



邁博藥業

MABPHARM LIMITED

迈博药业有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2181



**GLOBAL
OFFERING**

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner



IMPORTANT

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



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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	783,580,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares:	78,358,000 Shares (subject to adjustment)
Number of International Offer Shares:	705,222,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price (subject to a Downward Offer Price Adjustment)	HK\$1.50 to HK\$1.95 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK\$1.35 per Offer Share)
Nominal value:	US\$0.0001 per Share
Stock code:	2181

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner



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 the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V 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 of the other documents referred to above.

The Offer Price is expected to be determined by agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) on or about Friday, May 24, 2019 and, in any event, not later than Sunday, May 26, 2019. The Offer Price will be not more than HK\$1.95 per Offer Share and is currently expected to be not less than HK\$1.50 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$1.95 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$1.95 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters) on or before Sunday, May 26, 2019 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sole Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our company at www.mabpharm.cn. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (on behalf of the Underwriters) if certain grounds arise prior to 8 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. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. The Offer Shares are being offered and sold within the United States solely to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act or another available exemption from the registration requirements under the U.S. Securities Act and outside the United States in reliance on Regulation S under the U.S. Securities Act and the applicable laws of each jurisdiction where the offer and sales occur.

May 20, 2019

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in the South China Morning Post (in English), and in the Hong Kong Economic Times (in Chinese).

Hong Kong Public Offering commences and **WHITE**
and **YELLOW** Application Forms available from 9:00 a.m. on Monday, May 20, 2019

Latest time to complete electronic applications
under the **White Form eIPO** service through the
designated website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Friday, May 24, 2019

Application lists open⁽³⁾ 11:45 a.m. on Friday, May 24, 2019

Latest time to lodge **WHITE** and **YELLOW**
Application Forms 12:00 noon on Friday, May 24, 2019

Latest time to give **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on Friday, May 24, 2019

Latest time to complete payment of **White Form**
eIPO applications by effecting internet banking
transfer(s) or PPS payment transfer(s) 12:00 noon on Friday, May 24, 2019

Application lists close⁽³⁾ 12:00 noon on Friday, May 24, 2019

Expected Price Determination Date⁽⁵⁾ Friday, May 24, 2019

Where applicable, announcement of the Offer Price being set
below the bottom end of the indicative Offer Price range
after making a Downward Offer Price Adjustment (please see
the section headed “Structure of the Global Offering—Pricing
of the Global Offering”) on the website of the Hong Kong
Stock Exchange at www.hkexnews.hk and the Company’s
website at www.mabpharm.cn on or before Thursday, May 30, 2019

- (1) Announcement of
- the final Offer Price;
 - the level of indication of interest in the International Offering;
 - the level of applications in the Hong Kong Public Offering; and
 - the basis of allocation of the Hong Kong Offer Shares
expected to be published in the South China Morning Post
(in English) and in the Hong Kong Economic
Times (in Chinese) on or before Thursday, May 30, 2019

EXPECTED TIMETABLE⁽¹⁾

(2) 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 as described in the section headed "How to Apply for the Hong Kong Offer Shares—11. Publication of Results" in this prospectus from Thursday, May 30, 2019

(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.mabpharm.cn⁽⁶⁾, from Thursday, May 30, 2019

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function from Thursday, May 30, 2019

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Thursday, May 30, 2019

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Thursday, May 30, 2019

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on Friday, May 31, 2019

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application 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 of 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 in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, May 24, 2019, the application lists will not open on that day. Please refer to the section headed "How to Apply for the Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares—6. Applying by Giving **Electronic application instructions** to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, May 24, 2019 and, in any event, not later than Sunday, May 26, 2019. If, for any reason, the Offer Price is not agreed by Sunday, May 26, 2019 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, May 30, 2019 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on Friday, May 31, 2019. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price payable on application.
- (9) Applicants who apply with **WHITE** Application Forms or through **White Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by their Application Forms may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, May 30, 2019 or such other date as notified by our Company in the newspaper as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. 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 bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares under the Hong Kong Public Offering and have provided all information required by their Application Forms, may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to their or the designated CCASS Participants’ stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for the Hong Kong Offer Shares—6. Applying by Giving **Electronic application instructions** to HKSCC via CCASS” in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** 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 in the form of refund cheques by ordinary post at their own risk.

Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected share certificates and/or refund cheques (if applicable) will be dispatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of dispatch of refund cheque as described in the section headed “How to apply for the Hong Kong Offer Shares—14. Dispatch/collection of share certificates and refund monies” in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for the Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Mabpharm Limited 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 securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares 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 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 Sole Global Coordinator, the Sole Bookrunner and the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. Information contained in our website, located at www.mabpharm.cn, does not form part of this prospectus.

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SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. **In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules.** There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

OVERVIEW

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience. Our pipeline of drug candidates currently consists of nine monoclonal antibody drugs, three of which are our Core Products under phase III clinical trials: CMAB007 (omalizumab), CMAB009 (cetuximab) and CMAB008 (infliximab). In addition, two of our other drug candidates, CMAB809 (trastuzumab) and CMAB819 (nivolumab), have obtained approval for clinical trials.

We have strong in-house capabilities in research, pre-clinical and clinical development, and manufacturing, and are building our sales and marketing team to prepare for the commercialization of our product candidates. We focus on the research and development of monoclonal antibodies. Our core R&D team members have more than 16 years of experience in this area, and have led three major projects under the “863” Program, among other national-level scientific research projects. In addition, one of our core R&D team members is also a member of the 11th Session of the Chinese Pharmacopoeia Commission. Our production site in Taizhou, currently equipped with a 3*1,500L bioreactor system, is one of the largest antibody drug production facilities in China in terms of production capacity according to Frost & Sullivan.

We believe that we are well positioned to seize China’s substantial market opportunities, including those resulting from China’s recent healthcare regulatory reforms, including new medical insurance measures. According to Frost & Sullivan, the biologics market in China grew by 26.2% from 2013 to 2017, substantially higher than the 7.4% growth rate of the global biologics market over the same period. Monoclonal antibody drugs, a subset of the biologics market, was RMB11.8 billion, accounting for 5.4% of the biologics market in China in 2017; it is expected to increase to RMB69.6 billion in 2022, representing a CAGR of 42.6% from 2017 to 2022, much higher than the growth rate of China’s biologics market in general. The primary focus of our research and development — monoclonal antibody drugs targeting cancers and autoimmune diseases — has substantial untapped clinical demand in China. According to Frost & Sullivan, cancers and autoimmune diseases are among the largest therapeutic areas in the monoclonal antibody segment, with an aggregate market size of RMB10.4 billion in 2017 and an expected aggregate market size of RMB64.6 billion in 2022.

SUMMARY

OUR COMPETITIVE STRENGTHS

Our competitive strengths include the following: (1) focus on the Chinese cancer and autoimmune disease monoclonal antibody market with huge clinical demand and growth potential; (2) strong R&D capabilities resulting in a diversified and comprehensive monoclonal antibody pipeline, including three late-stage monoclonal antibodies targeting cancers and autoimmune diseases; (3) leading R&D team and technology platform enabling an efficient R&D system; (4) highly efficient manufacturing base with leading monoclonal antibody manufacturing technologies resulting in clear cost advantages; and (5) highly experienced and visionary management, sales and research teams supported by leading investors.

OUR STRATEGIES

We intend to implement the following principal strategies to grow our business and create value for our shareholders: (1) continue to advance the clinical research and commercialization of our drug candidates; (2) continue to maintain investments in advanced technologies and product development; (3) expand our production capacity to support our commercialized products; (4) continue to attract and nurture high quality talents to support our rapid growth; and (5) establish global brand awareness and foster deeper and more extensive cooperative relationship with domestic and overseas renowned pharmaceutical companies.

SUMMARY

OUR PRODUCT PIPELINE

Below is an overview of our drug candidates and their status as of the Latest Practicable Date:

Field	Target	Indication	Drug Candidate Code	Classification	Pre-clinical	Phase I	Phase II or Phase II/III	Phase III	Expected time to reach the next regulatory milestone	Anticipated completion of regulatory review	Commercial Rights	Competitive Marketed Drugs*
Respiratory Disease	IgE	Asthma	CMAB007 (INN name: Omalizumab)	New Drug/ Core Product					NDA submission (Quarter 1, 2020)	Quarter 4, 2020	PRC and overseas (excluding Japan, North America and Europe)	Xolair®
Cancer	EGFR	Colorectal Cancer	CMAB009 (INN name: Certuximab)	New Drug/ Core Product					NDA submission (Quarter 4, 2021)	Quarter 2, 2022	PRC and overseas (excluding Japan, North America and Europe)	Erbixux®
Autoimmune Disease	TNF- α	Rheumatoid Arthritis	CMAB008 (INN name: Infliximab)	New Drug/ Core Product					NDA submission (Quarter 4, 2019)	Quarter 2, 2020	PRC and overseas (excluding Japan, North America and Europe)	Remicade®, Humira®, Enbrel®, Simponi®, Yisaiyu® and Anbainuo®
Cancer	PD1	Non-small cell lung cancer and hepatocellular carcinoma	CMAB819 (INN name: Nivolumab)	New Drug					Phase III (Quarter 1, 2020)	Quarter 2, 2026	Global	Opdivo®, Keytruda®, Tymt®, JS001
Cancer	HER2	Breast Cancer/Gastric Cancer	CMAB809 (INN name: Trastuzumab)	Biosimilar					Phase III (Quarter 4, 2019)	Quarter 4, 2022	Global	Herceptin®
Autoimmune Disease	TNF α	Rheumatoid Arthritis	CMAB815 (INN name: Adalimumab)	Biosimilar					Phase III (Quarter 2, 2020)	Quarter 2, 2022	Global	Qiangke®
Cancer	HER2	Breast Cancer	CMAB810 (INN name: Pertuzumab)	Biosimilar					Phase III (Quarter 3, 2021)	Quarter 2, 2024	Global	Perjeta®
Respiratory Disease	RSV	Prevention of severe lower respiratory tract disease caused by RSV	CMAB813 (INN name: Palivizumab)	Biosimilar					Phase III (Quarter 3, 2021)	Quarter 4, 2024	Global	Synagis®
Autoimmune Disease	IL- β	Periodic Fever Syndromes/ Systemic Juvenile Idiopathic Arthritis	CMAB816 (INN name: Canakinumab)	Biosimilar					Phase III (Quarter 1, 2021)	Quarter 4, 2023	Global	Ilaris®

SUMMARY

We classified our drug candidates as new drug or biosimilar based on relevant instructions stated in the relevant NMPA clinical trial approvals.

Prior to February 2015, there lacked specific guidelines for registration of biosimilar drugs. Pursuant to the Measures for the Administration of Drug Registration promulgated by the NMPA on July 10, 2007 and effective from October 1, 2007, therapeutic biological products must be registered in accordance with new drug application procedures. Therefore, the applications and NMPA clinical trial approvals of our three Core Products, the clinical trials of which started before February 2015, were conducted pursuant to the relevant regulations on approval of new drugs. Specifically, we are permitted to conduct clinical trials of CMAB007, CMAB008 and CMAB009 in accordance with new drug application procedures pursuant to NMPA clinical trial approvals issued in February 2008, February 2007 and June 2007, respectively. In addition, pursuant to our communication with CDE in March 2017, we are not required to conduct head-to-head clinical trial of CMAB007. In May 2017, CDE approved our decision to conduct a non-inferiority trial of CMAB008. In February 2019, we conducted interim discussion with CDE about previous clinical results, current clinical trial progress and future NDA-related consultation with respect to CMAB009. With respect to amino acid sequence, there is 100% equivalence in amino acid sequence between our Core Products and their respective reference products Xolair, Remicade and Erbitux. However, CMAB008 and CMAB009 are different from their reference products in aspects of expression system and glycosylation modification.

Although CMAB007, CMAB008 and CMAB009 are classified as new drugs under the Measures for the Administration of Drug Registration promulgated by the NMPA on July 10, 2007, these Core Products share the same International Nonproprietary Names (“INN”) with relevant marketed drugs.

In February 2015, the NMPA promulgated the Guiding Principles Announcement providing for detailed R&D requirements for biosimilar drugs. According to Frost & Sullivan, only applicants that have obtained approvals from the NMPA permitting the clinical trials to follow the requirements for biosimilars under the 2015 Guiding Principles Announcement may register the products as biosimilar drugs. Of our drug candidates that have reached the clinical trial stage, only CMAB809 is permitted to conduct clinical trials in accordance with the requirements for biosimilars pursuant to the NMPA clinical trial approval issued in April 2017.

Our Core Product Candidates

CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of the Latest Practicable Date, CMAB007 was the only mAb asthma therapy developed in China by a local Chinese company that had reached phase III clinical trial according to Frost & Sullivan, and we believe that, once approved by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of two completed clinical trials of a total of 665 subjects, which were the largest clinical trials of mAb treating asthma in China as of the Latest Practicable Date according to Frost & Sullivan. Based on our clinical trial results, CMAB007 can improve asthma patients’ conditions with lower-dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

SUMMARY

CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate based on cetuximab for first-line treatment of metastatic colorectal cancer (“**mCRC**”) in combination with FOLFIRI. CMAB009 is the first NMPA approved chimeric anti-EGFR antibody for clinical trial developed in China by a local Chinese company. CMAB009 uses the Chinese hamster ovary cell (“**CHO**”) expression system, which is different from the mouse myeloma cell SP2/0 expression system used in currently marketed cetuximab product as of the Latest Practicable Date. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials of a total of 530 subjects, which were the largest clinical trials of anti-EGFR mAb developed in China by a local Chinese company as of the Latest Practicable Date according to Frost & Sullivan. Based on our clinical results compared to published clinical results for the currently marketed cetuximab product, CMAB009 significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity and we believe that CMAB009 is safer than, and as effective as, the currently marketed cetuximab drug for treatment of mCRC as of the Latest Practicable Date.

CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis and is potentially one of the best in class of chimeric anti-TNF-alpha antibody in China according to Frost & Sullivan. CMAB008 was the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. CMAB008 uses the CHO expression system which reduces immunogenicity, according to our clinical results compared to published results of the currently marketed infliximab product. The safety and efficacy of CMAB008 have been confirmed by the results of three completed clinical trials of a total of 588 subjects, which were the largest clinical trials of infliximab in China as of the Latest Practicable Date according to Frost & Sullivan. Based on our clinical results compared to published clinical results of currently marketed infliximab product, we believe that CMAB008 is safer than, and as effective as, the currently marketed infliximab product for treatment of moderate to severe active rheumatoid arthritis as of the Latest Practicable Date. We are conducting a head-to-head study *versus* the currently marketed infliximab product to confirm better safety profile and immunogenicity of CMAB008 and its non-inferior efficacy.

As a result of changes in the production sites for our Core Products and improvements in our production processes, we have engaged in phase III clinical trials for our Core Products following their phase II/III clinical trials to further confirm their efficacy and safety. We expect to submit our Phase III clinical trial results of CMAB007, CMAB008 and CMAB009 in March 2020, December 2019 and October 2021, respectively. Furthermore, we expect to complete the NDA submission of CMAB007, CMAB008 and CMAB009 in the first quarter of 2020, fourth quarter of 2019 and fourth quarter of 2021, respectively.

Our Other Product Candidates

CMAB819 (nivolumab) is our phase I clinical trial new drug candidate. CMAB819 was approved by NMPA for clinical trial in September 2017. We are preparing clinical samples and the initiation of phase I clinical trial. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma.

CMAB809 (trastuzumab) is our phase I clinical trial biosimilar drug candidate. CMAB809 was approved by the NMPA for clinical trial in April 2017. We completed the preparation of clinical samples and are preparing the initiation of phase I clinical trial. CMAB809 is indicated for the (adjuvant) treatment of HER2 overexpressing breast cancer or metastatic gastric cancer.

CMAB815 (adalimumab) is our IND-filing-stage biosimilar drug candidate. It is under evaluation for clinical trial approval by China’s Center for Drug Evaluation, which we expect to receive by December 2019. CMAB815 is indicated for the treatment of rheumatoid arthritis.

SUMMARY

CMAB810 (pertuzumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes, the establishment of a cell bank, and a lab-scale process for CMAB810 have been completed. The pilot processes are being developed. CMAB810 is indicated for the treatment of breast cancer.

CMAB813 (palivizumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes and the establishment of a cell bank have been completed. The pilot processes are being developed. CMAB813 is indicated for the prevention of severe lower respiratory tract disease caused by RSV in pediatric patients.

CMAB816 (canakinumab) is our pre-clinical trial biosimilar drug candidate. The related screening processes and the establishment of a cell bank have been completed. The pilot processes are being developed. CMAB816 is indicated for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis.

RESEARCH AND DEVELOPMENT

We have developed efficient R&D capabilities, broad and advanced preparation technologies, and low-cost drug production capabilities that will allow us to offer high quality and affordable innovative biopharmaceutical products to patients in China and other emerging markets. Within our product pipeline, we currently have three Core Products under phase III clinical development and two other products approved for clinical trials. We own a number of patents for our core technologies, including antibody engineering and humanization technologies, efficient expression vector construction technologies, efficient clone screening technologies, as well as a proprietary research and development animal model. In line with industry practice, we use contract research organizations (“CROs”) and consultants to manage and conduct some of our non-core standardized R&D functions, such as pre-clinical studies on animals and the management of clinical study centers. We select our CROs weighing various factors such as their qualifications, scale and history of operations, academic and professional experience, client base, and industry reputation. The CROs provide us with an array of products and services that are necessary for carrying out our own complex clinical trials. We supervise these CROs to ensure that they perform their duties in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies.

TRANSFER/LICENSE OF RIGHTS AND INTERESTS IN OUR DRUG CANDIDATES

We believe we have all the necessary intellectual property rights required for the development and commercialization of our product candidates in the PRC and overseas. For further details, please see the sections headed “Business—Transfer/License of Rights and Interests in Our Drug Candidates” and “Connected Transactions—Continuing Connected Transactions—Fully Exempt Continuing Connected Transactions—License Agreement”.

MANUFACTURING

Our production site in Taizhou has two buildings of 15,000 square meters each and houses our mAb production facilities. The first building is equipped with production facilities currently in operation, including (i) a 3*1,500L antibody bioreactor system and related purification lines, (ii) an injection vial filling line capable of manufacturing four million units per annum and (iii) a pre-filled syringes production line capable of manufacturing one million units per annum. This production site, equipped with these production facilities, is one of the largest antibody drug production facilities in China, according to Frost & Sullivan. We plan to construct new production facilities in the second building of our Taizhou production site (which is currently idle) and on the parcel of industrial land

SUMMARY

of approximately 100,746 square meters in Taizhou Hi-tech Zone. Our expansion plan includes the construction of (i) three cGMP-certified workshops, each with a 3*1,500L stainless steel bioreactor system, and corresponding purification lines, (ii) two large-scale monoclonal antibody drug substance production lines with production capacities of 2*18,000L and 3*7,500L, respectively, and (iii) two drug product filling lines. We have not commenced commercial manufacturing at our production facilities.

RAW MATERIALS AND SUPPLIERS

The raw materials and equipment required for manufacturing our products are generally readily available in the market through a number of suppliers. The primary raw materials used to manufacture our Core Products include chromatography resin and cell culture media. In addition, a large portfolio of our drug candidates also requires recombinant insulin and filtration membrane, among others. During the Track Record Period, we did not engage in the manufacturing of any products in large scale and obtained raw materials from related parties and third parties for our trial production. We believe these suppliers have sufficient capacity to meet our commercial demands. For the years ended December 31, 2017 and 2018, our five largest suppliers together accounted for 70.4% and 51.7%, respectively, of our total purchases, and our largest supplier accounted for 33.3% and 22.1%, respectively, of our total purchases.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2017 and 2018, extracted from “Appendix I—Accountants’ Report.” Our financial information was prepared in accordance with the accounting policies which conform with the International Financial Reporting Standards (“IFRSs”).

Summary Data from Consolidated Statements of Profit or Loss

We have not commercialized any products and therefore did not recognize any revenue during the Track Record Period. The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the year ended December 31,	
	2017	2018
	RMB'000	RMB'000
Other income	4,798	24,059
Other expenses	(307)	(12,507)
Other gains and losses	(2,337)	(2,427)
Research and development expenses	(21,632)	(88,983)
Administrative expenses	(24,900)	(42,128)
Finance cost	(3,328)	(4,481)
Listing expenses	—	(26,126)
Loss before tax	(47,706)	(152,593)
Income tax credit	—	2,834
Loss and total comprehensive expense for the year	<u>(47,706)</u>	<u>(149,759)</u>

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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.

	As of December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	134,207	212,469
Current assets	154,935	260,753
Current liabilities	70,853	156,450
Net Current assets	84,082	104,303
Non-current liabilities	65,000	67,200

Summary Data from Consolidated Cash Flow Statements

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	For the year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	(32,069)	(127,817)
Net cash used in operating activities	(65,122)	(61,874)
Net cash used in investing activities	(13,597)	(82,706)
Net cash from financing activities	16,897	256,819
Net (decrease) increase in cash and cash equivalents	(61,822)	112,239
Cash injected for the Clinical Business by Biomabs	30,929	11,940
Cash and cash equivalents at beginning of the year	109,673	76,443
Effects of exchange rate changes on the balances of cash held in foreign currencies	(2,337)	(2,427)
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u>76,443</u>	<u>198,195</u>

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated.

	As of December 31,	
	2017	2018
Current ratio	2.2	1.7
Quick ratio	1.7	1.5
Gearing ratio	48.9%	42.1%

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For further details, see “Financial Information—Key Financial Ratios.”

RECENT DEVELOPMENTS

A total of 3,265,500,000 Shares of our Company will be allotted and issued to our shareholders on record on the day preceding the Listing Date in proportion to their then existing shareholding in our Company by capitalizing the sum of US\$326,550 from the share premium account of our Company. See “History, Development and Corporate Structure—The Capitalization Issue” for more information.

As of the Latest Practicable Date, no material adverse change had occurred with respect to the regulatory approvals we have received in relation to our core product candidates. After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that up to the date of this prospectus, other than the above, there has been no material adverse change in our financial or trading position or prospects since December 31, 2018, and there is no event since December 31, 2018 which would materially affect the audited financial information as set out in Appendix I to this prospectus.

We expect that the consolidated net loss of our Group to be increased for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to research and development expenses in relation to our clinical development.

DIVIDENDS

We have never declared or paid any dividend on our ordinary shares or any other securities. We do not have any dividend policy or intention to declare or pay any dividends in the near future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and may be based on a number of factors, including our financial condition, future earnings, capital requirements and surplus, contractual and legal restrictions, our ability to receive dividend payments from our subsidiaries, and other factors that our Directors deem relevant. In view of our significant accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

LISTING EXPENSES

We incurred RMB30.6 million of listing expenses and issue costs during the Track Record Period, of which RMB26.1 million was recognized as expenses and RMB4.5 million was deferred. We expect to incur approximately RMB62.3 million of listing expenses (including underwriting commissions) after the Track Record Period, of which approximately RMB40.3 million will be capitalized and RMB22.0 million will be recognized as expenses. The listing expenses above are the latest practicable estimate for your reference only, and the actual amount may differ from this estimate.

SHAREHOLDER INFORMATION

Immediately after completion of the Capitalization and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of the share options under the Pre-IPO Share Option Scheme), Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture and United Circuit, through Asia Mabtech, will be entitled to approximately 54.00% of the total number of issued Shares of our Company. As such, Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture, United Circuit and Asia Mabtech will be our controlling shareholders after Listing. For details, please refer to “Relationship with the Controlling Shareholders” of this prospectus.

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In addition, for the long-term business development and expansion of our business, the Pre-IPO Investors (i.e. CDH PE, CDH VC, FH Investment and CDC) entered into the Pre-IPO Investment Agreements for the purpose of provision of financial resources to our Group through investing in Sinomab. For details, please refer to “History, Development and Corporate Structure—Pre-IPO Investments” of this prospectus.

Our Pre-IPO Investors are subject to lock-up arrangements at the time of Listing. Under the current arrangements, as of the Latest Practicable Date, the Shares currently held by the Pre-IPO Investors and all existing shareholders of the Company are subject to lock-up arrangements represent 100% of the issued share capital of the Company as at the date of this prospectus, and approximately 81% of the issued share capital of the Company immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme). For further details regarding the key terms of the lock-up arrangements, see the section headed “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus.

OFFERING STATISTICS⁽¹⁾

	Based on an Offer Price of HK\$1.35 per Offer Share, after Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK\$1.50 per Offer Share	Based on an Offer Price of HK\$1.95 per Offer Share
Market Capitalization of our Shares ⁽²⁾	HK\$5,567.5 million	HK\$6,186.1 million	HK\$8,042.0 million
Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share as of December 31, 2018 ⁽³⁾	HK\$0.31	HK\$0.34	HK\$0.42

Notes:

- (1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised and no options granted under the Pre-IPO Share Option Scheme are exercised.
- (2) The calculation of market capitalization is based on 4,124,080,000 Shares expected to be in issue following the completion of the Capitalization Issue and the Global Offering (assuming no exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme).
- (3) The unaudited pro forma adjusted consolidated net tangible assets as of our Group attributable to owners of our Company per Share is calculated after making the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” to this prospectus and on the basis of a total of 4,124,080,000 Shares expected to be in issue assuming that the Capitalization Issue and the Global Offering had been completed on December 31, 2018.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$1.73 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and no exercise of the Over-allotment Option and without taking into

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account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK\$1,351.7 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK\$1,238.2 million. If we make a Downward Offer Price Adjustment to set the final Offering Price at HK\$1.35 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be reduced by an amount of approximately HK\$283.5 million. We intend to use the net proceeds of the Global Offering for the following purposes:

- (i) approximately 70% will be used for our core product candidates of CMAB007, CMAB008 and CMAB009, including (i) approximately 18.7% for the research and development activities of these product candidates, and (ii) approximately 51.4% for the capital expenditures and other expenses for our production facilities initially focused on these product candidates;
- (ii) approximately 20% will be used for the research and development activities of our other product candidates; and
- (iii) approximately 10% will be used for 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 at a higher or lower level compared to the midpoint of the estimated offer price range. For further details, please see the section headed “Future Plans and Use of Proceeds”.

RISK FACTORS

We are a biotechnology company seeking to list on the Main Board of the Hong Kong Stock Exchange under Chapter 18A of the Listing Rules. There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. We believe the most significant risks we face include:

- We have not yet generated revenue and have accumulated significant losses since our inception as a result of our significant research and development expenses in relation to our clinical development and other expenses related to our ongoing operations and anticipate that we will continue to incur losses in the future and may never achieve or maintain profitability. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or if we experience significant delays in doing so, you may lose all or part of your investment;
- We may need additional capital to fund our operations that we may be unable to obtain in a timely manner on acceptable terms. Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates;
- All of our drugs are still under development and we are heavily dependent on the success of our Core Products CMAB007, CMAB009 and CMAB008. We may not successfully develop, obtain the approval for or commercialize any of our drug candidates or incur significant delays in doing so;
- Pre-clinical and clinical development involves a lengthy and expensive process with an uncertain outcome. As a result, we are unable to predict if or when we will successfully develop or commercialize any drug candidates under such programs;

SUMMARY

- If we fail to achieve the product development milestones, it could adversely affect the price of our Shares and our business prospects;
- Failure to attain market acceptance and demand for our drugs among the medical community, third-party players or others may have an adverse impact on our operations and profitability;
- We face significant competition in the biopharmaceuticals market, in particular for therapeutic antibody drugs. Multinational drug companies may continue to competitively dominate the therapeutic areas of our Core Products as a result of medical professionals' preference for the marketed and existing first-mover drugs manufactured by multinational drug companies for a prolonged period of time;
- If our pharmaceutical products are not included in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes, we may not have pricing advantage to gain sufficient market share over in-market product, and our sales, profitability and business prospects could be adversely affected;
- In conducting biologics discovery, development and manufacturing, we face potential liabilities, in particular, product liability risks;
- We may be unable to attract and retain senior management and retain scientific employees, including certain former employees of Biomabs; and
- We recorded negative reserves for the year ended December 31, 2017 as we incurred significant losses primarily due to our research and development expenses in relation to clinical activities. Negative reserves could have a material adverse effect on our ability to declare dividends and conduct our business. There can be no assurance that we will not experience negative reserves again and we will be eligible to declare and distribute any amount of dividends in the future.

