assets since they are expected to be deducted from future value added tax payables arising on the Group's revenue which are not expected to be generated within the next twelve months from the end of the September 30, 2018.

The Group assessed ECL for other receivables at amortised cost based on the aging of the balances and appropriate adjustments to reflect current conditions of counter parties based on their financial qualities. The current loss rates applied range from 0% to 50%.

Movement of loss allowance on other receivables measured at amortised cost:

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
At the beginning of the period/year	1,084	919
Impairment losses (reversed) recognised on other receivables	(543)	165
Disposal of a subsidiary	(7)	–
At end of the period/year	534	1,084

14. OTHER FINANCIAL ASSETS/LIABILITIES

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Current assets		
Financial assets measured at FVTPL		
– Financial products *(Note a)*	6,500	45,000
– Funds *(Note b)*	2,350	102,434
	8,850	147,434
Non-current assets		
Financial assets measured at FVTPL		
– Unlisted equity investment *(Note c)*	15,000	–
Investments in debt instrument measured at FVTOCI		
– Corporate bond *(Note d)*	–	4,323
Current liabilities		
Financial liabilities measured at FVTPL		
– Foreign exchange forward contracts *(Note e)*	–	16,034

Notes:

(a) The Group entered into contracts in respect of financial products (the "Financial Products") with financial institutions, with contractual terms from 7 days to 21 days and disposable on demand. The principal is not guaranteed by the relevant financial institutions and the expected return is 3.75% for the nine months ended September 30, 2018 (ranges from 2.74% to 3.13% per annum for the year ended December 31, 2017).

(b) The Group entered into several contracts of funds (the "Fund") with financial institutions. The principals are not guaranteed and the return of the Fund are determined by reference to the performance of the underlying instruments, including equity and debt securities.

(c) The Group invested in Hebei Boke Biotechnology Co., Ltd. (河北博科生物技術有限公司) ("Boke") at the cost of RMB15,000,000 in April 2018, representing 5% of the registered capital of Boke. Boke is mainly engaged in drug discovery and development consulting services.

(d) In August 2013, the Group invested in a listed corporate bond which was traded publicly in Shanghai Stock Exchange and was subsequently disposed in March 2018.

(e) The Group entered into several foreign exchange forward contracts with banks in order to manage the Group's foreign currency exposure in relation to United States Dollar ("USD") against RMB for its planned operating funding transfer to a subsidiary in the United States. The major terms of these contracts as at December 31, 2017 are as follows:

Notional amount	Maturity	Exchange rate
At December 31, 2017		
Buy USD15,000,000	15/05/2018	USD1/RMB7.0092
Buy USD2,000,000	15/05/2018	USD1/RMB7.0092
Buy USD18,000,000	16/05/2018	USD1/RMB7.0213

There was no outstanding foreign exchange forward contracts as at September 30, 2018.

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

The pledged bank deposits of the Group as at September 30, 2018 and December 31, 2017 were pledged to banks for securing notes payables (Note 16) and forward contracts (Note 14), respectively, with interest rate of 1.10% to 1.75% and were classified as current assets as notes payables and the forward contract were settled within twelve months.

Bank balances and cash of the Group comprised cash and short-term bank deposits with an original maturity of three months or less. Bank balances are carrying interest at market rates which ranged from 0.30% to 1.00% per annum at September 30, 2018 (December 31, 2017: 0.10% to 1.00% per annum).

16. TRADE AND OTHER PAYABLES

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Trade payables		
– related parties *(Note a)*	3,620	3,685
– third parties	14,167	12,621
Accrued expenses	85,540	4,972
Notes payables	9,739	–
Salary and bonus payables	30,742	16,160
Other tax payables	1,116	323
Payables for issue costs	18,390	–
Other payables		
– related parties *(Note b)*	–	32
– third parties	337	3,706
	163,651	41,499

Notes:

(a) Amount represents trade payable to United-Power Pharma Tech Co., Ltd. ("UPPT"), an associate of BJZD.

(b) Included in the amount is other payables to BJZD. The amount is unsecured, interest free and repayable on demand.

Payment terms with suppliers are mainly with credit term of 30 days from the time when the goods and services are received from the suppliers. The following is an aging analysis of trade payables and notes payables presented based on invoice date at the end of the reporting period:

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
0 to 30 days	11,196	15,289
31 to 60 days	1	207
61 to 180 days	5,561	209
Over 180 days	10,768	601
	27,526	16,306

16A. CONTRACT LIABILITIES

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Amounts received in advance of delivery of biological reagent	–	646
Upfront fee received for collaboration agreement	28,302	–
	28,302	646
Current	–	646
Non-current	28,302	–
	28,302	646

In June 2018, the Group entered into a co-development and strategic collaboration agreement (the "Agreement") with CSPC Pharmaceutical Group Limited ("CSPC"), under which the Group and CSPC will co-develop PD-1 (the anti-PD-1 monoclonal antibody exclusively supplied by the Group), in combination with albumin-bonded paclitaxel (the "Product") for the treatment of breast cancer in PRC including Hong Kong, Taiwan and Macau. A joint steering committee will be established with equal representation from each party to coordinate and oversee development and commercialisation activities and decisions for the Product. CSPC at its own expense, shall be responsible for designing and executing the clinical trial for the Product, supplying albumin-bonded paclitaxel to the Group for conducting clinical trials, applying and securing approval and commercialisation of the Product. The Group shall be responsible for securing approval of PD-1 single treatment, supplying PD-1 to CSPC for conducting clinical trials and supplying PD-1 to CSPC for sale of the Product. All intellectual property rights related to the Product shall be jointly owned by the Group and CSPC. Further, CSPC was granted an exclusive royalty based license to commercialise the Product within the PRC from the receipt of the relevant regulatory approval in the PRC for 20 years ("Commercialisation Period"). On July 11, 2018, the Group received RMB30,000,000 upfront fee

(including value added tax amounting to RMB1,698,000) upon execution of the Agreement. The Group is also entitled to receive an aggregate of RMB120,000,000 future milestone payments from CSPC upon the achievement of contractually specified development milestones in the Agreement. Details of the sales royalty arrangement is to be determined between both parties.

No revenue has been recognised in relation to this collaboration agreement during the nine months ended September 30, 2018 as the performance obligation was unsatisfied. The whole amount of upfront fee received was recorded under contract liabilities at September 30, 2018 and the total transaction price which comprise upfront payments, development milestone payments and royalty (if any) is expected to be recognised as revenue before the end of the Commercialisation Period.

17. BORROWINGS

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Unsecured borrowing repayable within 1 year	20,173	–

The Group obtained loan from T-mab of RMB20,000,000. The loan is unsecured, interest bearing at 5.66% per annum and has a repayment period of 6 months.

18. CONVERTIBLE LOAN NOTES

On February 9, 2018, the Company obtained no objection letter from the Shanghai Stock Exchange for the issue of convertible loan notes in a principal amount of no more than RMB500,000,000. On February 23, 2018, the Company issued convertible loan notes in a principal amount of RMB200,000,000 to qualified investors. The major terms and conditions of the convertible loan notes are as follows:

(a) Maturity

The maturity date for the convertible loans notes is February 23, 2024 ("Maturity Date") which is 6 years from the date of issue of the convertible loan notes.

(b) Interest rate

The Company shall pay a non-compound coupon rate at 10.35% per annum. Interest due and repayable on 3rd, 4th, 5th and 6th anniversary dates of bond issuance.

(c) Conversion price

The bond matures in six years from the date of issuance at its nominal value of RMB200,000,000, which can be converted into ordinary shares of the Company at an original conversion price of RMB25 per share, subject to adjustments for distribution of bonus shares or capital, issuance of new shares or right issue and distribution of cash dividends. In addition, after getting approval from shareholders' meeting, the Company has the right to adjust down the conversion price, which shall not be lower than the audited net assets value per share of the Company in accordance with the latest audited financial statements.

(d) Redemption

Bondholders are entitled to an option to early redeem at 3 years before Maturity Date the whole or part of the principal outstanding amount of the convertible loan notes at principal amount, together with accrued but unpaid interest thereon.

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem the convertible loan note at 100% of its principal amount, together with accrued but unpaid interest thereon.

The Group and the Company have designated the convertible loan notes as whole as financial liabilities measured at FVTPL. The change in fair value of the convertible loan notes is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income.

The movement of the convertible loan notes for the period is set out as below:

	Fair value of convertible loan notes
	RMB'000 (Unaudited)
At February 23, 2018 (date of issuance)	200,000
Change in fair value charged to profit or loss *(Note 5)*	13,988
At September 30, 2018	213,988

The Company has used the binominal option pricing model to determine the fair value of the convertible loan notes as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of convertible loan notes are as follows:

	As at February 23, 2018	**As at September 30, 2018**
Share price	RMB18.00	RMB18.00
Discount rate	21.06%	20.03%
Time to maturity	6 years	5.40 years
Risk-free rate	3.89%	3.48%
Expected volatility *(Note)*	41.27%	41.97%
Expected dividend yield	0%	0%

Note: The expected volatility was determined by using the historical volatility of the share price of the comparable companies with similar business nature of the Company as of the valuation dates.

19. SHARE CAPITAL

	Number of shares	Share capital
		RMB'000
Registered issued and fully paid at RMB1.0 per share:		
At January 1, 2017 (Audited)	550,000,000	550,000
Issue of shares by private equity placement on February 24, 2017 *(Note a)*	34,750,000	34,750
At September 30, 2017 (Unaudited) and December 31, 2017 (Audited)	584,750,000	584,750
Issue of shares by private equity placement on March 7, 2018 *(Note b)*	16,650,000	16,650
At September 30, 2018 (Unaudited)	601,400,000	601,400

Notes:

(a) On February 24, 2017, the Company completed an issue of 34,750,000 shares. The net proceeds received from the issue amounted to RMB319,634,000, after deduction of issue expenses of RMB66,000. Part of the proceeds, amounting to RMB34,750,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB284,884,000 was credited to share premium.

(b) On March 7, 2018, the Company completed an issue of 16,650,000 shares. The net proceeds received from the issue amounted to RMB297,955,000, after deduction of issue expenses of RMB1,745,000. Part of the proceeds, amounting to RMB16,650,000, was credited as issued and fully paid share capital, and the remaining balance (after deduction of issue expenses) of RMB281,305,000 was credited to share premium.

(c) All the new shares rank pari passu with the existing shares in all respects.

20. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a resolution passed on May 14, 2018 for the primary purpose of providing incentives to eligible employees who render services to the Group. Details of the Scheme are set out in Appendix V Statutory And General Information section of the Prospectus. During the nine months ended September 30, 2018, 5,861,000 options were granted to the employees. The options are vested as follows:

On 1st anniversary of the date of grant	25% vest
On 2nd anniversary of the date of grant	further 35% vest
On 3rd anniversary of the date of grant	remaining 40% vest

Subject to the respective terms of issue, options may be exercised at any time from the vesting date to the expiry date. The expiry date is at the end of the vesting period. If the employees choose not to exercise the options on the expiry date, the options will expire at the end of the date and no longer exercisable.

The table below discloses movement of the Company's share options held by the Group's employees:

					Number of share options			
	Date of grant	Exercise price	Vesting date	Expiry date	Outstanding at January 1, 2018	Granted during the period	Forfeited during the period	Outstanding at September 30, 2018
		RMB			(Audited)			(Unaudited)
Employees								
– Tranche 1	May 14, 2018	9.20	May 14, 2019	May 14, 2019	–	1,465,250	(11,500)	1,453,750
– Tranche 2	May 14, 2018	9.20	May 14, 2020	May 14, 2020	–	2,051,350	(16,100)	2,035,250
– Tranche 3	May 14, 2018	9.20	May 14, 2021	May 14, 2021	–	2,344,400	(18,400)	2,326,000
					–	5,861,000	(46,000)	5,815,000
Exercisable at the end of the period								–
Weighted average exercise price (RMB)								9.20

During the nine months ended September 30, 2018, share-based payment expenses of approximately RMB11,587,000 have been recognised in profit or loss.

The following assumptions were used to calculate the fair values of share options:

	Tranche 1	Tranche 2	Tranche 3
Share price *(Note a)*	RMB18.00	RMB18.00	RMB18.00
Exercise price	RMB9.20	RMB9.20	RMB9.20
Expected volatility *(Note b)*	36.40%	31.40%	43.30%
Dividend yield	0%	0%	0%
Risk-free rate	2.90%	3.10%	3.20%
Fair value per option	RMB9.11	RMB9.47	RMB10.34

Notes:

(a) The share price is determined based on the share price on February 23, 2018, which is the date of shareholders' approval of newly issued shares on March 7, 2018.

(b) The expected volatility was determined by using the historical volatility of the share price of the comparable companies with similar business nature of the Company as of the valuation dates.

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options.

21. CAPITAL COMMITMENTS

The Group had the following capital commitments:

	As at September 30, 2018	As at December 31, 2017
	RMB'000 (Unaudited)	RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements *(note)*	361,552	144,123

Note: The property, plant and equipment mainly includes the Group's industrialisation facilities and apartments for employee dormitories.

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values to various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets/financial liabilities	Fair value as at September 30, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	RMB'000 (Unaudited)	RMB'000 (Audited)			
Corporate bond	–	4,323	Level 1	Quoted bid prices in an active market	N/A
Financial products	6,500	45,000	Level 2	Discounted cash flow – Future cash flows are estimated based on expected return, discounted at a rate that reflects the risk of underlying investments	N/A

Financial assets/financial liabilities	Fair value as at September 30, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	RMB'000 (Unaudited)	RMB'000 (Audited)			
Fund	2,350	102,434	Level 2	Fair value determined based on fair value of underlying debt investments using discounted cash flow method based on the return from the underlying investments and quoted market price of underlying equity investments	N/A
Unlisted equity investment	15,000	–	Level 2	Recent transaction price	N/A
Foreign currency forward contracts classified as derivative financial instruments	–	(16,034)	Level 2	Discounted cash flow – Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of each reporting date) and contracted forward rates at a rate that reflects the credit risk of various counterparties	N/A
Convertible loan notes designated at FVTPL	(213,988)	–	Level 3	Binomial option pricing model the key input are underlying share price, conversion price, discount rate, expected volatility, debt yield and risk-free rate	Expected volatility of 42%, taking into account the historical volatility of the comparable companies *(Note a)* Discount rate of 20.03% *(Note b)*

There were no transfers between Level 1 and Level 2 during both periods.

Notes:

(a) A slight increase in the expected volatility used in isolation would result in a slight increase in the fair value measurement of convertible loan notes, and vice versa. If the volatility was 5% higher/lower to 47%/37% while holding all other variables constant, the carrying amount of the convertible loan notes would increase by RMB7,153,000 or decrease by RMB3,947,000 as at September 30, 2018.

(b) A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value measurement of convertible loan notes, and vice versa. If the discount rate was 0.5% higher/lower to 20.5%/19.5% while all other variables constant, the carrying amount of the convertible loan notes would decrease by RMB1,634,000 or increase by RMB1,652,000 as at September 30, 2018.

(ii) Reconciliation of Level 3 fair value measurements

	Convertible loan notes designated at FVTPL
	RMB'000 (Unaudited)
At January 1, 2018	–
Issuance of convertible loan notes *(Note 18)*	(200,000)
Fair value change in profit or loss during the period *(Note 5)*	(13,988)
At September 30, 2018	(213,988)

Fair value gains or losses on convertible loan notes designated at FVTPL of approximately RMB13,988,000 are included in 'other gains and losses', in which approximately RMB12,041,000 was capitalised in construction-in-progress during the nine months ended September 30, 2018.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amount of financial assets and liabilities of the Group recorded at amortised cost in the Historical Financial Information approximate their fair value based on the discounted cash flows analysis.

(iv) Fair value measurement and valuation process

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or uses quoted forward exchange rates derived from quoted exchange rates matching maturities of the contracts at the end of the reporting period. The finance department of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.

23. RELATED PARTIES DISCLOSURES

Except as disclosed elsewhere in the condensed consolidated financial statements, the Group also entered into the following transactions with related parties:

(a) Sales to related parties – discontinued operations

		For the three months ended September 30,		For the nine months ended September 30,	
Name of related parties	*Note*	**2018**	**2017**	**2018**	**2017**
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
BJZD		–	121	141	301
UPPT		–	177	105	502
Beijing Junke Huaren Pharma Tech Co., Ltd. ("JKHR")	*(i)*	–	165	2	346
		–	463	248	1,149

(b) Research and development expense incurred

Name of related parties	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
BJZD	–	–	226	340
UPPT	5,612	663	12,103	3,124
	5,612	663	12,329	3,464

(c) Compensation of directors and key management personnel

The remuneration of directors of the Company and other members of key management was as follows:

Name of related parties	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Short term benefits	2,953	1,574	9,678	5,080
Post-employment benefits	158	76	433	282
	3,111	1,650	10,111	5,362

Note:

(i) JKHR is a wholly-owned subsidiary of UPPT.

The remuneration of key management personnel is determined by the management of the Company having regard to the performance of individuals and market trends.

24. SUBSEQUENT EVENTS

In September, 2018, the Company together with other four independent third parties established a company in the PRC, Beijing Zhenzhi Medical Technology Co., Ltd. (北京臻知醫學科技有限責任公司) ("Zhenzhi"), a limited liability company principally engaged in technology services and medical research and development. The total capital commitment by the Company is RMB3.0 million, representing 15% equity interests of Zhenzhi. In November, 2018, the Company paid capital of RMB3.0 million to Zhenzhi.

In October 2018, the Group entered into a 4 year loan facility up to RMB150.0 million with the Bank of Shanghai and drew down RMB80.0 million under the facility. The loan facility bears a variable interest rate by floating upwards by 40% based on the relevant 1 to 5 years benchmark interest rate published by the People's Bank of China per annum. The loan facility will mature in November 2022 and guaranteed by the Company and its subsidiary Suzhou Union Biopharm Biosciences Co., Ltd. Pursuant to the agreement, the bank borrowing is also secured by mortgages over the Group's property, plant and equipment situated in Shanghai Lingang and Wujiang Economic and Industrial Development Zone held by its subsidiaries, Shanghai Junshi Biotechnology Co., Ltd. and Suzhou Union Biopharm Biosciences Co., Ltd.

On October 8, 2018, the Company entered into a collaboration agreement with Hutchison MediPharma Limited ("Hutchison") to collaborate on developing an oncology therapy in combination of PD-1 (the Company's compound) and Sulfatinib (Hutchison's compound) in the PRC, including Hong Kong, Taiwan and Macau, the United States and Europe. Hutchison shall be solely responsible for all costs and expenses for developing the combination therapy under the China initial development plan and the Company shall be solely responsible for all costs and expenses for developing the combination therapy under the global initial development plan. Each party shall, at its own expense, provide clinical supplies of its own compound under the applicable development plan, respectively.

In October and November 2018, the Group received approximately RMB96.0 million loans from six independent third parties, namely Shen Zhen Rui He Xing Ye Asset Management Co., Ltd. (深圳市瑞和興業資產管理有限公司), Song Qi (宋琦), Wang Ting (汪霆), Diao Jingsha (刁靜莎), Zhou Hao (周浩) and Wu Jiang Zhong Tai Construction Engineering Co., Ltd. (吳江市中泰建築工程有限公司), respectively. The loans are unsecured, unguaranteed, and interest bearing from 5.66% to 9.00% per annum and have repayment periods from 60 days to 12 months. The Company early repaid RMB5.0 million loan from Song Qi in November 2018.

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the Track Record Period (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company and condensed consolidated financial statements for the nine months ended September 30, 2018 (the "Condensed Consolidated Financial Statements"), as set forth in Appendices I and IA to this prospectus, respectively, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report and Condensed Consolidated Financial Statements set forth in Appendices I and IA to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Hong Kong public offering and international offering of the Shares of the Company (the "Global Offering") on the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at June 30, 2018**	**Unaudited pro forma adjusted net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 per Share**	
	RMB'000 *(Note 1)*	RMB'000 *(Note 2)*	RMB'000	RMB *(Note 3)*	HK$ *(Note 4)*
Based on an Offer Price of HK$19.38 per H Share	1,154,715	2,613,367	3,768,082	4.96	5.58
Based on an Offer Price of HK$20.38 per H Share	1,154,715	2,750,179	3,904,894	5.14	5.79

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to owners of the Company as of June 30, 2018 of approximately RMB1,154,945,000 less the intangible assets of the Group attributable to owners of the Company as at June 30, 2018 of approximately RMB230,000.

2. The estimated net proceeds from the Global Offering are based on 158,910,000 H Shares at the Offer Price of HK$19.38 (equivalent to RMB17.20) and HK$20.38 (equivalent to RMB18.09) per Offer Share, being the low-end and high-end of the stated Offer Price range, respectively, after deduction of the estimated underwriting fees and commissions and other related expenses paid/payable by the Group and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Share Incentive Scheme.

   For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in HK$ has been converted into RMB at the rate of HK$1 to RMB0.88764, which was the exchange rate prevailing on December 3, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that 760,310,000 Shares were in issue assuming that the Global Offering had been completed on June 30, 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Share Incentive Scheme.

4. For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of HK$1 to RMB0.88764, which was the exchange rate prevailing on December 3, 2018 with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or any other rates or at all.

5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at June 30, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to June 30, 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purposes of incorporation in this prospectus, in respect of the Group's unaudited pro forma financial information.

Deloitte. 德勤

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Shanghai Junshi Biosciences Co., Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Shanghai Junshi Biosciences Co., Ltd. (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 unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at June 30, 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated December 11, 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Global Offering (as defined in the Prospectus) on the Group's financial position as at June 30, 2018 as if the proposed Global Offering had taken place at June 30, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the two years ended December 31, 2017 and the six months ended June 30, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited 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 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") 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" issued by the HKICPA 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 unaudited 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 unaudited 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 unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the 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 unaudited 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 unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or 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 event or transaction at June 30, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited 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 event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited 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 unaudited 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 purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 11, 2018

This Appendix is a summary of laws and regulations regarding company and security, in order to provide potential investors with principal legal and regulatory provisions applied to our Company. This summary does not contain all the materials that is vital for the potential investors. Please refer to the section headed "Regulatory Overview" for specific laws and regulations regarding the business of our Company.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《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 may be used for the purposes of judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (2015 revision) (《中華人民共和國立法法(2015年修訂)》), the National People's Congress (the "**NPC**") and the Standing Committee of the NPC 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 NPC 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 NC during the adjournment of the NPC, provided 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 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, subject to the constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions, which take effect after approval by the standing committee of the people's congresses of provinces or autonomous regions. "Larger cities" refer to cities where the people's governments of provinces or autonomous regions are located, cities where special economic zones are located and larger cities as approved by the State Council.

The People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy laws and other relevant laws and administrative regulations.

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 is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), 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 organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed. The higher 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 trial organ of 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 judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments 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 judgment which has been given in any people's court at a lower level, or the president of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (2017 revision) (《中華人民共和國民事訴訟法(2017年修訂)》) sets forth the criteria for instituting a civil suit, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil suit and the procedures for enforcement of a civil judgment or order. All parties to a civil suit 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. A party to the contract or other property dispute may choose by written agreement to be under the jurisdiction of the people's court in the location of the defendant's domicile, where the contract is performed or signed, in the location of the plaintiff's domicile, in the location of the subject matter or in other locations which have actual connections with the dispute, provided that the provisions on hierarchical jurisdiction and exclusive jurisdiction are not violated.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. Should a juridical system of a foreign country limit the litigation rights of PRC citizens and enterprises, subject to the principle of reciprocity, the PRC courts may apply the same limitations to the citizens and enterprises (in China) of that foreign country.

A party seeking to enforce a judgment 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 judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to the 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 judgment 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 judgment 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, MANDATORY PROVISIONS AND MEMORANDUM OF UNDERSTANDING

A joint stock limited company incorporated in the PRC seeking a listing on the Stock Exchange is subject to the following laws and regulations in China:

- The PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004, December 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 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》) (the "**Special Regulations**"), which was promulgated by the State Council on August 4, 1994 pursuant to the PRC Company Law, and was applicable to the overseas share subscription 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 was jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 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.

On April 21, 2018, the National Equities Exchange and Quotations Co., Ltd. and the Stock Exchange signed the Memorandum of Understanding (《合作諒解備忘錄》), providing that the public offering on the Stock Exchange by companies that are listed on the NEEQ shall conform to the Special Regulations and relevant rules of CSRC. No pre-examination or special conditions are set down by the National Equities Exchange and Quotations Co., Ltd.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions.

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 full amount of shares held by its shareholders and the company is liable to its creditors for an amount equal to the total value of its assets.

Incorporation

A joint stock limited company may be incorporated by promotion or public 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.

Where a company limited by shares is established by way of promotion, registered capital thereof shall be the total amount of share capital subscribed to by all promoters as registered with the relevant company registration authority. The said company is not allowed to offer shares to others for subscription before the shares subscribed to by its promoters are fully paid up.

Where a company limited by shares is established through public subscription, the registered capital thereof shall be the actual total paid-up share capital registered at the relevant company registration authority.

The 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 the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the Company. 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. 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.

Share Capital

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 or assets, intellectual property rights, and land use rights that may be valued in monetary term and may be transferred in accordance with the law. If a capital contribution is made other than in cash, fair valuation and verification of the asset contributed must be carried out. The provisions on the valuation of such property as prescribed by laws or administrative regulations shall prevail.

Pursuant to the Special Regulations and the Mandatory Provisions, 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.

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 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 program 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.

The share shall be issued at par value or at a premium, but it may not be issued below the par value.

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.

Shares of the same class in the same offer shall be issued on the same conditions and at the same price.

Public offering shall be approved by the securities regulatory authority under the State Council.

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.

Where a joint stock limited company is issuing new shares to increase its registered capital, the subscription for new shares by shareholders shall be conducted in accordance with provisions on the payment of subscription amounts in relation to the incorporation of the company.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall notify its creditors within ten days after the resolution on the reduction of the registered capital is made, and publish an announcement in newspapers within 30 days.
- the 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; and
- it shall apply to the relevant company registration administration for the registration of the reduction in registered capital.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations.

Transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. Registered stocks shall be transferred through endorsement by the relevant shareholder or by any other means specified in laws or administrative regulations. The transfer of bearer stocks shall become valid upon the delivery of the said stocks to the transferee by the relevant shareholder.

Shares held by a promoter may not be transferred within one year after the company's establishment. Shares of the company issued before the public issue of shares shall not be transferred within one year from the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes in such shareholdings. During each year of their term of office, they shall transfer no more than 25% of the shares they hold in the company. They shall not transfer the shares they hold within one year from the date of the company's listing on a stock exchange, nor within six months after they have resigned from their positions with the company. The articles of association may specify other restrictions in respect of the transfer of shares in the company held by the directors, supervisors and the senior management of the company.

Shareholders

A shareholder's rights and duties are all stipulated in the company's articles of association, which is binding on all shareholders. The rights of shareholders are prescribed in the PRC Company Law and the Mandatory Provisions.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription money in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his/her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary 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 ten percent 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 so requests; 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 chairperson of the board of directors. In the event that the chairperson is incapable of performing or does not perform his/her duties, the meeting shall be presided over by the vice chairperson. In the event that the vice chairperson is incapable of performing or not performing his/her 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 ten percent 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 extraordinary shareholders' general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such 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. Moreover, subject to the PRC Company Law, shareholders alone or in aggregate holding more than three percent of the company's shares may put forward a new proposal in writing to the board of directors ten days before the general meeting is held. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said proposal to the general meeting for deliberation.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

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-thirds of the voting rights held by the shareholders present at the meeting:

- amendments to the articles of association;
- the increase or decrease of registered capital;
- the issue of any types of shares, warrants or other similar securities;
- the issue of debentures;
- the merger, division, dissolution, liquidation or change in the form of the company; and

- 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.

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.

Directors

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of five to nineteen 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/her duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her 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, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors ten days before the meeting.

Interim board meetings may be proposed to be convened by shareholders representing more than ten percent of voting rights, more than one-third of the directors or the supervisors. The chairperson shall convene and preside over such meeting within ten days after receiving such proposal. The manner and time limit of notification for convening an interim meeting of the board of directors may be decided separately.

Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he/she may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his/her behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, 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.

Minutes shall be prepared by the board of directors for the decisions on the matters discussed at each of the meetings of the board of directors. The directors present at the meeting shall affix their signatures thereto.

The board of directors shall appoint a chairperson and may appoint a vice chairperson. The chairperson and the vice chairperson are elected with approval of more than half of all the directors. The chairperson shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairperson shall assist the work of the chairperson. In the event that the chairperson is incapable of performing or not performing his/her duties, the duties shall be performed by the vice chairperson. In the event that the vice chairperson is incapable of performing or not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

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 employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors. Circumstances under which one may not serve as a director shall apply to the supervisors.

The board of supervisors shall appoint a chairperson and may appoint vice chairperson. The chairperson and the vice chairperson of the board of supervisors are elected with approval of more than half of all the supervisors. The chairperson of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairperson of the board of supervisors is incapable of performing or not performing his/her duties, the vice chairperson of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairperson of the board of supervisors is incapable of performing or not performing his/her 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/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her 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/her term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

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.

The board of supervisors of a company shall hold at least one meeting every six months. According to the PRC Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors, while according to the Opinions on Supplementary Amendment to Articles of Associations by Companies to be listed in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》), a resolution of the board of supervisors shall be passed by more than two-thirds of all the supervisors.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise certain powers.

The manager shall comply with other provisions of the articles of association concerning his/her powers. According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary 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 are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. The PRC Company Law contains a series of prohibitions on the behavior of directors and officers and prescribes for the appropriate means by which such directors and officers may use their position and powers.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management person of a company is required to attend a shareholders' meeting or a general meeting as a non-voting participant, the director, supervisor or senior management person shall do so and accept the inquiries from shareholders.

The directors and senior management personnel shall truthfully provide relevant information and materials to the board of supervisors or, in the absence thereof in a limited liability company, to the supervisors, and shall not hinder the board of supervisors or the supervisors from exercising their powers.

The Special Regulations and the Mandatory Provisions provide that a company's directors, supervisors, managers and other officers shall have a duty of loyalty towards the company. They are required to perform their duties faithfully, protect the interests of the company and not use their positions for their own benefit. The Mandatory Provisions contain detailed stipulations on these duties.

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 financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law.

The company's 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, the company shall deliver its financial reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders.

When distributing each year's after-tax profits, a company shall set aside ten percent of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital). 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, the company may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the company shall not be entitled to any distribution of profit.

The reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered 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. Assets of the company shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Special Regulations, a company shall engage an independent accounting firm, which is qualified according to relevant provisions of the State, to audit the annual report of the company and review other financial reports whereof.

The period of engagement of an accounting firm by a company shall commence from the date of conclusion of the current annual shareholders' general meeting and end at the conclusion of the subsequent annual shareholders' general meeting.

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 shall have the right to state its opinions on the matter to the shareholders' general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory 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 dividends and other distributions payable on behalf of such shareholders in respect of their overseas listed and foreign invested shares. Pursuant to the Special Regulations, dividends or other payments which are to be paid by the company to the shareholders of the company's foreign capital shares listed overseas shall be calculated and declared in Renminbi and paid in foreign currencies.

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 has resolved to dissolve the company;

(iii) the company is dissolved by reason of merger or division;

(iv) the business license is revoked; 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 ten percent 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, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall notify the company's creditors within ten days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his/her claim with the liquidation group within 30 days after receiving notification or within 45 days of the public notice if he/she did not receive any notification.

The company's remaining assets after payment of liquidation expenses, 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 can only engage in any operating activities that are 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 assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his/her intentional or gross negligence.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue H shares and domestic invested shares which has been approved by the CSRC may be implemented respectively by the board of directors of a company, within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate is lost or stolen, the shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law (《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.

Suspension and Termination of Listing

The PRC Securities Law (《中華人民共和國證券法》) provides for a series of circumstances in which the trading of shares of a company on a stock exchange may be suspended or the listing for trading of its shares terminated if so decided by the relevant stock exchange.

Merger and Division of the Company

Merger of companies may either be merger by consolidation or merger by incorporation. Merger by consolidation shall mean that a company absorbs other companies while the absorbed companies shall be dissolved. Merger by incorporation shall mean that two or more companies merge into a newly incorporated company while all the merged parties shall be dissolved.

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 of the Company. The CSRC is the supervisory and regulatory institution for securities in the PRC. It is responsible for the formulation of the policies relating to securities, the drafting of securities laws and regulations, the supervision of the securities markets, market intermediaries and participants, the supervision and regulation of the domestic and overseas public offering of securities by Chinese companies, as well as the supervision and regulation of securities transactions.

The Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement. According to these regulations, a company must obtain the approval of the Securities Committee (being currently the CSRC) to directly or indirectly offer its shares outside the PRC.

The PRC Securities Law regulates, 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 PRC Securities Law provides that a company must obtain prior approval from the State Council's regulatory authorities to list shares outside the PRC and that specific measures with respect to shares of companies in the PRC that are to be subscribed for and traded in foreign currencies shall be separately formulated by 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.

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas.

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**") is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law.

Under the Arbitration Law, an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the Arbitration Law. 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.

Under the Mandatory Provisions and the Articles of Association, a claimant may select the China International Economic and Trade Arbitration Commission ("**CIETAC**") to conduct arbitration in accordance with its arbitration rules or the Hong Kong International Arbitration Centre ("HKIAC") to conduct arbitration in accordance with its securities arbitration rules.

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. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》), the CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties.