A detailed discussion of all the risk factors involved are set out in "Risk Factors" in this prospectus. You should read the whole section carefully before you decide to invest in the Offer Shares.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with a 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
“Articles” or “Articles of Association”	the articles of association of the Company (as amended from time to time), conditionally adopted on April 8, 2019 which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
“Asia Mabtech”	Asia Mabtech Limited, a limited liability company incorporated in the BVI on November 23, 2017 and one of the Controlling Shareholders as of the Latest Practicable Date
“Asia Pacific Immunotech Venture”	Asia Pacific Immunotech Venture Limited, a limited liability company incorporated in the BVI on July 23, 2018 and one of the Controlling Shareholders as of the Latest Practicable Date
“Audit Committee”	the audit committee of the Board
“Biomabs”	Shanghai Biomabs Pharmaceuticals Co., Ltd.* (上海百迈博制药有限公司), a limited liability company incorporated in the PRC on October 16, 2009 and a direct wholly-owned subsidiary of Sinomab as of the Latest Practicable Date
“Board” or “Board of Directors”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 3,265,500,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “History, Development and Corporate Structure—The Capitalization Issue”
“Cayman Companies Law”	the Companies Law of the Cayman Islands, as amended or supplemented or otherwise modified from time to time

DEFINITIONS

“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 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
“CDC”	CDC Mabtech Limited, a limited liability company incorporated in the BVI and one of the Pre-IPO Investors
“CDE”	China’s Center for Drug Evaluation (藥品評審中心)
“CDH”	CDH PE and CDH VC
“CDH PE”	CDH Mabtech Limited, a limited liability company incorporated in the Cayman Islands and one of the Pre-IPO Investors
“CDH VC”	Genemab Holding Limited, a limited liability company incorporated in the BVI and one of the Pre-IPO Investors
“China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “our Company”	Mabpharm Limited (formerly known as Sinomab Pharmaceutical Limited), an exempted company incorporated under the laws of the Cayman Islands with limited liability on June 1, 2018

DEFINITIONS

“Controlling Shareholders”	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture, Asia Mabtech and United Circuit
“Core Product(s)”	has the meaning ascribed to it in Chapter 18A of the Listing Rules; for the purpose of this prospectus, our Core Products include CMAB007, CMAB009 and CMAB008
“Director(s)”	the director(s) of our Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
“EIT Law”	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), which came into effect on January 1, 2008
“FDA”	U.S. Food and Drug Administration
“FH Investment”	Fortune-Healthy Investment Limited, a limited liability company incorporated in the BVI and one of the Pre-IPO Investors
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
“Frost & Sullivan Report”	an industry report issued by Frost & Sullivan as commissioned by us, for the purposes of this prospectus
“GeneStar”	GeneStar Limited, a limited liability company incorporated in Seychelles on January 7, 2014 and a controlling shareholder of Sinomab as of the Latest Practicable Date
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries and, in respect of the period before we became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Guo Family Trust”	Guo Family Trust, a trust created by Mr. Guo Jianjun on August 8, 2018 under the laws of BVI for the benefit of his family members, for which Guo Family Trustee serves as trustee

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“Guo Family Trustee”	Guo Family (PTC) Limited, a limited liability company incorporated in the BVI on March 1, 2018 and the trustee of the Guo Family Trust
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HM Biotech”	Shanghai Haimo Biotechnology Co., Ltd.* (上海海默生物技術有限公司) (formerly known as Shanghai Biomabs Biotechnology Co., Ltd.* (上海百邁博生物技術有限公司) and Shanghai Dicino Biotechnology Co., Ltd.* (上海迪賽諾生物技術有限公司)), a limited liability company incorporated in the PRC on November 28, 2002 and an Independent Third Party as of the Latest Practicable Date
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 78,358,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriter”	the underwriter of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriter” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated May 17, 2019 relating to the Hong Kong Public Offering and entered into by us, the Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriter
“HSTK”	Shanghai Hai Si Taike Pharmaceutical Co., Ltd.* (上海海思太科藥業有限公司), a limited liability company incorporated in the PRC on July 25, 2011 and an indirect wholly-owned subsidiary of Sinomab as of the Latest Practicable Date

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“ICH”	International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (also known as International Council for Harmonisation)
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of us, our subsidiaries or any of their respective associates
“INN”	international nonproprietary name
“International Offer Shares”	the 705,222,000 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation
“International Offering”	the offer of the International Offer Shares at the Offer Price within the United States solely to QIBs in reliance on Rule 144A or another available exemption from the registration requirements under the U.S. Securities Act and outside the United States in offshore transactions in accordance with Regulation S and the applicable laws of each jurisdiction where the offer and sales occur
“International Underwriter”	the underwriter of the International Offering, who is expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by us, the Controlling Shareholders, the Sole Global Coordinator and the International Underwriters on or about May 24, 2019
“Latest Practicable Date”	May 10, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the listing committee of the Hong Kong Stock Exchange

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“Listing Date”	the date, expected to be on or about May 31, 2019 on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“M&A Rules”	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
“Mabpharm HK”	Mabpharm (HK) Limited, a limited liability company incorporated in Hong Kong on July 5, 2018, and a direct wholly-owned subsidiary of Mabpharm Holdings as of the Latest Practicable Date
“Mabpharm Holdings”	Mabpharm Holdings Limited, a company incorporated in the BVI as a limited liability company on June 8, 2018, and a direct wholly-owned subsidiary of our Company as of the Latest Practicable Date
“Mabtech Holdings”	Mabtech Holdings Limited, a company incorporated in Hong Kong with limited liability on October 24, 2014, and a direct wholly-owned subsidiary of Sinomab as of the Latest Practicable Date
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company (as amended from time to time), conditionally adopted on April 8, 2019 which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外經濟貿易部)
“MOH”	the Ministry of Health of the PRC (中華人民共和國衛生部), one of the predecessor of the NHFPC

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“MOHRSS”	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“MTJA”	Shanghai Sinomab Biotechnology Co., Ltd.* (上海邁泰君奧生物技術有限公司) (formerly known as Shanghai Bai’an Medical Star Investment Co., Ltd.* (上海百安醫星投資有限公司)), a limited liability company incorporated in the PRC on May 30, 2012 and an indirect wholly-owned subsidiary of Sinomab as of the Latest Practicable Date
“MTYB”	Shanghai Maitaiyabo Biotechnology Co., Ltd.* (上海邁泰亞博生物技術有限公司), a limited liability company incorporated in the PRC on May 30, 2012 and an indirect wholly-owned subsidiary of Sinomab as of the Latest Practicable Date
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NHFPC”	National Health and Family Planning Commission (中華人民共和國國家衛生和計劃生育委員會)
“NIFDC”	China’s Institute for Food and Drug Control (中國食品藥品檢定研究院)
“NMPA”	National Medical Products Administration (國家藥品監督管理局) of China, formerly known as China’s Food and Drug Administration (“CFDA”) (國家食品藥品監督管理局) or China’s Drug Administration (“CDA”) (國家藥品監督管理局); references to NMPA include CFDA and CDA.
“Nomination Committee”	the nomination committee of our Board
“NPC”	National People’s Congress of the PRC (全國人民代表大會)
“NRDL”	China’s National Reimbursement Drug List
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which Offer Shares are to be subscribed for and issued or offered for sale pursuant to the Global Offering, to be determined in the manner described in the section headed “Structure of the Global Offering” in this prospectus, subject to any Downward Offer Price Adjustment

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“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by us to the International Underwriter, exercisable by the Sole Global Coordinator (on behalf of the International Underwriter), pursuant to which we may be required to allot and issue up to an aggregate of 117,536,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisors”	Commerce & Finance Law Offices
“Pre-IPO Investment Agreements”	the preferred shares subscription agreement dated January 15, 2015 and the ordinary shares agreement dated December 18, 2015 entered into by, among others, Sinomab and the Pre-IPO Investors
“Pre-IPO Investors”	CDH PE, CDH VC, FH Investment and CDC
“Pre-IPO Share Option Scheme”	the share option scheme for the benefit of our directors and employees, a summary of the principal terms of which is set forth in “Statutory and General Information—D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Date”	the date, expected to be on or about Friday, May 24, 2019, on which the Offer Price will be determined and, in any event, not later than Sunday, May 26, 2019
“Principal Share Registrar”	Walkers Corporate Limited
“Priority Review”	the NDA priority review process of the NMPA enjoyed by drug candidates that fulfil requirements set out in the Opinions for Implementing Priority Review and Approval to Solve Drug Registration Application Backlog (關於解決藥品註冊申請積壓實行優先審評審批的意見)
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Regulation S”	Regulation S under the U.S. Securities Act

DEFINITIONS

“Remuneration Committee”	the remuneration committee of our Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for Listing as described in “History, Development and Corporate Structure—Reorganization”
“Reporting Accountants”	Deloitte Touche Tohmatsu
“RMB”	Renminbi, the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
“SAMR”	State Administration for Market Regulation (中華人民共和國國家市場監督管理總局)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of US\$0.0001 each
“Shareholder(s)”	holder(s) of Shares
“Shengheng Biotech”	Shanghai Shengheng Biotechnology Limited* (上海晟珩生物技術有限公司), a limited liability company incorporated in the PRC on August 28, 2018 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Sinomab”	Sinomab Limited (formerly known as Mabtech Limited), a limited liability company incorporated in the Cayman Islands on September 4, 2014, and a company which Mr. Guo Jianjun indirectly controls 66.67% voting rights as of the Latest Practicable Date
“Sinomab Group”	Sinomab and its subsidiaries

DEFINITIONS

“Sole Sponsor”, “Sole Global Coordinator” or “Sole Bookrunner”	China International Capital Corporation Hong Kong Securities Limited
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the PRC State Council (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilizing Manager (or its affiliates acting on its behalf) and CDH PE, pursuant to which CDH PE will agree to lend up to 117,536,000 Shares to the Stabilizing Manager on terms set forth therein
“Taizhou Biotech”	Taizhou Mabtech Biotechnology Limited* (泰州迈博太科生物技术有限公司), a limited liability company incorporated in the PRC on November 24, 2016 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Taizhou Pharmaceutical”	Taizhou Mabtech Pharmaceutical Limited* (泰州迈博太科药业有限公司), a limited liability company incorporated in the PRC on February 4, 2015 and an indirect wholly-owned subsidiary of the Company as of the Latest Practicable Date
“Takeovers Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the two financial years of the Company ended December 31, 2017 and 2018
“Underwriters”	the Hong Kong Underwriter and the International Underwriter
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United Circuit”	United Circuit Limited 域聯有限公司, a limited liability company incorporated in the BVI on August 25, 2015 and one of the Controlling Shareholders as of the Latest Practicable Date
“US\$”	U.S. dollars, the lawful currency of the United States of America
“U.S.” or “United States”	the United States of America

DEFINITIONS

“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“VAT”	value added tax
“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/applicants’ own name
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Withdrawal Mechanism”	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information, e.g., the offer price in this prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach, i.e., requiring investors to positively confirm their applications for shares despite the change
“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
“Zhangjiang Biotech”	Shanghai Zhangjiang Biotechnology Co., Ltd.* (上海張江生物技術有限公司), a limited liability company incorporated in the PRC on December 7, 1998 and was an indirect wholly-owned subsidiary of Sinomab from February 2015 to July 2017, and an Independent Third Party as of the Latest Practicable Date

* *For Identification Only*

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

GLOSSARY

The glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“ADA”	anti-drug antibodies
“adalimumab”	a recombinant human IgG1 monoclonal antibody specific for human tumor necrosis factor (TNF) (which binds specifically to TNF-alpha and blocks its interaction with the p55 and p75 cell surface TNF receptors) used for treatment of autoimmune diseases such as rheumatoid arthritis
“ADCC”	antibody-dependent cell-mediated cytotoxicity
“allergic asthma”	a common long-term inflammatory disease of the airways of the lungs. It is characterized by variable and recurring symptoms, reversible airflow obstruction, and bronchospasm. Symptoms include episodes of wheezing, coughing, chest tightness, and shortness of breath. These episodes may occur a few times a day or a few times per week. Depending on the person, they may become worse at night or with exercise
“allergic rhinitis”	also known as hay fever. It is a type of inflammation in the nose which occurs when the immune system overreacts to allergens in the air. Signs and symptoms include a runny or stuffy nose, sneezing, red, itchy, and watery eyes, and swelling around the eyes. The fluid from the nose is usually clear. Symptom onset is often within minutes following exposure and they can affect sleep, the ability to work, and the ability to concentrate at school. Those whose symptoms are due to pollen typically develop symptoms during specific times of the year. Many people with allergic rhinitis also have asthma, allergic conjunctivitis, or atopic dermatitis
“apoptosis”	programmed cell death
“AS” or “ankylosing spondylitis”	a type of arthritis in which there is long term inflammation of the joints of the spine. Typically the joints where the spine joins the pelvis are also affected. Occasionally other joints such as the shoulders or hips are involved. Eye and bowel problems may also occur. Back pain is a characteristic symptom of AS, and it often comes and goes. Stiffness of the affected joints generally worsens over time
“autoimmune disease”	diseases such as rheumatoid arthritis and lupus which arise from an abnormal immune response of the body against substances and tissues normally present in the body

GLOSSARY

“bioequivalence”	a term in pharmacokinetics used to assess the expected <i>in vivo</i> biological equivalence of two proprietary preparations of a drug. If two products are said to be bioequivalent it means that they would be expected to be, for all intents and purposes, the same
“bioreactor system”	a processing system that supports the manufacturing of biologics, which is typically measured by bio-reaction volume, e.g. 1,500L, 7,500L and 18,000L referred to in this prospectus
“biosimilar”	also known as follow-on biologic or subsequent entry biologic. It is a biologic medical product that is almost an identical copy of an original product that is manufactured by a different company. Biosimilars are officially approved versions of original “innovator” products and can be manufactured when the original product’s patent expires. A biosimilar product is similar in terms of quality, safety and efficacy to a reference medicinal product, which has been granted a marketing authorisation on the basis of a complete dossier in the community
“bronchospasm”	a sudden constriction of the muscles in the walls of the bronchioles due to the release (degranulation) of substances from mast cells or basophils under the influence of anaphylatoxins, which causes breathing difficulties
“BUD” or “budesonide”	a medication of the corticosteroid type
“canakinumab”	a recombinant, fully human anti-IL-1 β monoclonal antibody that belongs to the IgG1 κ isotype subclass used for periodic fever syndrome and systemic juvenile idiopathic arthritis, which binds to human IL1 β and neutralizes its activity by blocking its interaction with the IL-1 receptors, but does not bind IL-1 α or IL-1ra
“CAPS”	cryopyrin-associated periodic syndrome
“carcinoma”	a type of cancer that develops from epithelial cells. Specifically, a carcinoma is a cancer that begins in a tissue that lines the inner or outer surfaces of the body, and that arises from cells originating in the endodermal, mesodermal or ectodermal germ layer during embryogenesis
“CBR”	clinical benefit rate
“cell culture”	the process by which cells are grown under controlled conditions, generally outside of their natural environment

GLOSSARY

“cell line”	a cell culture developed from a single cell and therefore consisting of cells with a uniform genetic makeup
“cell line bank”	the process of generating a large number of cell, dividing them into many small vials and store the vials in liquid nitrogen to preserve them for future manufacturing
“cetuximab”	an EGFR antagonist approved by the FDA for the treatment of KRAS wild-type, EGFR-expressing, metastatic colorectal cancer under certain conditions
“cGMP”	current Good Manufacturing Practice
“chemotherapy”	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
“Chinese hamster ovary cell” or “CHO”	the ovary of the Chinese hamster, of which cell lines are derived from and often used in biological and medical research and commercial production of therapeutic proteins
“chromatography resin”	a raw material used for antibody purification
“CIU”	chronic idiopathic urticarial
“CMAB007”	one of our Core Products, a recombinant humanized anti-IgE monoclonal antibody and our new drug candidate based on omalizumab
“CMAB008”	one of our Core Products, a recombinant anti-TNF-alpha chimeric monoclonal antibody and our new drug candidate based on infliximab
“CMAB009”	one of our Core Products, a recombinant anti-EGFR chimeric monoclonal antibody and our new drug candidate based on cetuximab
“CMAB809”	a phase I clinical trial biosimilar drug candidate based on Herceptin for the treatment of metastatic breast cancer and metastatic gastric cancer
“CMAB810”	a pre-clinical stage biosimilar drug candidate based on Perjeta, a recombinant humanized monoclonal antibody for the treatment of breast cancer
“CMAB813”	a pre-clinical stage biosimilar drug candidate based on Synagis for the prevention of severe lower respiratory disease caused by RSV

GLOSSARY

“CMAB815”	an IND-filing-stage biosimilar drug candidate based on Humira for the treatment of rheumatoid arthritis
“CMAB816”	a pre-clinical stage biosimilar drug candidate based on Ilaris for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis
“CMAB819”	a phase I clinical trial new drug candidate based on nivolumab for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma
“CMO”	a contract manufacturing organization, which provides support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis
“corticosteroid”	a naturally occurring hormone produced by the adrenal glands involved in the control of inflammation, stress response, metabolism, behavior, electrolyte balance and more
“CRC”	clinical research coordinator
“CRO”	a contract research organization, which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis
“cytokine”	a broad and loose category of small proteins that are important in cell signaling. Their release has an effect on the behavior of target cells
“DCR”	disease control rate
“DMARDs”	disease-modifying anti-rheumatic drugs
“DNA”	deoxyribonucleic acid
“DOR”	duration of remission
“DTP”	direct-to-patient
“EGFR”	epidermal growth factor receptor

GLOSSARY

“ELAM-1”	e-selectin, also known as CD62 antigen-like family member E (CD62E), endothelial-leukocyte adhesion molecule 1 (ELAM-1), or leukocyte-endothelial cell adhesion molecule 2 (LECAM2). ELAM-1 is a selectin cell adhesion molecule expressed only on endothelial cells activated by cytokines. Like other selectins, it plays an important part in inflammation. In humans, E-selectin is encoded by the SELE gene
“endothelial”	cells that line the interior surface of blood vessels and lymphatic vessels, forming an interface between circulating blood or lymph in the lumen and the rest of the vessel wall
“FAS”	full analysis set
“first-line”	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment
“gastrointestinal”	relating to or affecting the stomach and intestines, which comprise the digestive system
“GCPs”	good clinical practice
“GINA Guidelines”	Guidelines published by the Global Initiative for Asthma
“head-to-head clinical trials”	clinical trials conducted to prove the similarities between drug candidates and the reference drugs, in order to support the safety and efficacy of such drugs
“HER2”	human epidermal growth factor receptor 2
“hypertension”	a long-term medical condition in which blood pressure is persistently elevated
“ICAM-1”	intercellular adhesion molecule 1, also known as CD54 (cluster of differentiation 54). ICAM-1 is a protein that in humans is encoded by the ICAM1 gene. This gene encodes a cell surface glycoprotein which is typically expressed on endothelial cells and cells of the immune system. It binds to integrins of type CD11a/CD18, or CD11b/CD18 and is also exploited by rhinovirus as a receptor
“ICS”	inhaled corticosteroids
“ICS/LABA”	inhaled corticosteroid/long acting beta adrenoceptor agonists treatment
“IgE”	immunoglobulin E

GLOSSARY

“IgG1 κ ” or “IgG1 kappa”	immunoglobulin G (IgG), a type of antibody. Representing approximately 75% of serum antibodies in humans, IgG is the most common type of antibody found in blood circulation. IgG molecules are created and released by plasma B cells. Each IgG has two antigen binding sites. There are four IgG subclasses (IgG1, 2, 3, and 4) in humans, named in order of their abundance in serum (IgG1 being the most abundant). IgG antibodies are large molecules of about 150 kDa made of four peptide chains. It contains two identical class γ heavy chains of about 50 kDa and two identical light chains of about 25 kDa, thus a tetrameric quaternary structure. There are two types of light chain in humans kappa (κ) chain and lambda (λ) chain. Only one type of light chain is present in a typical antibody, thus the two light chains of an individual antibody are identical. IgG1 κ is an antibody molecule which contains two γ 1 heavy chains and two κ light chains
“IL-1ra”	IL-1 receptor antagonist
“IL-1 β ”	interleukin-1 β
“immunoglobulin” or “Ig”	an antibody (Ab), also known as an immunoglobulin (Ig). It is a large, Y-shaped protein produced mainly by plasma cells that is used by the immune system to neutralize pathogens such as pathogenic bacteria and viruses. The antibody recognizes a unique molecule of the pathogen, called an antigen, via the Fab’s variable region
“ <i>in vitro</i> ”	Latin for “in glass”, studies <i>in vitro</i> are conducted using components of an organism that have been isolated from their usual biological surroundings, such a microorganisms, cells or biological molecules
“ <i>in vivo</i> ”	Latin for “within the living”, studies <i>in vivo</i> are those in which the effects of various biological or chemical substances are tested on whole, living organisms as opposed to a partial or dead organism, or those done <i>in vitro</i>
“infliximab”	a chimeric IgG1 κ monoclonal antibody (composed of human constant and murine variable regions) specific for human tumor necrosis factor-alpha used for adult patients with moderately to severely active rheumatoid arthritis in combination with methotrexate
“irinotecan”	a DNA topoisomerase inhibitor used as the hydrochloride salt as an antineoplastic in the treatment of colorectal carcinoma

GLOSSARY

“JIA”	an autoimmune, noninfective, inflammatory joint disease of more than 6 weeks duration in children less than 16 years of age. The disease commonly occurs in children from the ages of 1 to 6, but it may develop as late as 15 years of age. It is a subset of arthritis seen in childhood, which may be transient and self-limited or chronic. It differs significantly from arthritis commonly seen in adults (osteoarthritis, rheumatoid arthritis), and other types of arthritis that can present in childhood which are chronic conditions (e.g., psoriatic arthritis and ankylosing spondylitis). Aetiopathology is similar to rheumatoid arthritis, but with less marked cartilage erosion, and joint instability and absent rheumatoid factor
“LABA”	long-acting beta2-agonists
“MAP”	mitogen-activated protein
“mCRC”	metastatic colorectal cancer
“melanoma”	a form of skin cancer that arises when pigment-producing cells—known as melanocytes—mutate and become cancerous
“metacortandracin”	a branch of medicine which is used to treat allograft rejection, asthma, systemic lupus erythematosus, and many other inflammatory states
“metastatic cancers”	a cancer that has spread from the part of the body where it started (the primary site) to other parts of the body
“molecular-targeted drugs”	a type of personalized medicine designed to interfere with a specific biochemical pathway central to the development, growth, and spread of that particular cancer
“monoclonal antibody” or “mAb”	an antibody produced by a single clone of immune cells or cell line and consisting of identical antibody molecules
“morbidity”	incidence rates of ailment of a particular population, varying by such parameters as age, gender and duration, used in pricing and valuation for liabilities of health insurance
“NANA”	N-acetyl neuraminic acid
“NDA”	new drug application
“NGNA”	N-hydroxyacetyl neuraminic acid

GLOSSARY

“nivolumab”	a human immunoglobulin G4 (IgG4) monoclonal antibody, which targets the negative immunoregulatory human cell surface receptor programmed death-1 (PD1, PCD1,) with immune checkpoint inhibitory and antineoplastic activities
“OCS”	oral corticosteroids
“omalizumab”	anti-IgE humanized IgG1 κ monoclonal antibody used to reduce sensitivity to allergens
“oncology”	a branch of medicine that deals with tumors, including study of their development, diagnosis, treatment and prevention
“ORR”	overall response rate
“OS”	overall survivals
“oxaliplatin”	an injection medicine for curing patients who suffer from rectum cancer but fail to recover after chemotherapy
“PAR”	perennial allergic rhinitis
“pathogen”	infectious agent such as a bacterium, fungus, virus, or other micro-organism
“PCR”	polymerase chain reaction
“PD”	programmed death
“pertuzumab”	a recombinant humanized monoclonal antibody, which targets the extracellular (domain II) of the human epidermal growth factor receptor 2 protein (HER2) and, thereby, blocks heterodimerization of HER2 with other HER family members, including HER1, HER3 and HER4
“PFS” or “progression-free survival”	the length of time during and after the treatment of a disease, such as cancer, that a patient lives with the disease but it does not get worse. In a clinical trial, measuring the progression free survival is one way to see how well a new treatment works
“pharmacodynamics”	the study of how a drug affects an organism, which, together with pharmacokinetic, influences dosing, benefit, and adverse effects of the drug
“pharmacokinetic”	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug

GLOSSARY

“phase I clinical trial(s)”	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
“phase II clinical trial(s)”	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
“phase III clinical trial(s)”	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
“PI3K”	phosphoinositide 3-kinase
“placebo”	any dummy medical treatment; originally, a medicinal preparation having no specific pharmacological activity against the patient’s illness or complaint given solely for the psychophysiological effects of the treatment; more recently, a dummy treatment administered to the control group in a controlled clinical trial in order that the specific and non-specific effects of the experimental treatment can be distinguished
“placebo-controlled”	a term used to describe a method of research in which an inactive substance (a placebo) is given to one group of participants, while the treatment (usually a drug or vaccine) being tested is given to another group. The results obtained in the two groups are then compared to see if the investigational treatment is more effective than the placebo
“PPS”	per protocol set
“pre-clinical stage”	testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
“Preparation Process”	the overall process of manufacturing products, including all process parameters and process formulations. Samples for pre-clinical and clinical studies, IND and NDA registration are prepared through the established process

GLOSSARY

“primary efficacy endpoints”	the most important outcomes evaluating drug effectiveness
“production capacity”	the maximum amount of biologics that can be produced in a bioreactor system, which is typically measured by the maximum reaction volume of bioreactor system, e.g. 3*1,500L, 3*7,500L and 2*18,000L, referred to in this prospectus. Specifically, “3*1,500L” refers to three bioreactors, each with a maximum reaction volume of 1,500L; “3*7,500L” refers to three bioreactors, each with a maximum reaction volume of 7,500L; and “2*18,000L” refers to two bioreactors, each with a maximum reaction volume of 18,000L
“PsA” or “psoriatic arthritis”	psoriatic arthritis (PsA), a long-term inflammatory arthritis that occurs in people affected by the autoimmune disease psoriasis. The classic feature of psoriatic arthritis is swelling of entire fingers and toes with a sausage-like appearance. This often happens in association with changes to the nails such as small depressions in the nail (pitting), thickening of the nails, and detachment of the nail from the nailbed. Skin changes consistent with psoriasis (e.g., red, scaly, and itchy plaques) frequently occur before the onset of psoriatic arthritis but psoriatic arthritis can precede the rash in 15% of affected individuals. It is classified as a type of seronegative spondyloarthropathy
“psoriasis”	a condition in which skin cells build up and form scales and itchy, dry patches
“RA” or “rheumatoid arthritis”	a chronic, systemic inflammatory disorder that may affect many tissues and organs, but principally attacks synovial joints
“R&D”	research and development
“recombinant”	the formation by the processes of crossing-over and independent assortment of new combination of genes in progeny that did not occur in the parents
“refractory”	when used in reference to any type of cancer that does not respond to treatment. The cancer may be resistant at the beginning of treatment or become resistant during treatment
“renal cell carcinoma”	kidney cancer, the symptoms for which may include blood in the urine (hematuria), low back pain on one side (not caused by injury), a mass (lump) on the side or lower back, fatigue (tiredness), loss of appetite, weight loss not caused by dieting, and/or a fever that is not caused by an infection and that does not go away