Under the Arbitration Law and the PRC Civil Procedure Law, 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 procedural or membership irregularity 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 by a 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 recognised 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 has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") (《承認及執行外國仲裁裁決公約》). The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by 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 request for enforcement is made.

It was declared by the Standing Committee simultaneously with the accession of the PRC that (i) the PRC will only recognise and enforce 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. Hong Kong and the PRC have an arrangement of mutual enforcement of arbitral awards. Under the arrangement, the Courts of Hong Kong agree to enforce the awards made pursuant to the Arbitration Law of the PRC by the arbitral authorities in the PRC. The People's Court of the PRC agree to enforce the awards made in Hong Kong pursuant to the Arbitration Ordinance of Hong Kong.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Stock Exchange, we are 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 company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison. It should also be noted that the summary relates only to joint stock limited companies incorporated under the Company Law and that the summary and the information in it is current only as at the date of this prospectus.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one. 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.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholders' annual general meeting must be given not less than 20 days before the meeting. If a company issues bearer shares, notice of a shareholders' general meeting must be given at least 30 days prior to 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 general meeting must return the written reply slip for attending the meeting to the company at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum periods of notice are 14 days and 21 days in the case of a general meeting to be convened for the adoption of an ordinary resolution and a special resolution. The notice period is 21 days in the case of an annual general meeting.

Voting at Shareholders' Meetings

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders vote in person, or by proxy, at a general meeting, and a special resolution is passed by a majority of at least 75% of affirmative votes casted by shareholders vote in person, or by proxy, at a general meeting. Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Share Capital

The registered share capital of a joint stock limited liability company incorporated under the PRC Company Law shall be the same as its issued share capital. For a Hong Kong company, there is no authorized share capital.

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable). Upon completion of the issuance of new shares duly approved, the company shall register the increased share capital with the relevant State Administration for Industry and Commerce.

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 or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Under the Special Regulations, except otherwise permitted under the Provisional Measures on Management of Investing in Overseas Securities by Qualified Domestic Institutional Investors (《合格境內機構投資者境外證券投資管理試行辦法》), H shares shall only be held and traded by overseas investors. Hong Kong laws do not impose restrictions on individuals dealing in shares of Hong Kong companies on the basis of his residence or nationality.

Under the PRC Company Law, shares in a joint stock limited liability company held by its promoters, directors and senior management cannot be transferred within certain periods. Shares in issue prior to the company's public offering cannot be transferred within one year from the listing date of its shares on the stock exchange. There are no such restrictions under Hong Kong law although there are the six-month lock-up on our Company's issue of Shares and the 6-month lock-up on Mr. Xiong Jun and Mr. Xiong Fengxiang, our single largest shareholder, on disposal of Shares, as illustrated by the respective undertakings given by them to the Stock Exchange as described in "Underwriting" in this prospectus.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed 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 summarized in "Appendix IV – Summary of Articles of Association".

Under the Companies Ordinance, rights attached to any class of shares can only be varied (i) in accordance with provisions of the articles of association for the variation of those rights, or (ii) if there are no such provisions, with the consent of holders of shares in that class. For this purpose, the consent required is (i) a special resolution of the holders of the relevant class at a separate general meeting sanctioning the variation, or (ii) the written consent of shareholders representing at least 75% of the total voting rights of shareholders of the relevant class.

As required by the Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (1) where we issue, upon approval by a special resolution of our Shareholders in a general meeting, either separately or concurrently every twelve months, not more than 20% of each of the existing issued H Shares and Domestic Shares; (2) where our plan to issue H Shares and Domestic Shares on establishment is implemented within fifteen months from the date of approval by the securities regulatory authorities under the State Council; (3) upon approval by the securities regulatory authorities under the State Council, the holders of Domestic Shares transfer their Shares to overseas investors and list or trade their Shares on an overseas securities exchange; or (4) all or part of the Domestic Shares are converted into overseas listed foreign shares and listed or traded on an overseas securities exchange upon approval by the securities regulatory authorities under the State Council.

Derivative actions by minority shareholders

Hong Kong law permits minority shareholders to commence a derivative action on behalf of the company 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 the company from suing the directors in breach of their duties in its own name.

The PRC Company Law gives our Shareholders the rights to initiate proceedings in the people's courts in the PRC to restrain the implementation of any resolution passed by our Shareholders in a general meeting, or by the meeting convening procedures or ways of voting of the meetings of our Board of Directors, that violates any law, administrative rules or Articles of Association or company's articles of association, or if our Directors or senior management violate laws, administrative rules or Articles of Association when performing their duties and cause losses to our Company. The Mandatory Provisions also provide us with certain remedies against our Directors and senior management who breach their duties to us. In addition, as a condition to the listing of our H Shares on the Stock Exchange and in accordance with our Articles of Association, each of our Directors is required to give an undertaking in favor of us acting as agent for each of our Shareholders. This allows minority Shareholders to act against our Directors in events of default.

Minority Shareholder Protection

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/her interests may petition to the court to either liquidate such 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 Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of the relevant PRC tax authorities.

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant PRC 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 declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years.

Financial Disclosure

Under the PRC Company Law, a company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a company of which the shares are publicly offered must publish its financial condition in accordance with the PRC Company Law. The annual balance sheet shall be verified by its certified accountant. The Companies Ordinance requires a company incorporated in Hong Kong to send 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 the annual general meeting.

The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC Generally Accepted Accounting Principles, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards. The Company shall publish financial reports twice every accounting year, namely an interim financial report within 90 days after the end of the first six months of the accounting year and an annual financial report within 120 days after the end of the accounting year. 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 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 rights of shareholders of Hong Kong companies under the Companies Ordinance.

Corporate reorganization

Corporate reorganization 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 being wound up voluntarily to another company pursuant to section 237 of the Companies (Winding Up and Miscellaneous Provisions) 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 laws, the merger or demerger of a joint stock limited liability company shall be approved by voting by two-thirds of shareholders attending the general meeting in person or by proxy, and also shall be approved by the relevant government authorities (where applicable).

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager 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 manager 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).

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is limited liability company.

Financial assistance for acquisition of shares

The PRC Company Law does not prohibit or restrict a joint stock limited liability 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 similar to those under the Hong Kong law.

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.

The principal objective of this summary is to provide potential investors with an overview of the Articles of Association. As the information contained below is a summary, it does not contain all the information that may be important to potential investors. A copy of the full Chinese text of the Articles of Association is available for inspection as mentioned in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus.

Upon approval through a special resolution at the general meeting of our Company and by relevant state departments, the Articles of Association shall take effect from the day our Company's overseas-listed foreign shares are traded at the Stock Exchange and shall replace the original Articles of Association of the Company recorded in the authorities of administration for industry and commerce.

Once the Articles of Association have taken effect, it shall become a binding legally document which normalizes the organization and behavior of our Company and defines the rights and obligations relations between the Company and its shareholders and among the shareholders.

I. DIRECTORS AND BOARD OF DIRECTORS

1. Power to allocate and issue shares

The Articles of Association does not contain any clauses that authorise the Board of Directors to allocate or issue shares. The Board of Directors shall prepare proposals for share allotment or issue, which are subject to approval by the Shareholders at the general meetings by way of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in the relevant laws and regulations.

2. Power to dispose assets of the Company or any of our subsidiaries

In disposing of fixed assets, if the sum of the expected value of the fixed assets to be disposed of and the amount or value of the consideration received from the fixed assets of our Company disposed of within the four months immediately preceding this proposal for disposal exceeds 33 percent of the value of fixed assets of the Company shown on the latest audited balance sheet submitted to the Shareholders at the Shareholders' meeting, the Board of Directors shall not dispose of or agree to dispose of such fixed assets without the prior approval of the general meeting.

The above disposal refers to the transfer of interests in certain assets, but does not include the provision of guarantees with fixed assets. The validity of the transactions with respect to the disposal of fixed assets of the Company shall not be affected by the violation of the above restrictions contained in the Articles of Associations.

3. Compensation or payments for loss of office

As provided in the contracts entered into between our Company and the Directors or Supervisors in connection with their emoluments, they are entitled to compensation or other payments for loss of office or retirement as a result of the acquisition of our Company, subject to the prior approval of the Shareholders at the general meeting. Acquisition of the Company refers to any of the following:

1) An offer is made to all the Shareholders of our Company; or

2) An offer is made such that the offeror will become the Controlling Shareholder of our Company (as defined in the Articles of Association).

If the relevant Director or Supervisor fails to comply with the above requirements, any payment received by him shall belong to the person who sells the Shares for acceptance of the aforesaid offer. The Director or Supervisor shall bear all expenses arising from the distribution of such payments to the person on pro rata basis, and all related expenses shall not be deducted from the payments distributed.

4. Loans to Directors, Supervisors or other management personnel

Our Company shall not directly or indirectly make a loan to or provide any guarantee in connection with the making of a loan to a Director, Supervisor and senior management of the Company or our parent company or any of their related persons.

The following circumstances are exempted from the above restrictions:

1) Our Company provides our subsidiaries with loans or loan guarantees;

2) Our Company provides any of the Directors, Supervisors or senior management with loans, loan guarantees or any other funds pursuant to the employment contract(s) approved at the Shareholders' meeting to pay all expenses incurred for the purpose of our Company or performing duties for our Company; and

3) In case that the normal scope of business of our Company covers the provision of loans or loan guarantees, our Company may provide any of the Directors, Supervisors or senior management or other related personnel with loans or guarantees for loans to the above personnel, provided that the conditions governing the above loans or loan guarantees shall be on normal commercial conditions.

In the event that our Company provides loans in violation of the above restriction, the person who receives the loan(s) must pay off the loan(s) immediately, regardless of the terms of the loans.

Any loan guarantee provided by our Company in violation of the above restriction shall not be enforced against us, unless under the following circumstances:

1) The lender unknowingly provides loans to personnel related to the Directors, Supervisors and senior management of our Company or our parent company; or

2) The collateral provided by our Company is sold lawfully by the lender to the buyer in good faith.

5. Giving of financial assistance to purchase the Shares of our Company or any of our subsidiaries

"Financial assistance" includes, but is not limited to:

1) Gift;

2) Guarantee (including the assumption of liabilities and provision of properties by a guarantor to secure the performance of obligations by the obligor), compensation (excluding compensation arising from mistakes of our Company) or release or waiver of any rights;

3) Assistance given by way of a loan; or entering into an agreement under which our Company is required to perform its obligations ahead of the other contracting parties; or entering into an agreement for the change of contracting parties or the assignment of rights arising under such loan or such agreement; or

4) Any other form of financial assistance given by our Company when it is insolvent or has no net assets or will suffer significant decrease in net assets as a result of the financial assistance;

Pursuant to the Articles of Association:

1) Our Company or its subsidiaries shall not, by any means at any time, provide any financial assistance to personnel who acquires or plans to acquire the Shares of our Company. Such personnel includes anyone who directly or indirectly assumes obligations from acquiring the Shares of our Company.

2) Our Company or our subsidiaries shall not, by any means at any time, provide financial assistance to personnel mentioned in the preceding paragraph for the purpose of mitigating or exempting the obligations of the above personnel.

The following transactions shall not be deemed as prohibited action:

1) Related financial assistance provided by our Company which is in good faith in our interest and the main purpose of the financial assistance is not to acquire the Shares of our Company or is incidental to a master plan of our Company;

2) Lawful distribution of our properties by our Company by way of dividend;

3) Distribution of dividends in the form of Shares;

4) Reduction of registered capital, repurchase of Shares or adjustments of our shareholding structure pursuant to the Articles of Association;

5) Our Company grants loans within our scope of business and in the ordinary course of our business, provided that such loans shall not result in the reduction in the net assets of our Company or even if the net assets are reduced, this financial assistance is paid out of the profit available for distribution of our Company; or

6) Our Company provides the employee stock ownership plan with funds, provided that such loans shall not result in the reduction in the net assets of our Company or even if the net assets are reduced, this financial assistance shall be paid out of the profit available for distribution of our Company.

6. Disclosure of interests in contracts with our Company or any of our subsidiaries

When any of the Directors, Supervisors and senior management has material interests in the contracts, transactions or arrangements that our Company has entered into or plans to enter into in any manner directly or indirectly (except for employment contracts that our Company has entered into with the Directors, Supervisors, general manager and other senior management), the above personnel shall disclose the nature and degree of their interests to the Board of Directors as soon as possible regardless of whether such matters are subject to the approval of the Board of Directors in normal circumstances.

Unless the interested Director, Supervisor and senior management of our Company discloses his/her interests to the Board in accordance with the aforesaid provision and such matter is approved by our Board at a meeting in which the interested Director, Supervisor and senior management is not counted in the quorum and refrains from voting, our Company shall have the right to cancel the contracts, transactions or arrangements, except where the opposite party is a party in good faith without knowledge of the acts or related Directors, Supervisors and senior management violating their obligations. A Director, Supervisor, general manager or other senior management of our Company is deemed to be interested in such contract, transaction or arrangement in which his/her related person or associate is interested.

Where a Director, Supervisor or other senior management of our Company gives to the Board of Directors a notice in writing stating that, by reason of the facts specified in the notice, he/she is interested in contracts, transactions or arrangements which may subsequently be made by our Company, that notice shall be deemed for the purposes of the preceding article to be a sufficient disclosure of his/her interests, so far as the content stated in such notice is concerned, provided that such notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration by our Company.

7. Remuneration

Our Company shall enter into written agreements with its Directors and Supervisors regarding remuneration, which shall be subject to prior approval of the general Shareholder's meeting. The remuneration shall include:

1) Remuneration as the Directors, Supervisors or senior management of our Company;

2) Remuneration as the Directors, Supervisors or senior management of the subsidiaries of our Company;

3) Remuneration for providing other services for management of our Company and our subsidiaries;

4) Compensation received by the Directors or Supervisors as a result of loss of office or retirement.

No Director or Supervisor shall institute any litigation against our Company over any interests payable relative to the above unless provided for the above contracts.

8. Retirement, appointment and removal

None of the following persons shall serve as a Director, Supervisor, general manager or other senior management of our Company:

1) Anyone who has no civil capacity or has limited civil capacity;

2) Anyone who has been convicted of the offense of corruption, bribery, embezzlement, larceny, or disrupting the social economic order and is within five years of the expiry date of punishment or has been deprived of political rights because of this conviction and is within five years of the expiry date of the sentence;

3) Anyone who has served as director, factory manager or manager of a company or enterprise that is bankrupt and liquidated, was personally liable for the bankruptcy of our Company or enterprise, and is within three years of the date of completion of bankruptcy and liquidation of our Company or enterprise;

4) Anyone who has served as the legal representative of a company or enterprise whose business license was revoked or which was ordered to shut down due to violation of the law, was personally liable, and is within three years of the date on which the business license of the company or enterprise was revoked;

5) Anyone who owes a huge amount of overdue debt;

6) Anyone who is under criminal investigation by a judicial organisation for violating the criminal law and whose case is pending;

7) Anyone who cannot serve as management of a company under laws and administrative rules;

8) Anyone who is not a natural person;

9) Anyone judged by the competent agencies to have violated the provisions of relevant securities laws, has been involved in deceptive or dishonest acts and is within five years of the date on which the judgment was made;

10) Other circumstances as provided by laws and regulations in the place where the Shares of our Company are listed.

Our directors and non-employee representative supervisors shall be elected and replaced by the general Shareholder's meeting.

Employee representative supervisors shall be democratically elected by the employees of the company through the employee representatives' assembly, the employees' assembly or otherwise.

9. Borrowing Power

Subject to compliance with the laws and regulations, our Company has the right to raise funds and obtain loans, including (but not limited to) issuing bonds, mortgaging or pledging all or part of the properties of our Company, as well as exercising other rights approved by the laws and regulations, provided that such act shall not undermine or revoke the rights of any Shareholder.

The Articles of Association does not include any special provision regarding the manner in which the Directors may exercise the right to obtain loans or the manner in which such a right is created except:

1) The provision regarding the power of the Directors to develop a proposal for our Company to issue bonds, and

2) The provision that the bond issue must be approved by the Shareholders through a special resolution at the general meeting.

10. Responsibilities

In the event of violation of obligations owed to our Company by the Directors, Supervisors and senior management, our Company has the right to take the following measures in addition to various rights and remedial measures stipulated in legal and administrative regulations:

1) To require related Directors, Supervisors and senior management to compensate our Company for losses sustained as a result of their neglect of duty;

2) To rescind any contract or transaction entered into between our Company and related Directors, Supervisors and senior management as well as any contract or transaction entered into between our Company and any third person when the third person knew or should have known that the Directors, Supervisors and senior management acting violated their obligations owed to our Company;

3) To require the relevant Directors, Supervisors and senior management to turn over the benefit obtained from the violation of their obligations;

4) To recover funds collected by the relevant Directors, Supervisors and senior management that should have been collected for our Company, including but not limited to commissions;

5) To require the relevant Directors, Supervisors and senior management to return the interest earned or that may be earned from funds that should have been paid to our Company; and

6) To recover any property obtained by relevant Directors, Supervisors and senior management from the breach of duties through legal proceedings.

The Board of Directors shall comply with laws, administrative regulations, the Articles of Association and resolutions of the general meeting in performing its duties. When performing their responsibilities, the Directors, Supervisors and senior management of the Company shall comply with the principle of integrity and shall not put themselves in situations where their own interests may conflict with the obligations they have assumed. This principle includes, but is not limited to, performing the following obligations:

1) To act honestly in the best interests of our Company;

2) To exercise one's rights within but not exceeding the scope of authority;

3) To exercise the discretion vested in him/her personally and not to allow himself/herself to act under the control of another and, unless permitted by laws, regulations or with the informed consent of shareholders given in a shareholders' general meeting, not to delegate the exercise of his/her discretion;

4) To treat Shareholders of the same class equally and to treat Shareholders of different classes fairly;

5) Not to enter into any contract, transaction or arrangement with our Company unless in line with the Articles of Association or otherwise approved by Shareholders at the general meeting on an informed basis;

6) Not to use properties of our Company in any manner for his/her own benefit without consent of general meeting on an informed basis;

7) Not to exploit his/her position to accept bribes or other illegal income or misappropriate funds or expropriate properties of our Company by any means, including (but not limited to) opportunities beneficial to our Company;

8) Not to accept commissions in connection with transactions of our Company unless agreed by the general meeting on an informed basis;

9) To abide by the Articles of Association, faithfully execute official duties and protect interests of our Company, and not to exploit his/her position and authority in our Company for his/her own benefits;

10) Not to compete with our Company in any manner unless agreed by the general meeting on an informed basis;

11) Not to misappropriate funds of our Company or lend such funds to others, not to open accounts in his/her own name or other names for deposit of the assets of our Company, not to lend such funds or provide guarantee for the Shareholders of our Company or other individual(s) with the assets of our Company;

12) Without the informed consent of shareholders in a shareholders' general meeting, not to disclose any confidential information relating to the Company acquired by him/her during his/her tenure and not to use such information in purposes other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental competent authorities is permitted if:

    A) Disclosure is made under compulsion of law;

    B) The interests of the public require disclosure;

C) The interests of the relevant directors, supervisors, general manager, and other senior management require disclosure.

Any income received by any person mentioned in the article of association from violating the above provisions shall belong to our Company and any losses incurred by our Company shall be borne by such person.

II. MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association pursuant to laws, administrative regulations where our Company's shares are listed and the Articles of Association.

Modification to the Articles of Association shall follow the following procedures:

1) The Board of Directors shall pass the resolution of modification to the Articles of Association and prepare a proposal for the modification of the Articles of Association;

2) The Board of Directors shall call for a shareholders' general meeting where the shareholders shall vote for the modification to the Articles of Association;

3) A special resolution for modification to the Articles of Association shall be adopted in a shareholders' general meeting;

4) The modification to the Articles of Association voted by the shareholders' general meeting shall be effective after the Company obtains approval from the examination and approval authority (if any);

5) The amended Articles of Association shall be put on file to our Company's registration authority.

III. CHANGE IN RIGHTS OF EXISTING SHARES OR CLASS OF SHARES

Our Company shall not change or abolish any rights attached to any class of shares, unless approved by a special resolution and with the approval of a separate general meeting as convened by the affected class Shareholders in accordance with the Articles of Association.

The rights of a class Shareholder shall be deemed as changed or abolished under any of the following circumstances:

1) Increasing or reducing the number of such class of Shares, or increasing or reducing the number of such class of Shares with equal or more voting or distribution rights and other privileges than such class of Shares;

2) Converting all or part of class Shares into other types or converting all or part of another class of Shares into such class of Shares or granting such conversion right;

3) Cancelling or reducing rights to dividends generated or rights to cumulative dividends attached to such class of Shares;

4) Reducing or removing the right attached to such class of Shares to receive dividends on a priority basis or the priority right to receive property distribution in the liquidation of our Company;

5) Increasing, cancelling or reducing share conversion rights, options, voting rights, transfer or pre-emptive rights, rights to acquire securities of our Company attached to such class of Shares;

6) Cancelling or reducing rights to receive payment by our Company in specified currencies attached to such class of Shares;

7) Creating new class of Shares having voting or distribution rights, or other privileges equal or superior to those of such class of Shares;

8) Imposing restrictions on the transfer or ownership of such class of Shares or increase such restrictions;

9) Issuing subscription or conversion rights for such or other class of Shares;

10) Increasing the rights and privileges of other class of Shares;

11) Restructuring of our Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate degree of liability; and

12) Amending or abolishing clauses stipulated in the Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at the general meeting, shall nevertheless have the right to vote at class meetings in respect of matters concerning the above items 2) to 8), 11) and 12) above, however the interested Shareholders shall not be entitled to vote at class meetings.

Resolution of a class meeting shall be passed by votes of more than two-thirds of Shareholders attending the relevant class meeting with voting rights at such meeting.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all of the class Shareholders in the share register of the matters to be considered at the meeting and the date and place of the class meeting. A Shareholder who intends to attend the class meeting shall deliver his/her written reply concerning attendance at the class meeting to our Company 20 days before the date of the class meeting.

If the number of shares carrying voting rights at such meeting held by shareholders who intend to attend such meeting reaches one-half or more of the total number of shares of a class carrying voting rights at such meeting, our Company may convene such class meeting; if not, our Company shall further notify the shareholders by way of announcement within five days thereof specifying the matters to be considered and the date and venue of the meeting. After such announcement is given, our Company may then convene the class meeting.

Except for holders of other classes of Shares, holders of Domestic Shares and overseas listed foreign Shares are deemed to be Shareholders of different classes.

The special procedures for voting by class Shareholders shall not apply under the following circumstances:

1) Upon approval by special resolution of our shareholders in the shareholders' general meeting, where the Company issues domestic shares and overseas listed foreign Shares once every 12 months, either separately or concurrently, and the respective numbers of domestic shares and overseas listed foreign shares proposed to be issued do not exceed 20 percent of the respective numbers of the issued domestic shares and overseas listed foreign shares;

2) The plan to issue Domestic Shares and overseas listed foreign Shares upon the establishment of our Company is completed within 15 months of the date of approval by the securities regulatory authorities of the State Council;

3) Upon the approval of the securities regulatory authorities of the State Council, the domestic shareholders of the Company transfer their shares to overseas investors, and such shares are listed and traded on any overseas stock exchange.

IV. SPECIAL RESOLUTIONS – REQUIRES MAJORITY VOTE

Resolutions of the general meeting include ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting.

Special resolution at a general meeting shall be adopted by more than two-thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be passed by special resolution at the shareholders' general meeting:

1) An increase or reduction of the share capital of the Company, or issue of any class of shares, warrants and other similar securities;

2) An issue of debentures by the Company;

3) The division, merger, dissolution and liquidation of the Company;

4) Change of the Company form;

5) The Company's purchase and sale of major assets, or guarantee amount exceeding 30 percent of the latest audited assets within one year;

6) Amendments to the Articles of Association;

7) Guarantees that should be approved by the special resolution;

8) Review and implement the share incentive scheme;

9) Other matters that, if resolved by way of an ordinary resolution of the general meeting and pursuant to laws, administrative regulations or the Articles of Association, may have a material impact on the Company and shall be adopted by a special resolution;

10) Any other matters required by the listing rules of stock exchange where the Company's shares listed that need to be resolved by way of special resolutions.

V. VOTING RIGHTS (GENERALLY RELATING TO RIGHTS ON POLL OR RIGHTS TO DEMAND A POLL)

In the case of voting at general meetings, shareholders (including their proxies) may exercise their voting rights in accordance with the number of their voting shares, and each share shall have one vote. Shares of our Company are without voting rights and such shares shall not be taken in the total number of voting shares represented at the meeting.

On a poll taken at a general meeting, a Shareholder (including a proxy) entitled to two or more votes needs not cast all of his/her votes in the same way.

If there is an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall have an additional and casting vote.

VI. REQUIREMENTS ON GENERAL MEETINGS

General meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous accounting period.

Under any of the following circumstances, the Board shall convene an extraordinary general meeting within two months:

1) The number of directors is less than that is required by the PRC Company Law or two-third of the number of directors specified in the Articles of Association;

2) The accrued losses of the Company amount to one-third of the total amount of its share capital;

3) The shareholder(s) holding ten percent or more of the Company's outstanding issued shares carrying voting rights request(s) in writing the convening of an extraordinary general meeting;

4) It is deemed necessary by the Board or requested by the Supervisory Committee to convene an extraordinary general meeting;

5) More than two of the independent directors propose to convene the meeting;

6) Such other circumstance specified in the laws, administrative regulations, departmental rules, listing rules of stock exchange where the Company's shares listed or the Articles of Association.

The venue for convening the general meeting shall be the domicile of the Company or other specific places notified by the general meeting conveners.

VII. ACCOUNTING AND AUDIT

Our Company shall establish its financial and accounting system in accordance with relevant laws and administrative regulations, and PRC accounting standards formulated by the competent financial authorities under the State Council. Our Company shall prepare a financial report at the end of each fiscal year, and such financial report shall be audited in compliance with laws.

Apart from the China Accounting Standards and regulations, the financial statements of our Company shall also conform to international accounting standards and the accounting standards of overseas areas where our Company's H Shares are listed. In the event of any major discrepancy between the financial statements prepared in accordance with the above accounting standards, explanations and notes, must be provided in the financial statements. As to the distribution of after-tax profits of our Company in a fiscal year, the after-tax profits indicated on the two sets of financial statements, whichever is lower shall prevail.

Our Company shall not keep accounts other than those required by law. Our Company's assets are not deposited in an account opened in the name of any persons.

Our Company's financial reports shall be made available for Shareholders' inspection at our Company 20 days before the date of general meeting. Each Shareholder shall be entitled to have a copy of the financial reports.

Our Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit our Company's annual financial report and review other financial reports of our Company.

VIII.NOTICE AND SCHEDULE OF THE GENERAL MEETING

The general meeting is the organ of authority of our Company and shall exercise its functions and powers in accordance with laws.

When convening a general meeting, our Company shall send a written notice to inform all registered Shareholders of the matters to be deliberated at the meeting as well as the date and venue of the meeting 45 days before it is convened. Shareholders planning to attend shall send to our Company a written reply to that effect 20 days before the meeting is held.

Notice of a general meeting shall satisfy the following requirements:

1) Be in writing;

2) Specific venue, date and time of the meeting;

3) Matters to be considered at the meeting;

4) Any information and explanations necessary to be made available to the shareholders for such shareholders to make sound decisions about the matters to be discussed. This principle includes (but not limited to) the provision of the specific terms and contract(s), if any, of the proposed transaction(s) and serious explanations about the reasons and effects when the Company proposes mergers, repurchase of shares, equity restructuring or other restructuring;

5) In the event that any of the Directors, Supervisors, General Manager and other senior management has material interests in matters to be discussed, the nature and extent of the interests shall be disclosed. If the matters to be discussed affect any Director, Supervisor, General Manager and other senior management as a shareholder in a manner different from the manner they affect other shareholders of the same class, the difference shall be explained;

6) The full text of any special resolution to be proposed for approval at the meeting;

7) A prominent statement that all shareholders are eligible for attending the general meeting and are entitled to appoint proxies in writing to attend and vote at such meeting on his/her behalf, and that such proxy does not need to be a member of the Company; and

8) The time and venue for lodging a proxy form for the meeting.

Notice of shareholders' general meeting shall be served on all shareholders (whether or not such shareholders are entitled to vote at the shareholders' general meeting) in person or by prepaid mail to the address recorded in the register of shareholders. Upon meeting requirements of the laws, administrative regulations, listing rules of the place where the shares of the Company are listed, the notice of shareholders' general meeting may also be served by way of public announcement (including public announcement through the website of the Company).

The following matters shall be approved by the general meeting through ordinary resolutions:

1) work reports of the Board and the Supervisory Committee;

2) plans formulated by the Board for the distribution of profits and for making up losses;

3) appointment or removal of members of the Board and Supervisory Committee (except for the employee representative Supervisors), and their remuneration and manner of payment thereof;

4) annual report, annual preliminary and final budgets, balance sheets, income and other financial statements of our Company; and

5) matters other than those required by the laws, administrative regulations or the Articles of Association to be passed by special resolutions.

The matters need to be approved through special resolutions of the general meeting described as above.

IX. TRANSFER OF SHARES

Unless otherwise provided for by the laws and administrative regulations, shares of the Company are freely transferable and shall not be subject to any lien.

Subject to the approval of the securities authority of the State Council, holders of our Domestic Shares may transfer their Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such overseas stock exchange.

All fully paid-up overseas listed foreign invested shares which are listed in Hong Kong shall be freely transferable in accordance with the Articles of Association without any lien, and shall not be subject to any restriction (other than circumstances allowed by the Hong Kong Stock Exchange).

X. OUR COMPANY'S RIGHT TO PURCHASE ITS OWN SHARES

Upon the approval of relevant governing authority of the State, our Company may repurchase its Shares of the Company under the following circumstances according to the procedures stipulated in the Articles of Association:

1) Cancellation of Shares for the purposes of reducing the capital of our Company;

2) Merging with another company that holds Shares in our Company;

3) Awarding of Shares to the employees of our Company;

4) Objection of its Shareholders against the resolutions in relation to our Company's merger and division made at the general meeting and at their request of acquisition of its Shares; or

5) Other circumstances permitted by laws and administrative regulations.

Upon the approval of relevant supervisory authorities of the State, the Company may repurchase its shares in any one of the following methods:

1) By making an offer for the repurchase to all its Shareholders on a pro rata basis;

2) By the repurchase through public dealing on a stock exchange;

3) By the repurchase outside of the stock exchange by means of an off-market agreement; or

4) By other methods recognized by the relevant supervision department.

XI. THERE ARE NO PROVISIONS IN THE ARTICLES OF ASSOCIATION PREVENTING OWNERSHIP OF SHARES IN OUR COMPANY BY A SUBSIDIARY

XII. DIVIDEND AND OTHER METHODS OF DISTRIBUTION

Dividends shall be distributed by our Company in the following forms (or adopt both forms simultaneously):

1) Cash;

2) Share certificate; or

3) Other forms permitted by laws, administrative regulations, department rules and regulation rules of the listing exchange.

When allocating the after-tax profits of the current year, the Company shall allocate ten percent of its profit to the statutory common reserve fund. In the event that the accumulated statutory common reserve fund of our Company has reached more than 50 percent of the registered capital of our Company, no allocation is needed.

In the event that the statutory common reserve fund of our Company is insufficient to make up for the losses of our Company on the previous year, before allocating the statutory common reserve fund in accordance with the stipulations of the previous paragraph, the Company shall first make up for the losses by using the profits of the current year.

After allocating the statutory common reserve fund from the after-tax profits of the Company, our Company can allocate the arbitrary common reserve fund from the profit after taxation according to the resolution of shareholders' general meeting.

The outstanding profit after taxation of Company, after covering the losses and making allocation to the common reserve fund, shall be distributed to the shareholders in accordance with their proportion of shareholdings.

The general meeting or the Board of Directors of our Company shall not pay any dividends to the shareholders before our Company has made up its losses and has made allocation to the statutory reserve fund. The dividends paid in breach of this Article shall be returned to our Company.

The shares held by Company shall not be involved in the profit distribution.

Where a proposed resolution in relation to the payment of cash dividends, the issue of bonus shares or the capitalization of capital reserves has been passed at a general meeting, Company shall implement the specific plans within two months after the conclusion of such general meeting.

XIII.PROXIES OF SHAREHOLDERS

Any Shareholder entitled to attend and vote at a general meeting of our Company shall be entitled to appoint one or more persons (who need not be a Shareholder or Shareholders) as his/her proxy or proxies to attend the general meetings and vote on behalf of him. A proxy so appointed shall enjoy the following rights pursuant to authorization by that Shareholder:

1) The Shareholders' right to speak at the general meeting;

2) The right to demand or join in demanding a poll; or

3) The right to vote by hand or on a poll, but a proxy of a Shareholder who has appointed more than one proxy may only vote on a poll.

The appointment of a proxy by a Shareholder shall be in writing and signed by the appointer or his/her attorney duly entrusted in written, or in the case of a legal person, shall be either affixed with its legal person seal or signed by a Director or a duly authorized attorney.

Any format of a letter of proxy issued by the board of directors used in appointing a proxy on behalf of a shareholder shall allow the shareholder to freely choose to instruct that proxy as to whether or not to make an affirmative or negative vote and to give instructions respectively on matters to be decided by vote at the meeting. A letter of proxy shall clearly state that if a shareholder does not give instructions, the proxy may vote according to his/her judgment.

XIV. CAPITAL CALLS AND CONFISCATION OF SHARES

Any amount paid upon any Shares before a call is made shall bear interest thereon. However, the Shareholder is not entitled to participate in any dividends of such pre-paid share capital declared subsequently.