GLOSSARY

“respiratory”	relating to the system that includes airways, lungs, and the respiratory muscles
“RSV”	respiratory syncytial virus
“RSV F”	RSV envelope fusion protein
“SABA”	short-acting beta2-agonists
“SAR”	seasonal allergic rhinitis
“second-line”	with respect to any disease, such as “second-line non-small cell lung cancer” and “second-line melanoma”, which is the therapy or therapies that are tried when the first line treatments do not work adequately. The management of a cancer case requires regular evaluation of treatment and adjustment as needed. A break with the primary treatment and an adoption of a new regimen indicate “second-line treatment.” The first-line therapy may not have worked, may have had some limited efficacy, or may have produced unacceptable side effects, damaged organs in the body, or jeopardized the patient’s life. Sometime first-line therapies show progress for a period of time followed by a stalling or continued growth of the cancer. Often the FDA, the NMPA or other drug regulatory authority will specifically approve a new drug for second-line therapy. This labeling is common for new drugs that treat cancers which already have accepted treatments
“serious adverse events”	any untoward medical occurrence in a patient during clinical trials that results in death, is life-threatening, requires inpatient hospitalization or prolongation of existing hospitalization, results in persistent or significant disability/incapacity, or results in a congenital anomaly/birth defect
“SJIA”	systemic juvenile idiopathic arthritis
“SLIC”	sequence and ligation-independent cloning
“Step 5 Patients”	patients with very severe allergic asthma
“T cells”	cells that originate in the thymus, mature in the periphery, become activated in the spleen/nodes if their T-cell receptors bind to an antigen presented by an MHC molecule and they receive additional co-stimulation signals driving them to acquire killing (mainly CD8 ⁺ T cells) or supporting (mainly CD4 ⁺ T cells) functions

GLOSSARY

“TCM”	traditional Chinese medicine
“TEAE”	Treatment-emergent adverse event
“TNF”	tumor necrosis factor
“TNF α ” or “TNF-alpha”	tumor necrosis factor (TNF, tumor necrosis factor alpha, TNF α , cachexin, or cachectin). It is a cell signaling protein (cytokine) involved in systemic inflammation and is one of the cytokines that make up the acute phase reaction. It is produced chiefly by activated macrophages, although it can be produced by many other cell types such as CD4 ⁺ lymphocytes, NK cells, neutrophils, mast cells, eosinophils, and neurons
“toxicity”	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response
“trastuzumab”	a humanized IgG1 kappa monoclonal antibody, which targets the human epidermal growth factor receptor 2 (HER2)
“TTP”	time to progression
“ulcerative colitis”	a chronic, inflammatory bowel disease that causes inflammation in the digestive tract
“UPLC”	ultra-performance liquid chromatography
“urothelial carcinoma”	a type of cancer that typically occurs in the urinary system. It is the most common type of bladder cancer and cancer of the ureter, urethra, and urachus
“VCAM-1”	Vascular cell adhesion protein 1, also known as vascular cell adhesion molecule 1 (VCAM-1) or cluster of differentiation 106 (CD106). VCAM-1 is a protein that in humans is encoded by the VCAM1 gene. VCAM-1 functions as a cell adhesion molecule
“vector”	an agent (such as a plasmid or virus) that contains or carries modified genetic material (such as recombinant DNA) and can be used to introduce exogenous genes into the genome of an organism

FORWARD-LOOKING STATEMENTS

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.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- the timing of initiation and completion, and the progress of our drug discovery and research programs;
- the timing and likelihood of regulatory filings and approvals, such as IND and NDA;
- our ability to advance our drug candidates into drugs, and the successful completion of clinical trials;
- the approval, pricing and reimbursement of our drug candidates;
- the commercialization of our drug candidates;
- the market opportunities and competitive landscape of our drug candidates;
- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers in the future;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;

FORWARD-LOOKING STATEMENTS

- our ability to retain senior management and key personnel;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices for our products in the future;
- our ability to defend our intellectual rights and protect confidentiality;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; and
- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results might vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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Investing in the Offer Shares involves a high degree of risk. You should carefully consider all of the information set out in this prospectus, including the risks and uncertainties described below in respect of, inter alia, our business and industry, when considering making an investment in the Offer Shares. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. As a result, the trading price of the Offer Shares could decline and you could lose all or part of your investment.

RISKS RELATED TO FINANCIAL PROSPECTS AND FUNDING

We have not yet generated revenue and have accumulated significant losses since our inception and anticipate that we will continue to incur losses in the future and may never achieve or maintain profitability. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or if we experience significant delays in doing so, you may lose all or part of your investment.

We are a clinical stage biopharmaceutical company in China with a limited operating history. Investment in biologics product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We incurred substantial research and development expenses during the Track Record Period, in the amount of RMB21.6 million in 2017, and RMB89.0 million in 2018, and a significant amount of research and development expenses had already been incurred prior to the beginning of the Track Record Period. To date, we have financed our activities primarily through capital contribution from our shareholders and loans from related parties. We have not generated any revenue, and we continue to incur significant research and development expenses in relation to our clinical development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred losses in each period during the Track Record Period. For the two years ended December 31, 2017 and 2018, we reported a loss and total comprehensive expense of RMB47.7 million and RMB149.8 million, respectively. We expect to continue to incur losses in the foreseeable future, and we expect these losses to increase as we:

- continue our development and conduct clinical trials of our drug candidates;
- seek regulatory approvals for our drug candidates that successfully complete clinical trials;
- commercialize our drug candidates, in particular our Core Products;
- complete expansion of and maintain our manufacturing facilities;
- hire additional clinical, operational, financial, quality control and scientific personnel;
- continue the integration of the personnel in conjunction with our recent Reorganization;
- establish a sales, marketing and commercialization infrastructure for any products that obtain regulatory approval;
- seek to identify additional drug candidates;

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- obtain, maintain, expand and protect our intellectual property portfolio;
- enforce and defend intellectual property-related claims; and
- acquire or in-license other intellectual property, drug candidates and technologies.

To become and remain profitable, we must develop and eventually commercialize drug candidates with significant market potential. This will require us to be successful in a range of challenging activities, including completing pre-clinical studies and clinical trials of our drug candidates, obtaining marketing approval for these drug candidates, manufacturing, marketing and selling those drug candidates for which we may obtain marketing approval and satisfying any post-marketing requirements. We may never succeed in any or all of these activities and, even if we do, we may never generate revenues that are significant or large enough to achieve profitability. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors 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 and our ability to generate revenue. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of our company also could cause you to lose all or part of your investment.

We may need additional capital to fund our operations that we may be unable to obtain in a timely manner on acceptable terms. Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

We will need to expend substantial additional resources for research, development and commercialization of our drug candidates, which may require us to raise additional capital. Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates. Developing potential drug candidates and conducting pre-clinical studies and clinical trials is a time-consuming, expensive and uncertain process that may take years to complete, and our commercial revenue, if any, will be derived from sales of commercialized drug candidates that we do not expect to be commercially available until we receive regulatory approval, if at all. We may never generate the necessary data or results required to obtain regulatory approval and achieve product sales, and even if one or more of our drug candidates is approved, they may not achieve commercial success. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Financing may be unavailable in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities by biologics related companies, and economic, political and other conditions in China, the United States and other countries.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations, licensing arrangements, strategic alliances and marketing or distribution arrangements. To the extent that we raise additional capital through the sale of equity securities or securities

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convertible into or exchangeable for equity securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our 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 intellectual property 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 our Shares to decline. In the event that we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

We are exposed to risk of obsolescence for our inventory, which may adversely impact our financial conditions and results of operation.

Our inventory primarily consists of raw materials and consumables for the R&D of our pipelines. We believe that maintaining appropriate levels of inventories helps us meet our research and development and product development needs in a timely manner without straining our liquidity. Our balance of inventories as of December 31, 2017 and 2018 were RMB36.3 million and RMB27.6 million, respectively. As of December 31, 2018, we recorded RMB0.8 million write downs of inventories recognized as an expense, primarily due to the overage of reference drugs in clinical trials.

Our inventory faces obsolescence risks. For example, we may encounter unexpected delay in our research and development progress. If we cannot manage our inventory level efficiently in the future, our financial conditions and results of operation may be adversely affected.

We had net operating cash outflow during the Track Record Period.

We had net cash used in operating activities of RMB65.1 million and RMB61.9 million for the years ended December 31, 2017 and 2018, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

The application of IFRS 16 on our operating lease commitments may affect our financial conditions and results of operation.

As of the Latest Practicable Date, we had leased various office premises under non-cancellable operating lease agreements. As at December 31, 2018, we had commitments for future minimum lease payments under non-cancellable operating lease contracted for but not recognized as liabilities of

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approximately RMB67.7 million, which were not recognized in the consolidated statements of financial position. Upon application of IFRS 16, we expect to recognize 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, which will have an impact to our consolidated statements of financial position.

With respect to the impact on our consolidated statements of profit or loss and other comprehensive income, a lessee will recognize depreciation of the right-of-use asset and interest on the lease liability. Because the interest expense on the lease liability will be front-loaded, this may lead to an overall front-loading of the expense when combined with straight-line depreciation of the right-of-use asset. On a lease-by-lease basis, the expense will typically be higher in the earlier years of the lease and lower in the later years as compared to the previous IAS 17 expense.

We elected the modified retrospective approach for the application of IFRS 16 as lessee and recognized the cumulative effect of initial application to opening accumulated losses without restating comparative information. For more information, please refer to “Appendix I—Accountants’ Report—New and amendments to standards and interpretations issued but not yet effective—IFRS 16 Leases”.

Our limited operating history makes it difficult to evaluate our business and future growth prospects.

We have a limited operating history since our inception in 2015. We began to operate as a stand-alone business separate from our affiliated entities as a result of our Reorganization. See “History, Development and Corporate Structure” for more details. We have not generated any revenue. Our annual and semi-annual operating results have fluctuated in the past and may continue to fluctuate depending upon a number of factors, many of which are beyond our control.

Accordingly, our operating history, in particular period-to-period comparisons of our historical results of operations, may not be a reliable indicator of our future performance or serve as an adequate basis for evaluating our business prospects and financial performance. We may not be able to expand our business, make a profit, maintain our competitive position, satisfy our contractual obligations, or sustain growth and profitability. In addition, it is possible that our results of operations in some reporting periods will fall below market expectations.

If we fail to effectively manage our anticipated growth or execute on our growth strategies, our business, financial condition, results of operations and prospects could suffer.

Our growth strategies include advancing the clinical research and commercialization of our drug candidates, investing in advanced technologies and product development, expanding our production capacity, hiring high quality talent, and establishing a global brand presence and fostering relationship with pharmaceutical companies. For more information, see “Business—Our Strategies.” Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive biologics market, in particular the market for antibody products, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of

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personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATED TO PRODUCT DEVELOPMENT AND COMMERCIALIZATION

All of our drugs are still under development and we are heavily dependent on the success of our Core Products CMAB007, CMAB009 and CMAB008. We may not successfully develop, obtain the approval for, or commercialize, any of our drug candidates or incur significant delays in doing so.

Our drug candidates and the activities associated with their development and commercialization, including, among others, their design, testing, manufacture, safety, efficacy, quality control, record keeping, labeling, packaging, storage, approval, advertising, promotion, sale, distribution, and import and export are currently subject to comprehensive regulation by the NMPA, and other regulatory agencies in China and may in the future become subject to comprehensive regulation by comparable authorities in other jurisdictions. We are not permitted to market any of our drug candidates in China or any other jurisdictions unless and until we receive regulatory approvals from the NMPA and comparable authorities in other jurisdictions, respectively. Securing regulatory approvals requires the submission of extensive pre-clinical and clinical data and supporting information to the various regulatory authorities for each therapeutic indication to establish the drug candidate's safety and efficacy. Securing regulatory approvals may also require the submission of information about the drug manufacturing process to, and inspection of manufacturing facilities by, the relevant regulatory authorities. Our drug candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approvals or prevent or limit commercial use. We cannot provide any assurance that we will ever obtain regulatory approvals for any of our drug candidates in China or in any jurisdiction or that any of our drug candidates will ever be successfully commercialized, even if we receive regulatory approvals. In addition, even if we obtain regulatory approvals and commercialize any of our drug candidates, we may incur significant delays in doing so and this may happen much later than expected.

Our near-term business prospects and our ability to generate revenues are substantially dependent on our ability to commercialize our Core Products CMAB007, CMAB009 and CMAB008. We are also in the pre-clinical or IND filing stages for certain other products. We cannot market or sell CMAB007, CMAB009 and CMAB008 or any other product candidate in the China without NMPA approval. To commercialize CMAB007, CMAB009 and CMAB008 or any other product candidate outside of China, we will need applicable foreign regulatory approvals.