Under the premise in pursuant to relevant PRC laws and regulations, our Company may exercise the right to forfeit unclaimed dividends, but that power shall not be exercised until the expiration of the applicable period.

XV. INSPECTING THE REGISTER AND OTHER RIGHTS OF THE SHAREHOLDERS

Our company shall establish the register of shareholders, and the register of shareholders is sufficient evidence of the company shares held by shareholders. A shareholder of our Company is a holder of shares of our Company in accordance with laws and whose name (title) is entered in the register of shareholders.

The Domestic Shares issued by our Company shall be kept at China Securities Depository and Clearing Corporation Limited, and the register of Domestic shareholders and the number of shares held by the shareholders shall be subject to the data recorded in the securities bookkeeping system of China Securities Depository and Clearing Corporation Limited.

H Shares of our Company shall be put under custody of the company authorized by HKSCC Nominees Limited, and may also be held by H shareholders in their own names.

Our Company shall keep a complete register of Shareholders. The register of Shareholders shall include:

1) The register of Shareholders maintained at our Company's domicile (other than those described in item 2) and 3) below);

2) The register of holders of Overseas Listed Foreign Shares of our Company maintained at the place where the overseas securities exchange on which the Shares are listed is located; and

3) The register of Shareholders maintained at such other place as our Board of Directors may consider necessary for the purpose of listing of our Shares.

When our Company intends to convene a general meeting, distribute dividends, liquidate and engage in other activities that involve determination of shareholdings, the Board shall designate a day to be the record day. Shareholders whose names appear in the register of Shareholders at the end of the record date are Shareholders of our Company.

Subject to payment of a reasonable fee, shareholders shall have the right to inspect and copy the register of shareholders.

XVI. QUORUM OF GENERAL MEETINGS

Our Company shall, based on the written replies received 20 days before the commencement of the shareholders' meeting, calculate the shares with voting rights held by those shareholders intending to attend the meeting. A shareholders' meeting may be convened if those shareholders intending to attend have more than half of the company's shares with voting rights; if not, the company shall, within five days, notify the shareholders once again through public announcement of those matters to be discussed at the meeting, and the date and location of the meeting. Our Company may convene the shareholders' meeting only after such public announcement has been made.

If the amount of shares with voting rights represented by shareholders intending to attend the meeting is more than half of the total amount of the category of shares with voting rights, our Company may convene the category shareholders' meeting. If not, the company shall, within five days, notify the shareholders of those matters to be discussed at the meeting and the date and location of the meeting through a public announcement. After this public announcement is made, the company may convene a category shareholders' meeting.

XVII. MINORITY SHAREHOLDERS' RIGHTS IN CASE OF A FRAUD OR OPPRESSION

In addition to the obligations imposed by laws and administrative regulations or required by the listing rules of the stock exchange on which our Company's Shares are listed, a controlling shareholder shall not exercise his/her voting rights in respect of the following issues in a manner prejudicial to the interests of all or part of the Shareholders:

1) To remove the responsibilities of a Director and Supervisor to act honestly in the best interests of our Company;

2) To approve the expropriation by a Director and Supervisor (for his/her own benefit or for the benefit of another person), in any guise, of our Company's assets, including (but not limited to) opportunities beneficial to our Company; or

3) To approve the expropriation by a Director and Supervisor (for his/her own benefit or for the benefit of another person) of the individual rights of other Shareholders, including (but not limited to) distribution rights and voting rights, save for the restructuring of our Company submitted to the general meeting for approval in accordance with the Articles of Association.

Controlling shareholders and ultimate controllers of the company shall not abuse their connected relationships to damage the company's interests. Any losses caused to the company arising from the violations thereof shall be compensated.

Controlling shareholders and ultimate controllers of the company shall have a duty of good faith to the company and other shareholders of the company. Controlling shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the company or of the other shareholders in any way such as via the distribution of profits, an asset reorganization, external investments, the use of company funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the company or of other shareholders of the company.

XVIII. PROCESS OF DISSOLUTION AND LIQUIDATION

Our Company will be dissolved for the following reasons:

1) The term of operation expires, or any dissolution events as stipulated in these Articles of Association occur;

2) A resolution for dissolution is passed at a shareholders' general meeting;

3) A dissolution as a result of a merger or division of the Company;

4) The Company is declared bankrupt due to its failure to repay debts due;

5) The business license of the Company is revoked, or the Company is ordered to close down or is closed down in accordance with laws due to violation of laws and administrative regulations; or

6) The Shareholders holding over ten percent of the Company's entire shareholders' voting right may request the People's court to dissolve the Company in case no alternatives are provided to solve the extreme difficulties in the Company's operation and management which could bring considerate losses to the shareholders' interest.

If the Board decides to liquidate our Company (except where our Company is liquidated after declaring bankruptcy), the Board shall state in the notice of the general meeting convened for this purpose that the Board has performed a comprehensive investigation of the status of our Company and believes that our Company is able to pay off all of our debts within 12 months of the start of liquidation.

Upon the passing of the resolution by Shareholders in the general meeting for the liquidation, all duties and powers of the Board of the Company shall terminate immediately.

The liquidation committee shall act in accordance with the instructions of the general meeting to make a report at least once every year to the general meeting on the committee's incomes and expenses, the businesses of our Company and the progress of the liquidation and to present a final report to the general meeting on the completion of the liquidation.

The liquidation committee shall notify creditors within ten days after its establishment and shall make announcements in newspapers within 60 days. After the liquidation committee has categorized our Company's assets and prepared the balance sheet and an inventory of assets, it shall formulate a liquidation plan and present it to a general meeting or to the relevant competent authority for confirmation.

The liquidation committee shall, within 30 days after the confirmation by the general meeting or the people's court, submit the documents referred to in the preceding paragraph to the registration authority and apply for cancellation of registration of our Company, and publish a public announcement relating to the termination of our Company.

XIX. OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

1. General provisions

The Company is a joint stock limited company of perpetual existence.

Pursuant to the Articles of Association, Shareholders may institute legal proceedings against the Company; the Company may institute legal proceedings against Shareholders; Shareholders may institute legal proceedings against Shareholders; and Shareholders may institute legal proceedings against Directors, Supervisors and senior management members of the Company. Such proceedings may comprise court proceedings or arbitration proceedings.

2. Increase of capital

The Company may, depending on the needs of its operation and development, and in accordance with the laws, regulations, as well as provisions contained in the Articles of Association, and shall be upon the passing of special resolution in the shareholders' meeting, increase capital by the following methods:

1) Issue of new shares to unspecified investors;

2) Placement of new shares to the existing shareholders;

3) Bonus issue of new shares to the existing shareholders;

4) Offer of new shares to specified investors;

5) Increase the share capital with reserve funds; or

6) Other methods as stipulated by laws, administrative regulations and permitted by relevant supervisory authorities.

The increase of capital of the Company by way of issuing new shares shall be carried out after the approval is obtained in accordance with the Articles of Association and pursuant to the procedures as required by relevant state laws, administrative regulations and relevant regulatory rules for the listing of the company's shares.

The existing shareholders shall not be entitled to preemptive rights in the events of public offering and non-public offering by our company.

3. Reduction of capital

The Company may reduce registered capital according to the Articles of Association of the Company.

In the event of reduction of registered capital, the Company shall prepare a balance sheet and an inventory of assets.

The Company shall notify its creditors within ten days from the date of the resolution in respect of registered capital reduction and publish an announcement in newspapers within 30 days from the date of the resolution. The creditors shall, within 30 days from the date of receiving the notice or within 45 days from the date of publication of the announcement (for those who do not receive the notice), have a right to require the Company to settle their debts or to offer corresponding guarantees for their settlement.

4. Rights and obligations of shareholders

A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class and amount of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The shareholders of various classes of the Company's shares shall enjoy the same rights in respect of dividends or any other forms of distribution.

As the shareholder of the Company, a legal person shall be represented by a legal representative or an agent of the legal representative in exercising its rights.

The ordinary shareholders of the Company shall enjoy the following rights:

1) The right to receive dividends and other forms of profit distribution in proportion to his/her shareholding;

2) The right to request, convene, hold and attend shareholders' meetings and exercise his/her voting right in proportion to his/her shareholding personally or by proxy in accordance with the relevant laws;

3) The right to supervise and administer the business operation and activities of the Company, and to present proposals or raise enquiries;

4) The right to transfer, donate or pledge shares held by him in accordance with the laws, administrative regulations and the provisions of the Articles of Association;

5) The right to obtain relevant information in accordance with the provisions of the Articles of Association, including:

A. The obtaining of the Articles of Association upon payment of the cost thereof;

B. Upon payment of reasonable charges, the right to inspect and make copies of:

(i) All parts of the register of shareholders;

(ii) Personal particulars of the directors, supervisors, president and other senior officers of our Company, including:

(a) present and former names and aliases;

(b) principal address (residence);

(c) nationality;

(d) full-time and all other part-time occupations or duties;

(e) identification documents and the number thereof.

(iii) Descriptions of the issued share capital of the Company;

(iv) The total face value, quantity, and the highest and lowest price of each class of shares purchased by the company since the last fiscal year, as well as the company's total expenses paid for this purpose (subdivided according to domestic and foreign shares) (and if applicable);

(v) Minutes of shareholders' meetings;

(vi) Special resolution of our Company;

(vii) The latest audited financial statements, and reports of Board of Directors, auditors and Supervisory Committee of our Company;

(viii) A copy of the latest Annual Inspection Form that has been filed with the PRC Administration for Industry and Commerce or other competent authorities.

C. Check the board meeting resolutions, the supervisors meeting resolutions, financial and accounting reports, and corporate bond stubs;

6) In the event of the termination or liquidation of our Company, to participate in the distribution of remaining assets of our Company in accordance with the shareholdings;

7) With respect to shareholders who vote against any resolution adopted at the general meeting on the merger or division of our Company, the right to demand the Company to buy back their shares;

8) Shareholder(s) alone or in aggregate holding three percent or more of the total number of our Company's shares shall have the right to propose a temporary motion and submit it in writing to the Board of Directors ten days prior to the date on which the shareholders' general meeting is held; and

9) Other rights as conferred by laws, administrative regulations, departmental rules or the Articles of Association.

5. The Shareholders' General Meeting

The shareholders' general meeting shall have the following functions and powers:

1) To decide on the Company's operational policies and investment plans;

2) To elect and replace directors and to decide on matters relating to the remuneration of such directors;

3) To elect and replace supervisors who are not staff representatives and to decide on matters relating to the remuneration of such supervisors;

4) To examine, approve the Board of Directors' reports;

5) To examine, approve the Supervisory Committee's reports;

6) To examine, approve the Company's proposed annual financial budgets and final financial accounts;

7) To examine, approve the Company's profit distribution plans and loss recovery plans;

8) To pass resolutions on the increase or reduction of the Company's registered capital;

9) To pass resolutions on the issue of Company's debentures or other securities and listing proposals;

10) To pass resolutions on matters such as merger, division, dissolution, liquidation or change in the form of the Company;

11) To amend the Company's Articles of Association, Board Rules of Procedure and Supervisory Rules of Procedure;

12) To pass resolutions on matters such as the appointment, dismissal or non-renewal of the auditing firm;

13) To examine the proposals by the shareholders severally or jointly holding three percent or more of the voting shares of the Company;

14) To examine the matters relating to the purchases and disposals of the Company's material assets within one year with an amount exceeding 30 percent of the Company's latest audited total assets;

15) To examine and approve the external guarantees that shall be approved by the general meeting;

16) To examine the equity incentive plan;

17) To decide on other matters which, according to laws, administrative regulations, and the Articles of Association, need to be approved by shareholders in shareholders' general meetings;

18) To decide on other matters required by the listing rules of the stock exchange on which the shares of the Company are listed.

The general meeting can authorize or entrust the Board to handle the matters authorized or entrusted thereby, provided that the laws and regulations, and the mandatory laws and regulations of the place where the Company's shares are listed are not violated.

6. Proposals of the Shareholders' General Meeting

When a general meeting is convened by the Company, the Board, Supervisory Committee and shareholders who individually or jointly hold three percent or more of the shares of the Company, shall be entitled to make proposals to the Company.

Shareholders, who individually or jointly hold three percent or more of the shares of the Company, may submit ad hoc proposals in writing to the convener ten days before the convening of the general meeting. The convener shall issue a supplemental notice of the general meeting within two days upon receipt of the proposals.

In addition, the convener, after issuing the notice of the general meeting, shall neither modify the proposals stated in the notice of general meetings nor add new proposals.

The general meeting shall not vote or resolve on any proposals which are not contained in a notice of the general meeting or are not in compliance with the Articles of Association.

7. Board of directors

The Board of Directors exercises the following functions and powers:

1) To convene shareholders' general meetings, recommend the shareholders to approve related issues and report its work in the shareholders' general meetings;

2) To implement resolutions of shareholders' general meetings;

3) To formulate business plan and investment proposal of the Company;

4) To formulate annual financial budget and final accounts of the Company;

5) To formulate the profit distribution proposals and proposals for making up losses of the Company;

6) To formulate proposals for the increase or reduction plan of registered capital of the Company and the issue of corporate bonds or other securities or listing project;

7) To formulate major acquisition or disposal, repurchase of Company's shares or the merger, division, dismissal or change of form of the Company;

8) Within the scope of authorization of the general meeting of shareholders, to decide the company's external investment, acquisition of assets for sale, asset pledge, external guarantees, entrusted financing and related transactions;

9) To determine the establishment of the Company's internal management structure;

10) To appoint or dismiss the president and the secretary of the Board of Directors of the Company and to determine matters relating to their remuneration and according to the nomination by the president, to appoint or dismiss the vice president, the chief financial officer and other senior officers and to determine matters relating to their remuneration;

11) To determine reform, division, reorganization or dissolution proposals for wholly-owned subsidiaries or non-wholly owned subsidiaries of the Company;

12) To formulate the basic management system of the Company, determine policies and proposals for employees' remunerations, welfare and rewards and penalty;

13) To formulate proposals for any amendment of the Articles of Association;

14) To formulate proposals for Share Incentive Scheme of the Company;

15) To determine the establishment of the subsidiaries of the Company;

16) To determine the establishment of special committee(s) of the Board of Directors and the appointment and dismissal of the relevant person-in-charge;

17) To propose in shareholders' general meeting to appoint, re-appoint or dismiss the accounting firm which undertakes auditing work for the Company;

18) To listen to the work report of the President and to review his/her work;

19) Except for matters which are required by the Company Law and the Articles of Association to be resolved in shareholders' general meeting, to determine other major matters and administrative matters, and to sign other important agreements;

20) To manage Company information disclosure;

21) To exercise other functions and powers stipulated by the Articles of Association or shareholders' general meetings;

22) To exercise other matters stipulated by the PRC laws and regulations.

Resolutions relating to the above, with the exception of items (7), (8), (13) and (14) which shall be approved by not less than two-thirds of the Directors, shall be approved by not less than half of the Directors.

8. Supervisory committee

The Supervisory Committee shall be accountable to the general meeting, and exercise the following duties and powers according to the laws:

1) To review the financial position of the Company;

2) To supervise the performance of Directors and senior management members if they violate laws, administrative regulations or the Articles of Association in fulfilling their duties to the Company, and propose dismissal of Directors and senior management members that have violated laws, administrative regulations, the Articles of Association or resolutions of the general meeting;

3) To demand rectification by Directors and senior management members of the Company when the acts of such persons are prejudicial to the Company's interest;

4) To review financial information such as financial reports, business reports, and profit distribution plans as proposed by the Board to the general meetings, and to engage certified public accountants and practicing auditors to assist with further examination in the name of the Company if there are any queries;

5) To propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties;

6) To put forward proposals to general meetings;

7) To propose the convening of extraordinary general meetings of the Board of Directors;

8) To negotiate with Directors on behalf of the Company or initiate litigations against Directors and senior management members; and

9) Other duties and powers conferred by laws, administrative regulations and the Articles of Association.

9. Secretary to the board of directors

Our Company shall have a secretary to the board of directors. The secretary to the board shall be a member of the senior management members of our Company.

10. Settlement of disputes

Our Company shall adopt the following rules in dispute resolution:

1) Any dispute or claim of rights relating to the affairs of our Company and arising between holders of overseas Listed Foreign Shares and our Company, or between holders of Overseas Listed Foreign Shares and Directors, Supervisors and senior management of our Company, or between holders of Overseas Listed Foreign Shares and holders of Domestic Shares, and arising as a result of the rights and obligations provided for in the Articles of Association, the Company Law, and relevant laws and administrative regulations, shall be referred to arbitration by the parties involved. 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, where the persons being our Company or the Shareholders, directors, Supervisors and senior management of our Company, shall comply with the arbitration. Disputes in respect of the definition of Shareholders and disputes in relation to the register of members need not be resolved by arbitration.