The process of obtaining regulatory approvals in China and any other jurisdictions is expensive, may take many years if additional clinical trials are required and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the drug candidates involved. Changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted new drug

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application, or NDA, pre-market approval or equivalent application type, may cause delays in the approval or rejection of an application. The NMPA and comparable authorities in other countries have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional pre-clinical, clinical or other studies. Our drug candidates could be delayed in receiving, or fail to receive, regulatory approval for many reasons, including the following:

- disagreement with the NMPA or comparable regulatory authorities regarding the number, design, size, conduct or implementation of our clinical trials;
- failure to demonstrate to the satisfaction of the NMPA or comparable regulatory authorities that a drug candidate is safe and effective for its proposed indication;
- failure of clinical study sites or investigators to comply with the ICH-good clinical practice (“GCP”), requirements imposed by the NMPA or other comparable regulatory authorities;
- failure of the clinical trial results to meet the level of statistical significance required by the NMPA or comparable regulatory authorities for approval;
- failure to demonstrate that a drug candidate’s clinical and other benefits outweigh its safety risks;
- the NMPA or comparable regulatory authorities disagreeing with our interpretation of data from pre-clinical studies or clinical trials;
- insufficient data collected from clinical trials to support the submission of an NDA or other submission or to obtain regulatory approval in China or elsewhere;
- the NMPA or comparable regulatory authorities not approving the manufacturing processes for our clinical and commercial supplies;
- changes in the approval policies or regulations of the NMPA or comparable regulatory authorities rendering our clinical data insufficient for approval;
- the NMPA or comparable regulatory authorities restricting the use of our products to a narrow population; and
- our licensors taking actions that materially and adversely impact the clinical trials.

In addition, even if we were to obtain approval, regulatory authorities may revoke approvals, approve any of our drug candidates for fewer or more limited indications than we request, may monitor the price we intend to charge for our drugs, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a drug candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that drug candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our drug candidates.

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If we fail to achieve the product development milestones, it could adversely affect the price of our Shares and our business prospects.

We disclose in this prospectus our expectations or targets for the timing of certain milestones associated with our drug development programs, including the anticipated filing of NDA applications for our Core Products CMAB007, CMAB009 and CMAB008. After Listing, as a publicly listed company we may continue to make such disclosures of our expectations. However, the successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including product development risks, the availability of funds, competition, regulation and will be re-evaluated from time to time based on the regulation, government policies and the continued growth of the biologics market. The actual timing of our achievement of product development milestones could vary significantly from our expectations due to a number of factors, many of which are outside our control, including delays or failures in our pre-clinical studies or clinical trials, failure to maintain, renew or establish new relationships with potential research collaborators or co-development partners, the increasingly lengthy approval process for new pharmaceutical products in the PRC and the uncertainties inherent in that regulatory approval process and delays in achieving manufacturing or marketing arrangements sufficient to commercialize our pharmaceutical products. There can be no assurances that our pre-clinical studies or clinical trials will be completed as planned or at all, that we will make regulatory submissions or receive regulatory approvals as planned or that we will be able to adhere to our current schedule for the launch of any of our products candidates. If we fail to achieve one or more of these milestones as planned, it could adversely affect the price of our Shares and our business prospects.

Pre-clinical and clinical development involves a lengthy and expensive process with an uncertain outcome. As a result, we are unable to predict if or when we will successfully develop or commercialize any drug candidates under such programs.

There is a risk of failure for each of our drug candidates. It is difficult to predict when or if any of our drug candidates will prove effective and safe in humans or will receive regulatory approval. Before obtaining regulatory approval from regulatory authorities for the sale of any drug candidate, our drug candidates must complete pre-clinical studies and then conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Our internal discovery programs for some of our drug candidates are at an early stage of development and will require significant investment and regulatory approvals prior to commercialization. We currently have five drug candidates in clinical development, one in IND filing stage and three in pre-clinical development. Each of our drug candidates will require additional clinical and preclinical development, management of clinical, preclinical and manufacturing activities, obtaining regulatory approval, obtaining manufacturing supply, building of a commercial organization, substantial investment and significant marketing efforts before they generate any revenue from product sales. We are not permitted to market or promote any of our drug candidates before we receive regulatory approval from the NMPA or comparable regulatory authorities, and we may never receive such regulatory approval for any such drug candidates.

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Numerous unforeseen events could arise during, or as a result of, future clinical trials, which could delay or prevent us from receiving regulatory approval, including:

- regulators, institutional review boards or ethics committees may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or may fail to reach, agreements on acceptable terms with prospective trial sites and prospective CROs who conduct clinical trials on our behalf, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us or them, to conduct additional clinical trials or we may decide to abandon drug development programs;
- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;
- third-party contractors used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the trial, which may require that we add new clinical trial sites or investigators;
- the ability to conduct a companion diagnostic test to identify patients who are likely to benefit from our drug candidates;
- we may elect to, or regulators, institutional review boards or ethics committees may require that we or our investigators, suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements or a finding that participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our drug candidates may be greater than we anticipate;
- supply or quality of our drug candidates or other materials from third parties necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate; and
- our drug candidates may have undesirable side effects or unexpected characteristics, causing us or our investigators, regulators, institutional review boards or ethics committees to suspend or terminate the trials, or reports may arise from pre-clinical studies or clinical trials of other therapies that raise safety or efficacy concerns about our drug candidates.

We could encounter regulatory delays if a clinical trial is suspended or terminated by us or, as applicable, by the institutional review boards or the ethics committees of the institutions in which such trials are being conducted, by the data safety monitoring board, which is an independent group of

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experts that is formed to monitor clinical trials while ongoing, or by the NMPA or other regulatory authorities. Such authorities may impose a suspension or termination due to a number of factors, including: a failure to conduct the clinical trial in accordance with regulatory requirements or the applicable clinical protocols, inspection of the clinical trial operations or trial site by the NMPA or other regulatory authorities that results in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions, or lack of adequate funding to continue the clinical trial. Many of the factors that cause a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates. Further, the NMPA or other regulatory authorities may disagree with our clinical trial design or our interpretation of data from clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design for our clinical trials. If we are required to conduct additional clinical trials or other studies of our drug candidates beyond those that are currently contemplated, if we are unable to successfully complete clinical trials of our drug candidates or other studies, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

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

For example, we have not conducted head-to-head clinical trials for our Core Products CMAB007 and CMAB009 as we developed these Core Products following relevant requirements for the development of new drugs before the promulgation of the 2015 Guiding Principles Announcement. See “Regulatory Overview—Laws and Regulations of the PRC—The Approval and Registration of Pharmaceutical Products—Registration of Biosimilar Drugs” for more information. To the extent that there is any change in PRC laws on the drug classification and related registration and approval procedures, we may be required to conduct additional clinical trials on our products, as a result of which our regulatory approval process may be delayed or we may not obtain regulatory approval at all.

Pre-clinical studies and clinical trials are expensive, difficult to design and implement, and can take many years to complete. The outcomes of pre-clinical studies and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, pre-clinical and clinical data are often susceptible to varying

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interpretations and analyses, and many companies that have believed their drug candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain regulatory approval of their drug candidates. Future clinical trials of our drug candidates may not be successful.

Commencement of clinical trials is subject to finalizing the trial design based on ongoing discussions with the NMPA and/or other regulatory authorities. The NMPA and other regulatory authorities could change their position on the acceptability of trial designs or clinical endpoints, which could require us to complete additional clinical trials or impose approval conditions that we do not currently expect. Successful completion of our clinical trials is a prerequisite to submitting an NDA (or analogous filing) to the NMPA and/or other regulatory authorities for each drug candidate and, consequently, the ultimate approval and commercial marketing of our drug candidates. We do not know whether the clinical trials for our drug candidates will begin or be completed on schedule, if at all.

Failure to attain market acceptance and demand for our drugs among the medical community, third-party players or others may have an adverse impact on our operations and profitability.

Even if our drug candidates receive regulatory approvals, they may nonetheless fail to gain sufficient market acceptance by physicians and patients and others in the medical community. Physicians and patients may prefer other drugs to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant revenue from sales of our drug candidates and we may not become profitable. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals and patients considering our drug candidates as a safe and effective treatment;
- preference of medical professionals for the marketed and existing first-mover drugs;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or package insert requirements of the NMPA;
- limitations or warnings contained in the labeling approved by the NMPA;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage and reimbursement under the National Reimbursement Drug List (the “NRDL”) and Provincial Reimbursement Drug List;

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- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

If our drug candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals or others in the medical community, we will not be able to generate significant revenue. Even if our drugs achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our drugs, are more cost effective or render our drugs obsolete.

In conducting biologics discovery, development and manufacturing, we face potential liabilities, in particular, product liability risks.

We face an inherent risk of product liability exposure related to the use of our drug candidates in clinical trials or any drug candidates we may decide to commercialize and manufacture in the future. If we cannot successfully defend against claims that the use of such drug candidates in our clinical trials or any products we may choose to manufacture at our production facilities in the future, including any of our drug candidates which receive regulatory approval, caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- significant negative media attention and reputational damage;
- withdrawal of clinical trial participants and inability to continue clinical trials;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- the inability to commercialize any drug candidates that we may develop;
- initiation of investigations by regulators;
- a diversion of management's time and our resources; and
- a decline in the price of our Shares.

Existing PRC laws and regulations do not require us to have, nor do we currently, maintain insurance to cover product liability claims for any of our drug candidates. Any litigation might result in substantial costs and diversion of resources. While we maintain liability insurance for certain clinical trials (which covers, among others, bodily injury to the patients), this insurance may not fully

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cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of drugs we develop.

Other jurisdictions in which our products may in the future be sold, in particular in developed markets including the United States, Europe and Japan, may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management.

If our drug candidates cause, or are perceived to cause, undesirable side effects, it can result in delays or failure to receive regulatory approval, limitations on the commercial profile of an approved label, or otherwise materially and adversely affect our business, financial condition and results of operations.

Undesirable side effects caused by our drug candidates could cause us to interrupt, delay or halt clinical trials or could cause regulatory authorities to interrupt, delay or halt our clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the NMPA or other regulatory authorities. In particular, as is commonly the case with therapeutic cancer and autoimmune disease drugs, it is likely that there may be side effects, such as fatigue, nausea and low blood cell levels associated with the use of certain of our cancer and autoimmune disease drug candidates. For example, our clinical trials for CMAB007 show common adverse reactions that include injection site reactions and rash; our clinical trials for CMAB009 show common adverse reactions that include dermatologic toxicities; and our clinical trials for CMAB008 show common adverse reactions that include infusion-related reactions and infections. The results of our drug candidates' ongoing clinical trials could reveal a high and unacceptable severity and prevalence of these or other side effects. In such an event, clinical trials of our drug candidates could be suspended or terminated and the NMPA or comparable regulatory authorities could order us to cease further development of or deny approval of our drug candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the clinical trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Clinical trials assess a sample of the potential patient population. With a limited number of patients and a limited duration of exposure, rare and severe side effects of our drug candidates may only be uncovered with a significantly larger number of patients exposed to the drug candidate. If our drug candidates receive regulatory approval and we, our partners or others identify undesirable side effects caused by such drug candidates (or any other similar drugs) after such approval, a number of potentially significant negative consequences could result in, including:

- the NMPA or other comparable regulatory authorities may withdraw or limit their approval of such drug candidates;
- the NMPA or other comparable regulatory authorities may require the addition of labeling statements, such as a “boxed” warning or a contra-indication;

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- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way such drug candidates are distributed or administered, conduct additional clinical trials or change the labeling of our drug candidates;
- the NMPA or other comparable regulatory authorities may require the development of risk evaluation and mitigation strategies and plans to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools;
- we may be subject to regulatory investigations and government enforcement actions;
- we may decide to remove such drug candidates from the marketplace;
- we could be sued and held liable for injury caused to individuals exposed to or taking our drug candidates; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected drug candidates and could substantially increase the costs of commercializing our drug candidates, if approved, and significantly impact our ability to successfully commercialize our drug candidates and generate revenue.

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

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

If we encounter difficulties enrolling patients in our clinical trials, clinical trials of our drug candidates 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;

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- the patient eligibility criteria defined in the protocol;
- the size of the study population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- competing clinical trials for similar therapies or other new therapeutics;
- clinicians' and patients' perceptions as to the potential advantages and side effects of the drug candidate being studied in relation to other available therapies, including any new drugs or treatments that may be approved for the indications we are investigating;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will not complete a clinical trial; and
- the availability of approved therapies that are similar in mechanism to our drug candidates.

We rely on third parties to monitor, support and/or conduct pre-clinical studies and clinical trials of our drug candidates.

We rely on academic institutions who are beyond our control to monitor, support, and/or conduct pre-clinical studies of our drug candidates. We also rely on third-party hospitals and clinics parties to perform clinical trials on our drug candidates when they reach that stage. As a result, we have less control over the quality, timing and cost of these studies and the ability to recruit trial subjects than if we conducted these trials wholly by ourselves. If we are unable to maintain or enter into agreements with these third parties on acceptable terms, or if any such engagement is terminated, we may be unable to enroll patients on a timely basis or otherwise conduct our trials in the manner we anticipate. In addition, there is no guarantee that these third parties will devote adequate time and resources to our studies or perform as required by a contract or in accordance with regulatory requirements, including maintenance of pre-clinical study and clinical trial information regarding our future drug candidates. If these third parties fail to meet expected deadlines, fail to timely transfer to us any regulatory information, fail to adhere to protocols or fail to act in accordance with regulatory requirements or our agreements with them, or if they otherwise perform in a substandard manner or in a way that compromises the quality and/or accuracy of their activities and/or the data they obtain, then pre-clinical studies and clinical trials of our future drug candidates may be extended, delayed or terminated, or our data may be rejected by the NMPA or other regulatory agencies.

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Results of pre-clinical studies and early clinical trials may not be predictive of results of later-stage clinical trials.

The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. Future clinical trial results may not be favorable for these and other reasons. In some cases, 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 set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants. As drug candidates are developed through pre-clinical studies and early- to late-stage clinical trials towards approval and commercialization, it is customary that various aspects of the development program, such as manufacturing and formulation, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives. 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. Any of these changes could make the results of planned clinical trials or other future clinical trials we may initiate less predictable and could cause our drug candidates to perform differently, which could delay completion of clinical trials, delay approval of our drug candidates and/or jeopardize our ability to commence commercialization of our drug candidates.