2) A claimant may elect for arbitration to be carried out at either the CIETAC in accordance with its arbitration rules or the HKIAC in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

3) An arbitral award made by the arbitral body is final and binding on the parties.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

Our Company was incorporated initially as a limited liability company in the PRC on December 27, 2012 under the name of "上海君實生物醫藥科技有限公司" (Shanghai Junshi Biosciences Co., Ltd.). In May 2015, our Company was converted into a joint-stock limited liability company and renamed as "上海君實生物醫藥科技股份有限公司" (Shanghai Junshi Biosciences Co., Ltd.). Our registered address, headquarters and principal place of business in the PRC is Room 602, No. 781, Cai Lun Road, China (Shanghai) Pilot Free Trade Zone, the PRC. Our Company has established a principal place of business in Hong Kong at Level 54 Hopewell Centre, 183 Queen's Road East, Hong Kong and has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 11, 2018. Ms. Lo Yee Har Susan and Ms. Yuen Wing Yan Winnie have been appointed as our agents for the acceptance of service of process and notices on behalf of our Company in Hong Kong. Our address for acceptance of service of process in Hong Kong is the same as the address of our principal place of business in Hong Kong.

As our Company was incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain relevant aspects of the laws and regulations of the PRC is set out in Appendix III to this prospectus. A summary of the relevant provisions of our Articles of Association is set out in Appendix IV to this prospectus.

B. Changes in Share Capital

Our registered capital has undergone the following changes since our establishment:

At the time of establishment on December 27, 2012, the registered capital of our Company was RMB1,000,000, which was owned as to 50% by Mr. Zhang Zhuobing and as to 50% by Mr. Shan Jikuan.

On April 12, 2013, our Shareholders resolved to increase the registered capital of our Company from RMB1,000,000 to RMB10,000,000 by subscription of registered capital of RMB9,000,000 by Mr. Xiong Jun, Mr. Chen Bo and Mr. Wu Yang at the aggregate consideration of RMB9,000,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on May 2, 2013.

On July 22, 2013, our Shareholders resolved to increase the registered capital of our Company from RMB10,000,000 to RMB13,450,000 by subscription of registered capital of RMB3,450,000 by 9 investors at the aggregate consideration of RMB76,980,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on August 6, 2013.

On November 28, 2014, our Shareholders resolved to increase the registered capital of our Company from RMB13,450,000 to RMB14,700,000 by subscription of registered capital of RMB1,250,000 by 11 investors at an aggregate consideration of RMB60,000,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on December 19, 2014.

On May 5, 2015, our Company was converted from a limited liability company to a joint-stock limited liability company, with a registered share capital of RMB14,700,000 with 14,700,000 Shares with a nominal value of RMB1.00 each.

On November 11, 2015, our Shareholders resolved to increase the registered capital of our Company from RMB14,700,000 to RMB22,050,000 by issuing 7,350,000 new Shares with a nominal value of RMB1.00 each. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on June 27, 2016.

On December 27, 2015, our Shareholders resolved to increase the registered capital of our Company by way of allotment of 5,512,500 new Shares to eight investors at an aggregate consideration of RMB349,988,625. On February 22, 2016, our Shareholders resolved to increase the registered capital of our Company (i) by way of a conversion of capital reserve from share premium by issuing 150 additional Shares per 10 Shares (being 413,437,500 new Shares in aggregate) to its then existing shareholders, and (ii) by way of allotment of 3,937,500 new Shares to five investors at an aggregate consideration of RMB249,991,875. On March 2, 2016, pursuant to the Shareholders' resolutions made on February 22, 2016, our Company issued 150 additional Shares per 10 Shares to the then Shareholders (being 63,000,000 Shares in aggregate).

The registered capital of our Company from RMB22,050,000 to RMB504,000,000 and the registration of such increases of registered capital with the Administration for Industry and Commerce was completed on July 13, 2016.

On June 8, 2016, our Shareholders resolved to increase the registered capital of our Company from RMB504,000,000 to RMB509,100,000 by issuing 5,100,000 new Shares to four investors at an aggregate consideration of RMB30,600,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on July 27, 2016.

On August 13, 2016, our Shareholders resolved to increase the registered capital of our Company from RMB509,100,000 to RMB550,000,000 by issuing 40,900,000 new Shares to 11 investors at an aggregate consideration of RMB368,100,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on December 19, 2016.

On January 6, 2017, our Shareholders resolved to increase the registered capital of our Company from RMB550,000,000 to RMB584,750,000 by issuing 34,750,000 new Shares to four investors at an aggregate consideration of RMB319,700,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on July 5, 2017.

On February 23, 2018, our Shareholders resolved to increase the registered capital of our Company from RMB584,750,000 to RMB601,400,000 by issuing 16,650,000 new Shares to three investors at an aggregate consideration of RMB299,700,000. The registration of such increase of registered capital with the Administration for Industry and Commerce was completed on April 2, 2018.

Save as disclosed above and in this prospectus, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

Immediately after the completion of the Global Offering, our registered capital will be RMB760,310,000, consisting of 601,400,000 Domestic Shares and 158,910,000 H Shares, which represent approximately 79% and 21% of our registered capital, respectively (assuming the Over-allotment Option is not exercised and without regard to the 2018 Convertible Bonds and the Pre-IPO Options).

C. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries as of June 30, 2018 are set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. Save as disclosed below and in "Our History and Development" of this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

1. Junshi Biotechnology

As at the date of its establishment on June 29, 2016, the registered capital of Junshi Biotechnology was RMB50,000,000 and was wholly-owned by our Company. On May 15, 2017, its registered capital was increased from RMB50,000,000 to RMB150,000,000, which was contributed solely by our Company. On October 10, 2017, its registered capital increased from RMB150,000,000 to RMB350,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Junshi Biotechnology by RMB650,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

2. Jiangsu Union Biopharm

From January 1, 2016 up to July 13, 2018, the registered capital of Jiangsu Union Biopharm was RMB5,000,000 and it was wholly-owned by our Company. On July 13, 2018, its registered capital was increased from RMB5,000,000 to RMB35,000,000, which was

contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Jiangsu Union Biopharm by RMB10,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

3. Suzhou Junmeng

From January 1, 2016 up to July 3, 2018, the registered capital of Suzhou Junmeng was RMB50,000,000 and it was wholly-owned by our Company. On July 3, 2018, its registered capital was increased from RMB50,000,000 to RMB134,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Suzhou Junmeng by RMB116,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

4. Taizhou Junshi

From January 1, 2016 up to the Latest Practicable Date, the registered capital of Taizhou Junshi was RMB5,000,000 and it was wholly-owned by our Company.

5. Suzhou Union Biopharm

From January 1, 2016 up to July 4, 2018, the registered capital of Suzhou Union Biopharm was RMB51,000,000 and it was wholly-owned by our Company. On July 4, 2018, its registered capital was increased from RMB51,000,000 to RMB486,000,000, which was contributed solely by our Company. On November 28, 2018, our Shareholders resolved to increase capital in Suzhou Union Biopharm by RMB214,000,000 by way of cash injection and debt for equity swap. As of the Latest Practicable Date, the registration of such increase of registered capital with the Administration for Industry and Commerce has not yet been completed.

6. Suzhou Junshi

As at the date of its establishment on July 26, 2017, the registered capital of Suzhou Junshi was RMB100,000,000 and was wholly-owned by our Company. From the date of its establishment up to the Latest Practicable Date, the registered capital and shareholding of Suzhou Junshi remained unchanged.

7. Beijing Junkejingde

From January 1, 2016 up to the Latest Practicable Date, the registered capital of Beijing Junkejingde was RMB8,000,000 and was owned as to 60% by our Company and 40% by Beijing Zhengdan.

8. Qianhai Junshi

From January 1, 2016 up to the Latest Practicable Date, the registered capital of Qianhai Junshi was RMB50,000,000 and was owned as to 51% by our Company, 20% by Shenzhen Dehe Fangzhong Investment Limited Partnership (LP)* (深圳德和方中投資有限合夥企業(有限合夥)), 19% by Shanghai Baoying, and 10% by Hou Guihua (侯桂花).

9. TopAlliance

As at January 1, 2016, TopAlliance had nil issued shares and was wholly-owned by our Company. On August 24, 2017, the number of issued shares of TopAlliance increased to 248,000 with the total issued share capital being US$24,800,000, and, was wholly-owned by our Company. On April 27, 2018, the number of issued shares of TopAlliance increased to 348,000 with the total issued share capital being US$34,800,000, and, was wholly-owned by our Company.

10. Beijing Union Biopharm

As at the date of its establishment on June 12, 2016, the registered capital of Beijing Union Biopharm was RMB5,000,000 and was wholly-owned by Suzhou Union Biopharm. From the date of its establishment up to the Latest Practicable Date, the registered capital and shareholding of Beijing Union Biopharm remained unchanged.

11. Beijing Xinjingke Biotechnology

As at May 27, 2016, the registered capital of Beijing Xinjingke Biotechnology was RMB1,000,000 and was wholly-owned by Beijing Junkejingde. On November 21, 2016, its registered capital was increased from RMB1,000,000 to RMB5,000,000, which was contributed solely by Beijing Junkejingde. From November 21, 2016 up to June 29, 2018, the registered capital and shareholding of Beijing Xinjingke Biotechnology remained unchanged. On June 29, 2018, the entire equity interest of Beijing Xinjingke Biotechnology was transferred from Beijing Junkejingde to an Independent Third Party and Beijing Xinjingke Biotechnology is no longer a subsidiary of our Company.

12. Beijing Xinjingke Trading

As at the date of its establishment on November 30, 2016, the registered capital of Beijing Xinjingke Trading was RMB1,000,000 and was wholly-owned by Beijing Junkejingde. From the date of its establishment up to the date of its deregistration, April 4, 2018, the registered capital and shareholding of Beijing Xinjingke Trading remained unchanged.

13. Suzhou Junao

As at the date of its establishment on January 10, 2018, the registered capital of Suzhou Junao was RMB50,000,000 and owned as to 95% by Suzhou Junshi and 5% by Suzhou Union Biopharm. From the date of its establishment up to the Latest Practicable Date, the registered capital and shareholding of Suzhou Junao remained unchanged.

14. Suzhou Junshi Biotechnology Co., Ltd. (蘇州君實生物工程有限公司)*

As at the date of its establishment on June 19, 2018, the registered capital of Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司) was RMB50,000,000 and was owned as to 51% by Suzhou Junshi and 49% by Suzhou Junbang Property Co., Ltd.* (蘇州君邦置業有限公司). On July 2, 2018, its registered capital was increased from RMB50,000,000 to RMB51,050,000. From July 2, 2018 up to the Latest Practicable Date, the registered capital and shareholding of Suzhou Junshi Biotechnology Co., Ltd.* (蘇州君實生物工程有限公司) remained unchanged.

15. Wuhan Guobo Hospital Management Co., Ltd. (武漢國博醫院管理有限公司)*

As at the date of its establishment on January 22, 2016, the registered capital of Wuhan Guobo Hospital Management Co., Ltd.* (武漢國博醫院管理有限公司) was RMB50,000,000 and was owned as to 65% by Qianhai Junshi and 35% by Wuhan City Fifth Hospital* (武漢市第五醫院). From the date of its establishment up to November 5, 2018, the registered capital and shareholding of Wuhan Guobo Hospital Management Co., Ltd.* (武漢國博醫院管理有限公司) remained unchanged. As of November 5, 2018, its has been deregistered from the relevant local office of the Administration for Industry and Commerce.

D. Resolutions of Our Shareholders Passed on June 6, 2018

Resolutions were passed on June 6, 2018 by our Shareholders, pursuant to which, among other matters, our Shareholders:

(a) approved the adoption of the Articles of Association which shall become effective on the Listing Date and the authorization to our Board to amend the Articles of Association in accordance with the relevant laws and regulations and the requirements by the relevant government authorities;

(b) approved the issuance and offering of H Shares and the granting of the Over-allotment Option;

(c) approved the listing of H Shares on the Stock Exchange; and

(d) authorized our Board, and the persons delegated by our Board to determine and handle matters relating to the listing of our H Shares with full authority.

E. Restrictions on Share Repurchase

Please refer to "Appendix III – Summary of Principal Legal and Regulatory Provisions – The PRC Company Law, Special Regulations, Mandatory Provisions and Memorandum of Understanding – Repurchase of Shares" in this prospectus for details.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in our ordinary course of business) within the two years preceding the date of this prospectus, which are or may be material:

(a) a subscription agreement (認購協議) in relation to the 2018 non-public issue of the 2018 Convertible Bonds (Phase I) (2018年非公開發行創新創業可轉換公司債券(第一期)) by our Company dated February 14, 2018 entered into between our Company and Shanghai Tanying;

(b) a supplemental agreement to the subscription agreement (認購協議之補充協議) in relation to the 2018 non-public issue of the 2018 Convertible Bonds (Phase I) (2018年非公開發行創新創業可轉換公司債券(第一期)) by our Company dated February 27, 2018 entered into between our Company and Shanghai Tanying;

(c) an underwriting agreement (承銷協議) in relation to the non-public issue of 2017 convertible bonds to qualified investors (面向合格投資者非公開發行2017年可轉換公司債券) by our Company dated November 15, 2017 entered into between our Company and China International Capital Corporation Limited (中國國際金融股份有限公司);

(d) a supplemental agreement to the underwriting agreement (承銷協議之補充協議) in relation to the 2018 non-public issue of the 2018 Convertible Bonds (2018年非公開發行創新創業可轉換公司債券) by our Company dated February 22, 2018 entered into by our Company and China International Capital Corporation Limited (中國國際金融股份有限公司);

(e) a share transfer agreement (股權轉讓協議) in relation to the transfer of the entire equity interest in Beijing Xinjingke Biotechnology by Beijing Junkejingde dated April 25, 2018 entered into between Beijing Junkejingde and Beijing Dinghui Huanya Technology Development Co., Ltd.* (北京鼎輝寰亞科技發展有限責任公司) at a consideration of RMB2 million;

(f) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 16,000,000 Shares by Zhou Yuqing (周玉清) dated December 20, 2016 entered into between our Company and Zhou Yuqing (周玉清) at a consideration of RMB9.2 per Share;

(g) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 10,000,000 Shares by Shanghai Tanying dated December 20, 2016 entered into between our Company and Shanghai Tanying at a consideration of RMB9.2 per Share;

(h) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 6,950,000 Shares by Zhong Lu (鍾鷺) dated December 20, 2016 entered into between our Company and Zhong Lu (鍾鷺) at a consideration of RMB9.2 per Share;

(i) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 1,800,000 Shares by Zhao Xigen (趙喜根) dated December 20, 2016 entered into between our Company and Zhao Xigen (趙喜根) at a consideration of RMB9.2 per Share;

(j) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 14,210,000 Shares by Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司) dated February 28, 2018 entered into between our Company and Xiamen Gaoxinhong Equity Investment Co., Ltd.* (廈門市高鑫泓股權投資有限公司) at a consideration of RMB18 per Share;

(k) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 1,600,000 Shares by Shanghai Tanying dated February 28, 2018 entered into between our Company and Shanghai Tanying at a consideration of RMB18 per Share;

(l) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of 840,000 Shares by Shen Chun (沈淳) dated February 28, 2018 entered into between our Company and Shen Chun (沈淳) at a consideration of RMB18 per Share;

(m) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of no more than 11,100,000 Shares by Zhuhai Gaoling Tiancheng Equity Investment Fund (LP)* (珠海高瓴天成股權投資基金(有限合夥)) dated April 10, 2018 entered into between our Company and Zhuhai Gaoling Tiancheng Equity Investment Fund (LP)* (珠海高瓴天成股權投資基金(有限合夥)) at a consideration of RMB18 per Share;

(n) a share subscription agreement (定向發行股份之認購協議) in relation to the issue and subscription of no more than 1,000,000 Shares by Xiong Jun (熊俊) dated April 10, 2018 entered into between our Company and Xiong Jun (熊俊) at a consideration of RMB18 per Share;

(o) a termination agreement of the share subscription agreement (定向發行股份之認購協議之終止協議) dated April 14, 2018 entered into between our Company and Zhuhai Gaoling Tiancheng Equity Investment Fund (LP)* (珠海高瓴天成股權投資基金(有限合夥)) in relation to the termination of the issue and subscription of no more than 11,100,000 Shares under (m) above;

(p) a termination agreement of the share subscription agreement (定向發行股份之認購協議之終止協議) dated May 22, 2018 entered into between our Company and Xiong Jun (熊俊) in relation to the termination of the issue and subscription of no more than 1,000,000 Shares under (n) above;

(q) a share subscription agreement (定向發行股份之認購協議) dated April 14, 2018 entered into between our Company and Zhuhai Gaoling Tiancheng Equity Investment Fund II, L.P.* (珠海高瓴天成二期股權投資基金(有限合夥)) in relation to the issue and subscription of no more than 11,100,000 Shares at a consideration of RMB18 per Share;

(r) a termination agreement of the share subscription agreement (定向發行股份之認購協議之終止協議) dated May 22, 2018 entered into between our Company and Zhuhai Gaoling Tiancheng Equity Investment Fund II, L.P.* (珠海高瓴天成二期股權投資基金(有限合夥)) in relation to the termination of the issue and subscription of no more than 11,100,000 Shares under (q) above;

(s) a cooperation framework agreement (合作框架協議) dated September 13, 2018 entered into between our Company, Zhenhe (Beijing) Technology Co., Ltd.* (臻和(北京)科技有限公司), Beijing Baiyining Medical Technology Co., Ltd.* (北京百益寧醫學科技有限責任公司) ("Baiyining"), Shanghai Tanying and Shanghai Qiangang Investment Management Partnership (LP)* (上海乾剛投資管理合夥企業(有限合夥)) in relation to capital increase of Baiyining and establishment of a joint venture company;

(t) a cornerstone investment agreement dated December 9, 2018, entered into between our Company, Loyal Valley Capital Advantage Fund LP and CICC, pursuant to which Loyal Valley Capital Advantage Fund LP agreed to subscribe for the H Shares in the aggregate amount of US$25,000,000 at the Offer Price;

(u) a cornerstone investment agreement dated December 9, 2018, entered into between our Company, Loyal Valley Capital Advantage Fund II LP and CICC, pursuant to which Loyal Valley Capital Advantage Fund II LP agreed to subscribe for the H Shares in the aggregate amount of US$30,000,000 at the Offer Price;

(v) a cornerstone investment agreement dated December 9, 2018, entered into between our Company, LVC Renaissance Fund LP and CICC, pursuant to which LVC Renaissance Fund LP agreed to subscribe for the H Shares in the aggregate amount of US$37,000,000 at the Offer Price;

(w) a cornerstone investment agreement dated December 9, 2018, entered into between our Company, Highbury Investment Pte Ltd and CICC, pursuant to which Highbury Investment Pte Ltd agreed to subscribe for the H Shares in the aggregate amount of US$45,000,000 at the Offer Price;

(x) a cornerstone investment agreement (基石投資協議) dated December 9, 2018, entered into between our Company, Beijing Dinglianxin Technology Development Co., Ltd.* (北京鼎聯鑫科技發展有限公司) and CICC, pursuant to which Beijing Dinglianxin Technology Development Co., Ltd.* (北京鼎聯鑫科技發展有限公司) agreed to subscribe for the H Shares in the aggregate amount of US$21,000,000 at the Offer Price;

(y) a cornerstone investment agreement (基石投資協議) dated December 9, 2018, entered into between our Company, Yu Jianwu (俞建午) and CICC, pursuant to which Yu Jianwu (俞建午) agreed to subscribe for the H Shares in the aggregate amount of US$33,000,000 at the Offer Price;

(z) a cornerstone investment agreement (基石投資協議) dated December 9, 2018, entered into between our Company, Megastar Investment Management Limited, CICC and China Securities (International) Corporate Finance Company Limited (中信建投(國際)融資有限公司) pursuant to which Megastar Investment Management Limited agreed to subscribe for the H Shares in the aggregate amount of US$15,000,000 at the Offer Price;

(aa) a cornerstone investment agreement dated December 9, 2018, entered into between our Company, TR Capital III, L.P. and CICC, pursuant to which TR Capital III, L.P. agreed to subscribe for the H Shares in the aggregate amount of US$3,000,000 at the Offer Price;

(bb) a cornerstone investment agreement (基石投資協議) dated December 9, 2018, entered into between our Company, Wang Shujun (王樹君) and CICC, pursuant to which Wang Shujun (王樹君) agreed to subscribe for the H Shares in the aggregate amount of US$33,000,000 at the Offer Price; and

(cc) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

As of the Latest Practicable Date, we had registered or applied for registration of the following intellectual property rights which are material to our business:

(a) Trademarks

As of the Latest Practicable Date, we had applied for the registration of the following trademarks, which we consider to be material to our business:

No.	Trademark	Place of application	Name of applicant	Classes	Application no.	Application date
1		Hong Kong	Our Company	1, 2, 5, 10, 35, 36, 42, 44	304521078	May 9, 2018
2	君實 君实	Hong Kong	Our Company	1, 2, 5, 10, 35, 36, 42, 44	304521069	May 9, 2018
3		Hong Kong	Our Company	1, 2, 5, 10, 35, 36, 42, 44	304567726	June 19, 2018
4	Junshi Biosciences	Hong Kong	Our Company	1, 2, 5, 10, 35, 36, 42, 44	304567717	June 19, 2018
5	君实	The PRC	Our Company	10	27671567	November 23, 2017
				44	27657388	November 23, 2017
6		The PRC	Our Company	5	27495328	November 15, 2017
				35	27500717	November 15, 2017
				36	27584485	November 20, 2017
				42	27581169	November 20, 2017
				44	27585132	November 20, 2017
7	众合	The PRC	Our Company	5	31625971	June 15, 2018

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which are material to our business:

No.	Patents	Type of patent	Place of registration	Name of patent holder	Registration no.	Valid period
1	Anti PD-1 antibody and its application	Patent for invention	The PRC	Our Company, Suzhou Junmeng and Junshi Biotechnology	ZL201310258289.2	June 26, 2013 to June 25, 2033
			United States		US10066013B	February 26, 2014 to February 25, 2034
2	Anti BLyS antibody	Patent for invention	The PRC	Wuhan Therasource Biosciences Inc. and our Company	ZL201210160474.3	May 22, 2012 to May 22, 2032
			Japan		JP6006404B2	May 22, 2013 to May 22, 2033
			Russia		RU2613422C2	May 22, 2013 to May 22, 2033
			South Africa		ZA201408955B	May 22, 2013 to May 22, 2033
			United States		US9828423B	May 22, 2013 to May 22, 2033

As of the Latest Practicable Date, we had applied for the registration of the following patents, which we consider to be material to our business:

No.	Patents	Type of patent	Place of application	Name of applicant	Application no.	Application date
1	Anti-PCSK9 antibody and its application	Patent for invention	The PRC	Our Company, Suzhou Junmeng and Junshi Biotechnology	CN201510895676.6	December 8, 2015

No.	Patents	Type of patent	Place of application	Name of applicant	Application no.	Application date
2	A type of humanized monoclonal antibody stabilizer reagent	Patent for invention	The PRC	Our Company and Suzhou Junmeng	CN201610628048.6	July 26, 2016
3	Anti-PD-L1 antibody and its application	Patent for invention	The PRC	Our Company and Suzhou Junmeng	CN201710093631.6	February 21, 2017
4	3,4 double-substitute 1H-pyrazole tartaric acid addition salt and its crystallite	Patent for invention	The PRC	Our Company and Suzhou Junmeng	CN2017110149622	October 25, 2017
5	Anti-PD-1 antibody and its application	Patent for invention	PCT	Our Company and Suzhou Junmeng	PCT/CN2014/072574	February 26, 2014
			Europe		EP20140818708	February 26, 2014
			Hong Kong		HK16113526.8	September 8, 2017
			Brazil		BR 11 2015 031883 5	December 18, 2015
			Indonesia		ID P00201508574	December 17, 2015
			India		IN11958/DELNP/2015	December 31, 2015
			Malaysia		PI2015704733	December 22, 2015
			Philippines		PH12015502819	December 18, 2015
			Russia		RU2016102176A	January 26, 2016
			South Africa		ZA2016/00226	January 12, 2016
			Vietnam		VN1-2016-00304	January 22, 2016
			Thailand		TH1501007746	December 23, 2015
			Japan		JP2016-522196	December 25, 2015

No.	Patents	Type of patent	Place of application	Name of applicant	Application no.	Application date
6	Anti-BLyS antibody	Patent for invention	PCT	Wuhan Therasource Biosciences Inc. and our Company	PCT/CN2013/076074	May 22, 2013
			Europe		EP13794561.4	May 22, 2013
			India		IN2367/MUMNP/2014	November 19, 2014
			Brazil		BR1120140256519	October 15, 2014
			Indonesia		IDP00 2014 07820	May 22, 2013
7	Anti-PCSK9 antibody and its application	Patent for invention	PCT	Our Company and Suzhou Junmeng	PCT/CN2016/107042	November 24, 2016
			Europe		EP16868005.6A	November 24, 2016
			Korea		KR10-20187017964	November 24, 2016
			Singapore		SG 11201803898S	November 24, 2016
8	Anti PD-L1 antibody and its application	Patent for invention	PCT	Our Company and Suzhou Junmeng	PCT/CN2018/076669	February 13, 2018
9	The use of anti-PD1 antibody for cancer treatment	Patent for invention	The PRC	Our Company and Suzhou Junmeng	CN2018110434306	September 7, 2018
10	Anti-BTLA antibody	Patent for invention	The PRC	Our Company and Suzhou Junmeng	CN201810870514.0	August 2, 2018
11	Anti-IL-17A antibody and its use	Patent for invention	The PRC	Our Company and Suzhou Junmeng	CN2018110257119	September 4, 2018

(c) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain name	Name of registrant	Valid period
1	junshipharma.com	The Company	July 15, 2014 to July 15, 2021
2	unionbiopharm.com	Shanghai Union Biopharm	May 2, 2012 to May 2, 2022

Save as disclosed herein and in this prospectus, there are no other trademarks, patents or other intellectual or industrial property rights which are material to our business.

For information of our intellectual property rights in relation to the CSPC Combo, please refer to the section headed "Business – Cooperation with Third Parties – Payment and IP" of this prospectus.

C. Share Incentives

1. Summary of terms of the Share Incentive Scheme

The purpose of the Share Incentive Scheme is to attract, retain and motivate our employees, to align the interest of the Directors, the Supervisors, the senior management, the employees and the Shareholders of our Company and to strive for long-term mutual development of our Company. The following is a summary of the principal terms of the Share Incentive Scheme adopted by our Shareholders on May 14, 2018:

(a) our Directors, Supervisors, senior management and other employees are eligible to participate in the Share Incentive Scheme. Save and except for the Directors and the Shareholder representative Supervisors, all other Grantees shall assume a position at, and have executed an employment contract with, a member of our Group. A person will cease to be eligible under the Share Incentive Scheme if he/she, among others, has materially breached our Company's management system, has caused substantial economic losses or material negative impact to our Company, was reprimanded publicly as an unsuitable person by the NEEQ in the recent three years, was subject to administrative penalties or other regulatory measures by the CSRC, the NEEQ and/or any other securities regulatory authorities in the recent three years, is unsuitable to be a director, supervisor or senior management pursuant to the PRC Company Law, has his/her employment contract terminated by reason of breach of the relevant laws or regulations or has resigned and other situation that are not appropriate to be encouraged by the relevant laws and regulations ("**Events of Cessation of Eligibility**");

(b) the Share Incentive Scheme may be implemented, altered or terminated by resolution passed by our Shareholders in a general meeting. Subject to the approval of our Shareholders, the Board shall be responsible for administering and implementing the Share Incentive Scheme and the relevant matters;

(c) the effective period of the Share Incentive Scheme shall be determined by the Board;

(d) our Company may use any the following means to issue Pre-IPO Options:

(i) issuing Shares to the Grantee;

(ii) issuing Shares to asset management plan, private equity fund and other qualified financial products, as may be subscribed by the Grantee;

(iii) repurchasing our Shares; or

(iv) other means as permitted by the relevant laws, rules and regulations; and

(e) details of the grant, including the number of Pre-IPO Options, the subscription price and the exercise price, shall be governed by share incentive agreements between our Company and the relevant Grantee.

2. Summary of terms of the Share Incentive Agreements

On March 12, 2018, our Company entered into Share Incentive Agreements with 268 Grantees pursuant to which our Company agreed to grant, in aggregate, 6,023,000 Pre-IPO Options to the Grantees. The Pre-IPO Options are subject to the Share Incentive Scheme. The following is a summary of the principal terms of the Share Incentive Agreements:

(a) the exercise price of the Pre-IPO Options shall be RMB9.2 per Share;

(b) the Pre-IPO Options shall be valid for three years from the date of grant, the Grantee may exercise its Pre-IPO Options in accordance with the following schedule:

Vesting date	**% of Pre-IPO Options to vest**
The first trading day following the end of the 12 months from the date of grant	25% of the total number of Pre-IPO Options granted
The first trading day following the end of the 24 months from the date of grant	35% of the total number of Pre-IPO Options granted
The first trading day following the end of the 36 months from the date of grant	40% of the total number of Pre-IPO Options granted

(c) the Grantee undertakes to remain in his/her position in our Group from the date of grant up to the date of exercise of the Pre-IPO Options. The Grantee further undertakes not to allow the Events of Cessation of Eligibility to occur.

3. Outstanding Pre-IPO Options

As of the Latest Practicable Date, outstanding Pre-IPO Options for an aggregate of 5,798,000 Domestic Shares, representing (i) approximately 0.96% of the total number of Domestic Shares in issue, (ii) approximately 0.76% of the total number of Shares immediately following completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, the 2018 Convertible Bonds and the Pre-IPO Options) and (iii) approximately 0.76% of the total number of Shares immediately following completion of the Global Offering assuming all the Pre-IPO Options are exercised at the same time if our Company elects to issue new Shares in satisfaction of these Pre-IPO Options (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and the 2018 Convertible Bonds), have been granted by our Company under the Share Incentive Scheme for nil consideration per Grantee. Particulars of the Pre-IPO Options are set out below.

Based on the total number of 760,310,000 Shares in issue immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the 2018 Convertible Bonds and before exercise of the Pre-IPO Options), if all the outstanding Pre-IPO Options for a total of 5,798,000 Shares are exercised in full and our Company elects to issue new Domestic Shares to satisfy these Pre-IPO Options, there would be a dilution effect of approximately 0.80% on the earnings per Share. There will be no dilution effect on the earnings per Share if our Company elects to satisfy the Pre-IPO Options by existing Shares.

Assuming that following the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account the 2018 Convertible Bonds) the registered capital of our Company remains unchanged and our Company does not issue any new Share (other than for the satisfaction of Pre-IPO Options) or securities or right to subscribe for Shares in the four years ending December 31, 2018, 2019, 2020 and 2021, and that none of the Grantees cease to be eligible under the Share Incentive Scheme and Share Incentive Agreements, and the terms of the Share Incentive Scheme and Share Incentive Agreements remain unchanged, in the event that the Grantees exercise the Pre-IPO Options in full on each vesting date as set out in the paragraph headed "2. Summary of terms of the Share Incentive Agreements" above and our

Company elects to satisfy the Pre-IPO Options by issuing new Domestic Shares, the potential dilution effect on our share capital after the Listing will be as follows:

As at	Number of Pre-IPO Options exercised	Number of new Domestic Shares to be issued upon exercise of the Pre-IPO Options	Approximate percentage of issued share capital of our Company enlarged by issuing Domestic Shares upon exercise of such Pre-IPO Options
December 31, 2018	0	0	0
December 31, 2019	1,449,500	1,449,500	0.19%
December 31, 2020	3,478,800	3,478,800	0.45%
December 31, 2021	5,798,000	5,798,000	0.75%

Note:

The above shareholding does not take into account the Over-allotment Option and of the 2018 Convertible Bonds.