If our pharmaceutical products are not included in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes, we may not have pricing advantage to gain sufficient market share over already marketed products, and our sales, profitability and business prospects could be adversely affected.

Under the national medical insurance program in the PRC, patients are entitled to full or partial reimbursement of costs for pharmaceutical products listed in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes. According to the PRC National Bureau of Statistics, approximately 1.2 billion people in China were enrolled in the national medical insurance program as of December 31, 2017. Consequently, a pharmaceutical product's inclusion in or exclusion from the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes will significantly affect the demand for such product in the PRC.

As of the Latest Practicable Date, all of our drug candidates are still in the development stage. The selection of pharmaceutical products for listing in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes is based on a variety of factors, including clinical needs, use frequency, efficacy and price, many of which are outside of our control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise the scope of reimbursement for the products that are already listed in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes. There can be no assurance that any of our product candidates, once approved, will be included in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes. If we are unable to get new products listed

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in the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes, we may not have pricing advantage to gain sufficient market share over already marketed products, and demand for our products may be insufficient and our revenue and profitability could be adversely affected.

If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender processes, our products may fail to gain market share and our revenue and profitability could be adversely affected.

Upon commercialization of our drug candidates, we expect that a substantial portion of our products we sell to future distributors will be sold to public hospitals and other medical institutions owned or controlled by government authorities in China. Each public medical institution owned by the government at the county level or higher or owned by state-owned enterprises, including state-controlled enterprises, must make substantially all of their purchases of pharmaceutical products through a centralized tender process. We intend to submit bids in a tender process to supply our products to these institutions at specified prices. Bids are generally considered on the basis of price relative to substitute products and their clinical effectiveness, as well as the quality of our products and services, among other things. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public hospitals and other medical institutions at the bid prices, which in part determine the prices at which we expect to be able to sell our products to our future distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. Our sales volumes and profitability will depend on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the centralized tender processes at profitable levels. If we are unable to differentiate our products or are otherwise not successful in winning bids in the centralized tender processes at profitable levels in the future, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant PRC public future hospitals and other medical institutions.

We may fail to win bids in a centralized tender process due to various factors, including reduced demand for the relevant product, uncompetitive bidding prices, that the relevant product is perceived to be less clinically effective than competing products, or that other aspects of our operations are perceived to be less competitive. If our products are not selected in the centralized tender processes in one or more regions, we will be unable to sell the relevant products to the public hospitals and other medical institutions in those regions, and our market share, revenues and profitability could be adversely affected.

If our products are not selected in the provincial tender processes in one or more regions, we will be unable to sell the relevant products to the public hospitals in those regions, and our market share, revenue and profitability could be adversely affected.

Our pharmaceutical products may be subject to price restrictions and will continue to be subject to price competition in China.

Before June 2015, a majority of pharmaceutical products, primarily those included in the Medical Insurance Drugs Catalogs, were subject to government price controls in the form of fixed

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retail prices or retail price ceilings and periodic downward adjustments imposed by the NDRC and other authorities. See “Regulatory Overview—Laws and Regulations of the PRC—Distribution of Pharmaceutical Products—Pricing Controls.” Pursuant to the Notice Regarding the Opinion on Facilitating the Pharmaceutical Pricing Reform (《關於印發推進藥品價格改革意見的通知》) jointly issued by the NDRC, the NHC (formerly known as the NHFPC) and five other PRC government agencies in May 2015, the price ceilings imposed by the PRC government on pharmaceutical products other than narcotic and Class I psychotropic drugs were lifted on June 1, 2015, and these products would be subject to a more market-based pricing system adopted by medical insurance bureaus and relevant authorities.

Despite the lifting of government price controls on pharmaceutical products, the prices of prescription drugs in China continued to be subject to, and determined by, the centralized tender process. In November 2018, PRC governmental authorities launched the national pilot scheme for drugs centralized tendering with minimum procurement quantities in the 4+7 cities. The manufacturers and importers of 31 drugs are invited to bid to supply the drugs to public medical institutions. The move is aimed at reducing drug prices and may significantly impact how generic drugs are priced and procured in China. Please refer to “Regulatory Overview — Distribution of Pharmaceutical Products — Pricing Controls” for more information. As of Latest Practicable Date, monoclonal antibody drugs are not listed in the drugs for this pilot scheme. However, there can be no assurance that monoclonal antibody drugs will not be included in the future scheme for tendering with minimum procurement quantities, which may result in pricing pressure on us with respect to our drug candidates.

In addition, the prices of OTC drugs in China had been determined by arm’s length, commercial negotiation and market factors such as brand recognition, market competition and consumer demand. There is no assurance that the application of the more market-based pricing system will result in higher product pricing compared to the government-controlled pricing, as competition from other manufacturers, particularly those offering the same or substitute products at more competitive prices may force us to lower prices of our products upon commercialization to the previous government-controlled price levels.

In addition to the regulatory change, the retail prices of pharmaceutical products may decrease as a result of increased competition from substitute products, including due to the pricing adjustments by pharmaceutical companies, including but not limited to producers of the originator brands, whether or not voluntary or as a result of government regulations or policies. Imports of competing products from countries where government price controls or other market dynamics result in lower prices may also exert downward pressure on the prices of our drug products.

Unapproved imports of prescription drugs from foreign countries are illegal under current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients and other customers to obtain these lower priced imports continues to grow. Cross-border imports from lower-priced markets (parallel imports) into higher priced markets could harm sales of our drug products and exert commercial pressure on pricing. Relevant laws and regulations may not be effectively enforced to prevent such illegal imports. Moreover, we cannot assure you that competent government authorities will not change regulations or policies in the future with respect to imports of prescription drugs from foreign countries.

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Consequently, the availability of cheaper substitutes, legal or illegal, may adversely affect our business, financial condition, results of operations and profitability in China and other countries where we commercialize our products.

If we are unable to efficiently develop, operate, and expand our sales, distribution and marketing channels, we may be unable to meet customer demand, and our results of operations, financial condition and prospects may be materially and adversely affected.

As of the Latest Practicable Date, we had not established an organization for the sales, marketing and distribution of pharmaceutical products, although we are engaged in a limited amount of pre-marketing activities through academic promotion. As a result, we have limited practical experience in relation to establishing and managing our own sales, distribution and marketing channels. In order to market any of our product candidates that may be approved by the NMPA and comparable regulatory authorities, we must build our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to meet customer demand and generate product revenue and may not become profitable. We will be competing with many companies that currently have extensive and well-funded sales and marketing operations. Without an internal commercial organization or the support of a third party to perform sales and marketing functions, we may be unable to compete successfully against these more established companies.

Our business expansion in manufacturing may not be successful.

We expect to establish three cGMP-certified workshops, each with a 3*1,500L stainless steel bioreactor system, and corresponding purification lines in the second building of our Taizhou Pharmaceutical production site. In January 2019, we acquired an industrial land of approximately 100,746 square meters in Taizhou Hi-tech Zone for the construction of a large-scale antibody drug production workshop. We plan to construct 120,000 square meters of office, production and ancillary facilities on this land. As of the Latest Practicable date, phase I had started, including office buildings, an energy center, a warehouse, two drug substance workshops, and a drug product workshop. We plan to build two large-scale monoclonal antibody drug substance production lines and two antibody drug product filling lines. For more information about our business expansion, see “Business—Manufacturing.” In preparing the new facilities at our Taizhou production site for operation, we may experience unforeseen delays due to construction or regulatory issues, which could result in loss of business opportunities and could materially and adversely affect our business, financial condition, results of operations and prospects. Costs of construction could also exceed budget, divert resources from other productive uses and consume significant amounts of management time.

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In addition, biologics commercial manufacturing is typically more capital intensive than biologics discovery and development, and we have limited experience in manufacturing biologic drugs at a commercial scale. We may be unable to obtain sufficient work orders to utilize effectively the new manufacturing facilities in the near term or at all. We may encounter various issues regarding biologics commercial manufacturing, such as low success rate of manufacturing products that meet regulatory requirements or our customers' quality standards at these new facilities. There is no assurance that we will be able to resolve such issues cost-effectively and in a timely manner. Any delay in regulatory approvals, lower than anticipated treatment effectiveness, unexpected side effect, low success rate or lack of patient demand may have a material impact on our business. If our business expansion is not successful or sufficient or does not earn a satisfactory return on investment, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Furthermore, our plan to expand our manufacturing capacity may adversely affect our performance, in particular our gross profit margin and utilization rate. We expect biologics commercial manufacturing to form a significant portion of our overall business going forward. Biologics commercial manufacturing may have a lower profit margin than biologics discovery and development. In addition, given the size of our new facilities, we may not be able to fully utilize them immediately or within a reasonable period of time after we commence operation. We expect to experience a significant increase in our overhead cost after our new facilities are put into use, and such increase may outpace the increase in revenue resulting from the biologic projects conducted on the new facilities, driving down our gross profit margin. As a result, even if our business expansion is successful, our profit margin may still face downward pressure going forward.

The manufacture of pharmaceutical products is a highly exacting and complex process, and if we encounter problems in manufacturing our products, our business could suffer.

We have limited experience in managing the manufacturing process. The manufacture of pharmaceutical products is a highly exacting and complex process, due in part to strict regulatory requirements. Problems may arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new facilities or the expansion of our existing manufacturing facility, including changes in manufacturing production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. If problems arise during the production of a batch of product, that batch of product may have to be discarded and we may experience product shortages or incur added expenses. This could, among other things, lead to increased costs, lost revenue, damage to customer relationships, time and expense spent investigating the cause and, depending on the cause, similar losses with respect to other batches or products. If problems are not discovered before the product is released to the market, recall and product liability costs may also be incurred.

If our manufacturing facilities are not approved by regulators, are damaged or destroyed, or production at such facilities is otherwise interrupted, our business and prospects would be negatively affected.

We are in the process of procuring three cGMP-certified workshops, each consisting of a 3* 1,500L bioreactor system at our Taizhou Pharmaceutical production site, and we expect that the

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equipment will be operational in 2021. We also plan to build additional production lines on the parcel of land that we recently purchased for our Taizhou production site. We intend to rely on these facilities for the manufacture of clinical and commercial supply of some of our product candidates. Prior to being permitted to sell any drugs produced at these facilities, the facilities will need to be inspected and approved by regulatory authorities. If either facility is not approved by regulators or is damaged or destroyed, or otherwise subject to disruption, it would require substantial lead-time to replace our manufacturing capabilities. In such event, we would be forced to identify and rely partially or entirely on third-party contract manufacturers for an indefinite period of time. Any new facility replacing an existing production facility would need to comply with the necessary regulatory requirements and be tailored to our production requirements and processes. We also would need regulatory approvals before using any products manufactured at a new facility in clinical trials or selling any products that are ultimately approved. Any disruptions or delays at our facility or failure to meet regulatory compliance would impair our ability to develop and commercialize our product candidates, which would adversely affect our business and results of operations.

We may not be successful in developing, enhancing or adapting to new technologies and methodologies.

The global biologics market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. For the years ended December 31 2017 and 2018, our research and development expenses were RMB21.6 million and RMB89.0 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our operations. We intend to continue to enhance our technical capabilities, which can be capital intensive and require significant time to be built. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies. Any failure to do so may make our techniques and services obsolete, which could significantly harm our business and prospects.

In addition, to develop and market our new technologies and methodologies successfully, we must accurately assess and meet customers' needs, make significant capital expenditures, optimize our biologics discovery, development and manufacturing process to predict and control costs, hire, train and retain the necessary personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide high-quality services in a timely manner, price our services competitively and effectively integrate customer feedback into our business planning. If we fail to create demand for our new technologies or methodologies, our future business, results of operations, financial condition and prospects could be materially and adversely affected.

If our products in the future are not produced to the necessary quality standards or in the necessary quantities, our business and reputation could be harmed, and our revenue and profitability could be adversely affected.

Our future products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. Please refer to “Business—Manufacturing—Quality

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Assurance” for further details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. Quality defects may fail to be detected or cured as a result of a number of factors, many of which are outside our control, including:

- manufacturing errors;
- technical or mechanical malfunctions in the manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and
- quality issues with the raw materials we purchase or produce.

In addition, if we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between our products manufactured in our existing and new facilities, or need to incur substantial costs for doing so. Furthermore, if we acquire other pharmaceutical companies, we may not be able to immediately ensure that their manufacturing facilities and processes will meet our own quality standards.

Failure to detect quality defects in our pharmaceutical products or to prevent such defective products from being delivered to end-users could result in patient injury or death, product recalls or withdrawals, license revocation or regulatory fines, or other problems that could seriously harm our reputation and business, expose us to liability, and adversely affect our revenues and profitability.

RISKS RELATED TO GOVERNMENTAL REGULATION

Any failure to comply with existing regulations and industry standards, or any adverse actions by the drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

In many countries or regions where a biologics drug is intended to be ultimately sold, including China, the United States, Europe and Japan, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we and our customers develop and manufacture such drug. For example, we may need to obtain clearance from the NMPA or other regulatory authorities in the event that our preclinical trials are filed as part of an investigational New Drug Application (or analogous application) to seek authorization to begin clinical trials, or our clinical trials are filed as part of a New Drug Application or other filings to seek marketing approval. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. Although we passed all the inspections and obtained clearance in relation to biologics discovery, development and manufacturing from the regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to do so going forward. Any failure to comply with existing regulations and industry standards, could result in fines or other punitive actions against us or our customers, the termination of ongoing biologics projects by our

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customers and the disqualification of data for submission to regulatory authorities, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business and adversely affect our reputation and financial results.

Changes in government regulations or in practices relating to the pharmaceutical and biotechnology industries, including healthcare reform in China, may affect approval and commercialization of our drug candidates, and compliance with new regulations may result in additional costs.

Our research operations and manufacturing facilities are in China, which we believe confers clinical, commercial and regulatory advantages. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. See "Regulatory Overview" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China.