4. Summary of Grantees

As of the Latest Practicable Date, outstanding Pre-IPO Options granted to the Directors, Supervisors, their associates, senior management, connected person(s) of our Company and Grantees holding 100,000 or more outstanding Pre-IPO Options were as follows:

	Name of Grantee	Address of Grantee	Position(s) of the Grantee in our Group	Outstanding Pre-IPO Options/ Number of Domestic Shares subject to the option[1]	Option period	Approximate percentage of issued share capital of our Company after the Global Offering (assuming new Domestic Shares are issued to satisfy the Pre-IPO Options in full)[2]	Approximate percentage of issued share capital of our Company after the Global Offering (assuming no new Domestic Shares are issued to satisfy the Pre-IPO Options)[2]	Consideration paid by the Grantee for the Pre-IPO Options
Directors, Supervisors, their associates, senior management and connected person(s) of our Company								
1	Liu Hongchuan	Room 6-606, Guoxin East Road No. 199, Wuzhong District, Suzhou City, Jiangsu Province, the PRC	Supervisor, vice supervisor of quality research of Suzhou Junmeng	120,000	March 12, 2018 – March 11, 2021	0.02%	0.02%	Nil

	Name of Grantee	Address of Grantee	Position(s) of the Grantee in our Group	Outstanding Pre-IPO Options/ Number of Domestic Shares subject to the option[1]	Option period	Approximate percentage of issued share capital of our Company after the Global Offering (assuming new Domestic Shares are issued to satisfy the Pre-IPO Options in full)[2]	Approximate percentage of issued share capital of our Company after the Global Offering (assuming no new Domestic Shares are issued to satisfy the Pre-IPO Options)[2]	Consideration paid by the Grantee for the Pre-IPO Options
2	Gao Yucai	Room 2702, Building 3, Huarun Kaixuanmen, Dongmei Road 188, Wujiang District, Suzhou City, Jiangsu Province, the PRC	Supervisor, senior researcher at Suzhou Junmeng and deputy manager at Suzhou Junmeng	100,000	March 12, 2018 – March 11, 2021	0.01%	0.01%	Nil
3	Chen Yingge	610, No. 780, Cai Lun Road, Pudong New Area Road, Shanghai, the PRC	Secretary of the Board and member of senior management of our Company	10,000	March 12, 2018 – March 11, 2021	0.001%	0.001%	Nil
4	Wang Shixu (王詩旭)[3]	No. 2358 Changan Road, Songling Town, Wujiang District, Suzhou City, Jiangsu Province, the PRC	Pre-clinical trial manager of Suzhou Junmeng	50,000	March 12, 2018 – March 11, 2021	0.01%	0.01%	Nil
Grantees holding 100,000 or more outstanding Pre-IPO Options[4]								
5	Xie Wan (謝皖)	1-3-902 Xinxing Dian Xinwenhua Garden Fu'an Street Nanchi Street, Heping District Tianjin, the PRC	Vice general manager of Suzhou Union Biopharm	240,000	March 12, 2018 – March 11, 2021	0.03%	0.03%	Nil
6	Xin Kan (殷侃)	Room 901, Wanke Jinpin Homeland Laodong Road, Gusu District Suzhou, the PRC	Vice general manager for GMP of Suzhou Union Biopharm	240,000	March 12, 2018 – March 11, 2021	0.03%	0.03%	Nil
7	Xu Jingping (徐驚平)	No. 11, Lane 960 Huashan Road, Pudong, Shanghai, the PRC	Vice general manager for civil engineering of Junshi Biotechnology	160,000	March 12, 2018 – March 11, 2021	0.02%	0.02%	Nil
8	Zhou Junqi (周軍旗)	5-201 Jinghongyuan No. 181 Liuhong Road, Wu Jiang, Suzhou, the PRC	General manager of production of Suzhou Union Biopharm	100,000	March 12, 2018 – March 11, 2021	0.01%	0.01%	Nil
Grantees holding less than 100,000 outstanding Pre-IPO Options								
9	247 other Grantees			4,778,000	March 12, 2018 – March 11, 2021	0.62%	0.63%	Nil
				5,798,000		0.75%	0.76%	Nil

Notes:

1. Please also refer to "Directors, Supervisors and Senior Management" for details of our Directors, Supervisors and senior management.

2. The shareholding percentage does not take into account the exercise of the Over-allotment Option and the 2018 Convertible Bonds.

3. Wang Shixu is an associate of Mr. Wu Hai, our executive Director.

4. As disclosed above, each of Liu Hongchuan and Gao Yucai has been granted 100,000 or more Pre-IPO Options.

Other than disclosed above, our Company had also granted Pre-IPO Options for a total of 225,000 Shares to 13 ex-employees of our Group. The Pre-IPO Options of these 13 Grantees who left our Group have therefore lapsed.

Our Directors have resolved that no other Pre-IPO Options have been, or will, after the Listing Date, be granted, or have been agreed to be granted by our Company under the Share Incentive Scheme.

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

A. Disclosure of Interests

(a) Interests and short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of the Directors, Supervisors and chief executive of our Company immediately following completion of the Global Offering (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the 2018 Convertible Bonds and the Pre-IPO Options) in the Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once

the H Shares are listed. For this purpose, the relevant provisions of the SFO shall be construed as if they are applicable to our Supervisors:

Name of Director/ Supervisor/ Chief Executive	Capacity/ nature of interest	Name of company	Class of Shares	Number of Shares	Approximate percentage of shareholding in relevant class immediately following the Global Offering[6]	Approximate percentage of shareholding immediately following the Global Offering[6]
Mr. Xiong Jun	Beneficial owner	Our Company	Domestic Shares	50,339,968	8.37%	6.62%
	Parties acting in concert/Interest in controlled corporations[1]	Our Company	Domestic Shares	132,710,768	22.07%	17.45%
Mr. Feng Hui	Beneficial owner	Our Company	Domestic Shares	17,520,000	2.91%	2.30%
Mr. Li Cong	Beneficial owner	Our Company	Domestic Shares	3,657,600	0.61%	0.48%
Mr. Tang Yi	Beneficial owner	Our Company	Domestic Shares	10,366,000	1.72%	1.36%
	Interest in controlled corporations[2]	Our Company	Domestic Shares	176,137,736	29.29%	23.17%
Mr. Zhang Zhuobing	Interest of spouse/ Interest in controlled corporation[3]	Our Company	Domestic Shares	17,537,376	2.92%	2.31%
Mr. Lin Lijun	Interest in controlled corporations[4]	Our Company	Domestic Shares	58,844,265	9.78%	7.74%
	Interest in controlled corporations[4]	Our Company	H Shares	37,189,000	23.40%	4.89%
Mr. Liu Hongchuan	Beneficial owner[5]	Our Company	Domestic Shares	120,000	0.02%	0.02%
Mr. Gao Yucai	Beneficial owner[5]	Our Company	Domestic Shares	100,000	0.02%	0.01%

Notes:

(1) As of the Latest Practicable Date, Mr. Xiong Jun directly held 50,339,968 Domestic Shares.

Pursuant to (i) the 2017 Concert Party Agreement, Mr. Xiong Jun is deemed to be interested in an aggregate of 125,797,768 Domestic Shares held by the other parties to the 2017 Concert Party Agreement under the SFO (including the 58,560,000 Domestic Shares directly held by Mr. Xiong Fengxiang, the father of Mr. Xiong Jun); and (ii) the 2018 Concert Party Agreement, Mr. Xiong Jun is further deemed to be interested in 6,913,000 Domestic Shares held by the other party to the 2018 Concert Party Agreement under the SFO.

As of the Latest Practicable Date, Mr. Xiong Jun (i) was an executive director and was directly interested in 20% of the equity share capital of Shanghai Baoying, which directly held 4,372,144 Domestic Shares; Shanghai Baoying was also a party to the 2017 Concert Party Agreement; (ii) was the chairman of the board of directors and was directly interested in 40% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan, which in turn directly held 4,600,000 and 43,584,000 Domestic Shares, respectively, and were each a party to the 2017 Concert Party Agreement. Shenzhen Yuanben also holds a limited partner interest of approximately 86.28% of Suzhou Benyu. Mr. Xiong Jun is deemed to be interested in an aggregate of such 52,556,144 Domestic Shares under the SFO.

(2) As of the Latest Practicable Date, Mr. Tang Yi directly held 10,366,000 Domestic Shares. As of the Latest Practicable Date, Mr. Tang Yi was a director of and directly interested in 60% of the equity share capital of Shenzhen Yuanben, which was the general partner of each of Suzhou Benyu and Suzhou Ruiyuan. Shenzhen Yuanben also holds a limited partner interest of approximately 86.28% of Suzhou Benyu. Therefore, Mr. Tang Yi is deemed to be interested in Shares in which Suzhou Benyu and Suzhou Ruiyuan are interested (including Shares they are deemed to be interested pursuant to the 2017 Concert Party Agreement) under the SFO. See also "Substantial Shareholders" in this prospectus.

(3) As of the Latest Practicable Date, Ms. Liu Xiaoling, who is the spouse of Mr. Zhang Zhuobing, directly held 8,608,000 Domestic Shares. Also, Mr. Zhang Zhoubing was directly interested in 50% of the equity share capital of Yongzhuo Boji (Shanghai) Biosciences Technology Co., Ltd.* (永卓博濟(上海)生物醫藥技術有限公司), which directly held 8,929,376 Domestic Shares. Therefore, Mr. Zhang Zhuobing is deemed to be interested in an aggregate of 17,537,376 Domestic Shares under the SFO.

(4) As of the Latest Practicable Date, Mr. Lin Lijun was a director and wholly interested in Shanghai Shengge Asset Management Co., Ltd.* (上海盛歌投資管理有限公司), which was the general partner of Shanghai Tanying. Therefore, Mr. Lin Lijun is deemed to be interested in the Shares Shanghai Tanying is interested under the SFO. Mr. Lin Lijun is a director and controls each LVC Fund's general partner. Therefore, Mr. Lin Lijun is deemed to be interested in the H Shares in which the LVC Funds are interested under the SFO. See also "Substantial Shareholders" and "Cornerstone Investors" in this prospectus.

(5) Representing Pre-IPO Options.

(6) Based on 760,310,000 Shares immediately following the Global Offering, without taking into account Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the 2018 Convertible Bonds and the Pre-IPO Options.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option, the 2018 Convertible Bonds and the Pre-IPO Options), our Directors are not aware of any other person (not being a Director, Supervisor or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) Interests of the substantial shareholders of other members of our Group

So far as our Directors are aware, as of the Latest Practicable Date, there is no person (excluding us and not being a Director, Supervisor or chief executive of our Company), directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

(i) Beijing Junkejingde

Name	Capacity/nature of interest	Amount of registered capital in Beijing Junkejingde held	Percentage of shareholding
		(in RMB)	
Beijing Zhengdan	Beneficial owner	3,200,000	40%

(ii) Qianhai Junshi

Name	Capacity/nature of interest	Amount of registered capital in Qianhai Junshi held	Percentage of shareholding
		(in RMB)	
Shenzhen Dehe Fangzhong Investment Limited Partnership (LP)* (深圳德和方中投資有限合夥企業(有限合夥))	Beneficial owner	10,000,000	20%
Shanghai Baoying	Beneficial owner	9,500,000	19%
Hou Guihua (侯桂花)	Beneficial owner	5,000,000	10%

(iii) Suzhou Junshi Biotechnology Co., Ltd.

Name	Capacity/nature of interest	Amount of registered capital in Suzhou Junshi Biotechnology Co., Ltd. held	Percentage of shareholding
		(in RMB)	
Suzhou Junbang Property Co., Ltd.* (蘇州君邦置業有限公司)	Beneficial owner	25,000,000	49%

B. Particulars of Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed above and in this prospectus, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in his/her respective capacity as Director or Supervisor (other than contracts expiring or determinable by the employer within one year without payment of any compensation (other than statutory compensation)).

C. Directors' and Supervisors' Remuneration

The aggregate remuneration and benefits in kind paid by our Company to our Directors and Supervisors for two years ended December 31, 2016 and 2017 and six months ended June 30, 2018 were approximately RMB8.99 million, RMB9.94 million and RMB6.00 million, respectively.

Pursuant to the existing arrangements, for the year ending December 31, 2018, it is estimated that the aggregate remuneration and benefits in kind to be received by the Directors and Supervisors would be approximately RMB12.89 million.

D. Personal Guarantees

No Director or Supervisor has provided any personal guarantee for the benefit of the lenders in connection with any Company facilities granted to us as of the Latest Practicable Date.

E. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, none of the Directors, Supervisors or any of the persons whose names are listed in the paragraph headed "4G. Qualifications of Experts" in this Appendix had received any commissions, discounts, agency fees, brokerages or other special terms from us in connection with the issuance or sale of any capital of our Company within the two years preceding the date of this prospectus.

F. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors, Supervisors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once the H Shares are listed on the Stock Exchange;

(b) none of our Directors is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the 2018 Convertible Bonds and the Pre-IPO Options), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(c) none of our Directors, Supervisors or any party listed under paragraph "4G. Qualifications of Experts" of this Appendix is:

  (i) directly or indirectly interested in our promotion, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us; or

  (ii) materially interested in any contract or arrangement subsisting as of the date of this prospectus which is significant to our business;

(d) save in connection with the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the parties listed in paragraph "4G. Qualifications of Experts" of this Appendix:

(i) is interested legally or beneficially in any of our Shares or our securities; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our Shares or any of our securities;

(e) none of our Directors or Supervisors or their close associates or any shareholders of our Company who, to the knowledge of our Directors, owns more than 5% of our issued share capital has any interest in our top five customers and suppliers during the Track Record Period; and

(f) none of our Directors or Supervisors is a director or employee of a company which has an interest in the share capital of our Company that has to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO after the listing of H Shares on the Stock Exchange.

4. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that currently no material liability for estate duty under PRC law is likely to fall upon our Company or any of our subsidiaries.

B. Litigation

Our Group is not involved in any litigation, arbitration or administrative proceedings of material importance and, so far as we are aware, no litigation, arbitration or administrative proceedings of material importance is pending or threatened against us as of the Latest Practicable Date.

C. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria set out in Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with the Sole Sponsor pursuant to which we agreed to pay a total amount of USD1 million to the Sole Sponsor to act as the sponsor to our Company in the Global Offering.

D. Promoters

The promoters of our Company are Du Yali (杜雅勵), Xiong Jun (熊俊), Wu Yang (武洋), Xiong Fengxiang (熊鳳祥), Dai Longlin (戴龍林), Jin Mingzhe (金明哲), Li Cong (李聰), Yang Fan (楊帆), Chen Mingxi (陳銘錫), Shen Chun (沈淳), Feng Hui (馮輝), Liu Xiaoling (劉小玲), Wu Jun (吳軍), Ma Jing (馬靜), Wang Lifang (王莉芳), Zhao Yun (趙雲), Huang Fei (黃菲), Zhou Yuqing (周玉清), Liu Jiankun (劉建坤), Liu Shaolan (劉少蘭), He Min (賀敏), Zhong Lu (鍾鷺), Suzhou Ruiyuan, Suzhou Benyu, Shanghai Yingding Investment Management Partnership (LP)* (上海盈定投資管理合夥企業(有限企業)), Nanjing Runjiajiuxi Investment Partnership (LP)* (南京潤嘉久熙投資合夥企業(有限企業)), Jiangsu Yatong Asset Management Co., Ltd.* (江蘇亞通資產管理有限公司) and Shanghai Baoying.

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the Global Offering or the related party transactions described in this prospectus.

E. Compliance Advisor

We have appointed Somerley Capital Limited, as our compliance advisor upon listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that described in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information set out in this prospectus; and
- where the Stock Exchange makes an inquiry on us regarding unusual movements in the price or trading volume of H Shares, the possible development of a false market in H Shares or any other matters.

The term of appointment shall commence on the Listing Date and end on the date on which we publish our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

F. Preliminary Expenses

Our estimated preliminary expenses are insignificant.

G. Qualification of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice in this prospectus are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed 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
Deloitte Touche Tohmatsu	Certified public accountants
Jia Yuan Law Offices	Legal advisor as to PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

H. Consents

Each of the experts as referred to in "G. Qualification of Experts" above has given and has not withdrawn its respective written consents to the issue of this prospectus with the inclusion of its reports, letters, and/or opinions (as the case may be) and/or the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group as of the Latest Practicable Date.

I. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

J. No Material Adverse Change

Our Directors confirmed that there has been no material adverse change in our financial or trading position or prospect since June 30, 2018 (being the date on which our latest audited consolidated financial statements were made up).

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

L. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years preceding the date of this prospectus, (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) save for the underwriting commission paid to China International Capital Corporation Limited in relation to the issue of the 2018 Convertible Bonds, being RMB2,000,000, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of our Company or any of our subsidiaries;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) none of our equity and debt securities is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(e) there are no arrangements under which future dividends are waived or agreed to be waived;

(f) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(g) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(h) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(i) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(j) we have no outstanding convertible debt securities; and

(k) we currently do not intend to apply for the status of a Sino-foreign investment joint-stock limited company and do not expect to be subject to the Sino-foreign Joint Venture Law of the PRC.

M. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

N. Language

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Provided however, that names of any laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms; (ii) copies of each of the material contracts referred to in the section headed "Appendix V – Statutory and General Information – 2. Further Information about our Business – A. Summary of our material contracts"; and (iii) the written consents referred to in section headed "Appendix V – Statutory and General Information – 4. Other information – H. Consents".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Jones Day at 31st Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 6:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the accountants' report of our Group for the years ended December 31, 2016 and 2017 and the six months ended June 30, 2018, prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated accounts of our Group for the years ended December 31, 2016 and 2017, and for the six months ended June 30, 2018;

(e) the PRC legal opinion issued by Jia Yuan Law Offices, our legal advisor as to PRC laws, in respect of our general matters and property interests of our Group in the PRC;

(f) the F&S Report;

(g) copies of the following PRC laws, together with unofficial English translations thereof:

  (i) the PRC Company Law;

  (ii) the PRC Securities Law;

  (iii) the Special Regulations; and

  (iv) the Mandatory Provisions.

(h) the material contracts referred to in the section headed "Appendix V – Statutory and General Information – 2. Further Information about our Business – A. Summary of our material contracts";

(i) the service contracts referred to in the section headed "Appendix V – Statutory and General Information – 3. Further Information about our Directors, Supervisors and Substantial Shareholders – B. Particulars of Service Contracts";

(j) the written consents referred to in the section headed "Appendix V – Statutory and General Information – 4. Other Information – H. Consents"; and

(k) a copy of the Share Incentive Scheme and a list of Grantees (including remaining Grantees), containing all details as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

上海君實生物醫藥科技股份有限公司

*Shanghai Junshi Biosciences Co., Ltd.**