In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our drug candidates in China and reduce the current benefits we believe are available to us from developing and manufacturing drugs in China. PRC authorities have become increasingly vigilant in enforcing laws in the pharmaceutical industry and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach is aligned with the PRC government's policies, but we cannot ensure that our strategy and approach will continue to be aligned.

If we are unable to obtain NMPA approval for our drug candidates to be eligible for an expedited registration pathway, the time and cost we incur to obtain regulatory approvals may increase.

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

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The Special Examination and Approval Provisions provide that the applicant may file for special examination and approval at the clinical trial application stage if the drug candidate falls within items (1) or (2) above. The provisions provide that for drug candidates that fall within items (3) or (4) above, the application for special examination and approval cannot be made until filing for production. There can be no assurance that any of our drug candidates, including our Core Products CMAB007, CMAB009 and CMAB008, will be eligible to file for special examination and approval or such application may lead to faster development or regulatory review or approval process. Moreover, even if CMAB007, CMAB009 and CMAB008 are eligible to file for special examination and approval, such designation does not increase the likelihood that our drug candidates will receive regulatory approval.

Furthermore, there has been recent regulatory initiatives in China, including (i) China's State Council's August 2015 statement, Opinions on Reforming the Review and Approval Process for Pharmaceutical Products and Medical Devices, which declared the Chinese government's clear determination to encourage transformation and upgrade of the pharmaceutical industry, and (ii) the NMPA's November 2015 release, Circular Concerning Several Policies on Drug Registration Review and Approval, with aims to accelerate the approval process of clinical trials. As such, the regulatory process in China is evolving and subject to change. Any future policies, or changes to current policies, that the NMPA approves might require us to change our planned clinical study design or otherwise spend additional resources and effort to obtain approval of our drug candidates. In addition, policy changes may contain significant limitations related to use restrictions for certain age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

Even if we receive regulatory approval for any of our drug candidates, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense, and if we fail to comply with ongoing regulatory requirements or experience any unanticipated problems with any of our drug candidates, we may be subject to penalties.

If the NMPA or a comparable regulatory authority approves any of our drug candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and record-keeping for the drug will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, and continued compliance with current Good Manufacturing Practice (“cGMPs”) (or analogous requirements) and Good Clinical Practice (“GCPs”) (or analogous requirements). Any regulatory approvals that we receive for our drug candidates may also 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-marketing testing, including phase IV studies (or analogous requirements) to identify and evaluate the long-term effects of new drugs and treatments over a lengthy period for a greater number of patients.

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In addition, once a drug is approved by the NMPA or a comparable regulatory authority for marketing, it is possible that there could be a subsequent discovery of previously unknown problems with the drug, including problems with third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our drug products, it may result in, among other things:

- restrictions on the marketing or manufacturing of the drug, withdrawal of the drug from the market, or voluntary or mandatory drug recalls;
- fines, warning letters or holds on clinical trials;
- refusal by the NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of drug license approvals;
- drug seizure or detention, or refusal to permit the import or export of drugs; and
- injunctions or the imposition of civil, administrative or criminal penalties.

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. Moreover, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are not able to maintain regulatory compliance, regulatory approval that has been obtained may be lost and we may not achieve or sustain profitability, which may harm our business, financial condition and prospects significantly.

Pharmaceutical companies in China are required to comply with extensive regulations and hold a number of permits and licenses. Our failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

The pharmaceutical industry in China is subject to extensive government regulation and supervision. The regulatory framework addresses all aspects of operating in the pharmaceutical industry, including approval, registration, production, distribution, packaging, labeling, storage and shipment, advertising, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs and environmental protection. Violation of applicable laws and regulations may materially and adversely affect our business. In order to commercialize our drug candidates and manufacture and distribute pharmaceutical products in China, we are required to:

- obtain a pharmaceutical manufacturing permit and Good Manufacturing Practices (“GMP”) certificate for each production facility from the NMPA and its relevant branches;
- obtain a drug registration certificate, which includes a drug approval number, from the NMPA for each drug manufactured by us; and

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- renew the pharmaceutical manufacturing permits and GMP certificates every five years, among other requirements.

If we are unable to obtain or renew such permits or any other permits or licenses required for our operations, we will not be able to engage in the commercialization, manufacture and distribution of our drug candidates and our business may be adversely affected.

The regulatory framework governing the pharmaceutical industry in China is subject to change and amendment from time to time. Any such change or amendment could materially and adversely impact our business, financial condition and prospects. The PRC government has introduced various reforms to the Chinese healthcare system in recent years and may continue to do so, with an overall objective to expand basic medical insurance coverage and improve the quality and reliability of healthcare services. The specific regulatory changes under the reform still remain uncertain. The implementing measures to be issued may not be sufficiently effective to achieve the stated goals, and as a result, we may not be able to benefit from such reform to the level we expect, if at all. Moreover, the reform could give rise to regulatory developments, such as more burdensome administrative procedures, which may have an adverse effect on our business and prospects.

For further information regarding government regulation in China and other jurisdictions, see “Regulatory Overview—Laws and Regulations of the PRC—Pharmaceutical Products Manufacturing Licenses and Approvals,” and “Regulatory Overview—Laws and Regulations of the PRC—Medical Insurance.”

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations primarily occur in China and involve the use of hazardous materials, including chemical materials. Our operations also produce hazardous waste products. We are therefore subject to PRC laws and regulations concerning the discharge of waste water, gaseous waste and solid waste during our processes of research and development of drugs. We engage competent third party contractors for the transfer and disposal of these materials and wastes. 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. We cannot completely eliminate the risk of contamination or injury from these materials and wastes. In the event of contamination or injury resulting from the use or discharge of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil, administrative or criminal fines and penalties.

Although we maintain workers’ compensation insurance to cover costs and expenses incurred due to on-the-job injuries to our employees and third party liability insurance for injuries caused by unexpected seepage, pollution or contamination, such insurance may not provide adequate coverage against potential liabilities. Furthermore, the PRC government may take steps towards the adoption of

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more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our manufacturing facility and equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to cease certain aspects of our business operations.

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

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly China. We do not fully control the interactions our employees, potential distributors, third-party promoters and other third parties have with medical institutions, doctors and patients, and they may try to increase sales volumes of our products upon commercialization through means that constitute violations of the PRC anti-corruption and other related laws. If our employees, potential distributors, third-party promoters or other third parties engage in corrupt or other improper conduct that result in violation of applicable anti-corruption laws in the PRC or other jurisdictions, our reputation could be harmed. Furthermore, we could be held liable for actions taken by our employees, distributors, third-party promoters or other third parties which could expose us to regulatory investigations and penalties.

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), if we are involved in criminal, investigational or administrative procedures for commercial bribery, we will be listed in the Adverse Records of Commercial Briberies by the relevant government authorities, as a result of which our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within a specific territorial scope for two years; and if we were to be listed in the Adverse Records of Commercial Briberies twice within five years, our products could not be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years. Please refer to “Regulatory Overview—Laws and Regulations of the PRC—Commercial Bribery with Respect to Pharmaceutical Industry” for further details of relevant PRC regulations on commercial briberies.

Some of our future customers may be subject to the Foreign Corrupt Practices Act (the “FCPA”), enacted in the United States. The FCPA generally prohibits a company from making improper payments, directly or indirectly, to foreign officials for the purpose of obtaining or retaining business. As a result, our service contracts often include anti-bribery provisions which require us to comply with the FCPA and other anti-bribery laws. As our business expands, the applicability of the FCPA and other anti-bribery laws to our operations may increase in the future. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our

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

RISKS RELATED TO INTELLECTUAL PROPERTY

We have in-licensed or acquired intellectual property rights to our Core Products, and we may continue to seek strategic alliances or enter into additional licensing arrangements in the future for our drug candidates' development, manufacture and commercialization, which is subject to risks.

We have been granted exclusive, perpetual and irrevocable licenses at nil consideration for the patents, products and technology related to CMAB007 and CMAB008 in China. See “Connected Transactions—Continuing Connected Transactions—Fully Exempt Continuing Connected Transactions—License Agreement” and “Business—Our Product Pipeline—Overview” for more information. Mr. Guo Jianjun, the controlling shareholder of the licensor, issued a letter of commitment on October 3, 2018, undertaking to us that the licensor will not violate the license agreements, and that he will be jointly and severally liable with the licensor for its breach of the license agreements. The licensor also executed a deed of undertaking, pursuant to which the licensor will not, without our prior consent, transfer any rights and interests relating to CMAB007 and CMAB008 owned by it to any third party. See “Connected Transactions—Continuing Connected Transactions—Fully Exempt Continuing Connected Transactions—License Agreement” for more information. However, to the extent the licensor fails to honor the terms of the license agreements and the deed of undertaking, our business, financial condition, results of operations and prospects may be materially and adversely affected. See “—Risks Related to Product Development and Commercialization—All of our drugs are still under development and we are heavily dependent on the success of our Core Products CMAB007, CMAB009 and CMAB008. We may not successfully develop, obtain the approval for, or commercialize, any of our drug candidates or incur significant delays in doing so” for more information. In addition, if there are any amendments to the terms of the license agreement, our business, financial condition, results of operations and prospects may be materially affected. For example, a significant increase in the licensing fee may adversely affect our results of operation, and we may fail to operate our business in the target markets if there are any additional limitations on the geographical coverage of the licensed patents, products and technology. We have also obtained all rights and interests related to (i) CMAB007 and CMAB008 overseas (excluding North America, Japan and Europe); (ii) CMAB009 in China and overseas (excluding North America, Japan and Europe) and (iii) all of our other product candidates globally. See “History, Development and Corporate Structure—Reorganization” and “Business—Our Product Pipeline—Overview” for more details. The agreements transferring all rights and interests to us related to our products did not contain any representations on the rights and interests subject to the transfer and did not specify any remedies we may have against the transferor for any defects or claims with respect to these rights and interests. Mr. Guo Jianjun, the controlling shareholder of the transferor, issued a letter of commitment on October 3, 2018, undertaking to us that the transferor will not violate the agreements, and he will be jointly and severally liable with the transferor for its breach of the agreements. However, to the extent the transferor breaches the terms of the agreements, our

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business, financial condition, results of operations and prospects may be materially and adversely affected. Even if we can bring a lawsuit in a court of competent jurisdiction against the licensor or transferor and Mr. Guo Jianjun for breach of contract under the PRC law, the court may not rule in favor of us or grant specific performance of the relevant contract.

Going forward, we may continue to seek strategic alliances or enter into additional licensing arrangements. Any of these relationships may require us to incur non-recurring and other charges, increase our near- and long-term expenditures, or issue securities that dilute our existing shareholders, or otherwise disrupt our management and business. In addition, we face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Collaborations involving our drug candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drugs or drug candidates;
- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our drug candidates, or that result in costly litigation or arbitration that diverts management attention and resources;
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable drug candidates; and
- collaborators may own or co-own intellectual property covering our drugs that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, if we enter into collaboration agreements and strategic partnerships or license in any drugs, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture, which could delay our product program timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we

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elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate revenue, which would harm our business prospects, financial condition and results of operations.

We may not be successful in protecting our own intellectual property.

Our success depends, in part, on our ability to protect our drug candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing PRC and international patent applications, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. As of the Latest Practicable Date, we had 22 registered trademarks and 25 trademark applications in the PRC, eight registered trademarks in Hong Kong, 13 registered patents and 11 patent applications in the PRC, two registered PCT (Patent Cooperation Treaty) patents in Australia, and 15 registered domain names that we consider to be material to our business. We cannot predict whether any patent applications will result in the issuance of any patents that effectively protect our drug candidates. If we are unable to obtain or maintain patent protection with respect to our drug candidates and technology we develop, our business, financial condition, results of operations, and prospects could be materially harmed.

Issued patents covering one or more of our drug candidates could be found invalid or unenforceable if challenged in court.

Despite measures we take to obtain patent and other intellectual property protection with respect to our drug candidates, any of our intellectual property rights could be challenged or invalidated. For example, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our drug candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. In patent litigation in China, defendant counterclaims alleging invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the State Intellectual Property Office, or the applicable foreign counterpart, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with the duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on a drug candidate. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others. Any loss of patent protection could have a material adverse impact on one or more of our drug candidates and our business.

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Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages, cease the sale of certain drugs or enter into a license agreement and pay royalties (which may not be possible on commercially reasonable terms or at all). Any efforts to enforce our intellectual property rights are also likely to be costly.

We may be subject to intellectual property infringement claims, which could expose us to substantial liability, harm our reputation and limit our research and development activities and/or our ability to commercialize our drug candidates.

Our commercial success depends significantly on our ability to develop, manufacture, market and sell our drug candidates and use our proprietary technologies without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. In the PRC, invention patent applications are generally maintained in confidence until their publication 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and invention patent applications are filed. Even after reasonable investigation, we may not know with certainty whether any third party may have filed a patent application without our knowledge while we are still developing or producing that product. We may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our technology and any drug candidates we may develop.

Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of their merit. Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. A court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, which could materially and adversely affect our ability to commercialize any drug candidates we may develop and any other drug candidates or technologies covered by the asserted third-party patents.

If we are found to infringe a third party's patent rights, and we are unsuccessful in demonstrating that such patents are invalid or unenforceable, we could be required to:

- obtain royalty-bearing licenses from such third party to such patents, which may not be available on commercially reasonable terms, if at all and even if we were able to obtain such licenses, they could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and could require us to make substantial licensing and royalty payments;
- defend litigation or administrative proceedings;
- reformulate our product(s) so that it does not infringe the intellectual property rights of others, which may not be possible or could be very expensive and time consuming;

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- cease developing, manufacturing and commercializing the infringing technology or drug candidates; and
- pay such third party significant monetary damages, if we are found to have willfully infringed a patent or other intellectual property right.

Our competitors may be larger than we are and may have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex intellectual property litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal research programs, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on our business, financial condition, results of operations, and prospects. Even if we are successful in such litigations or administrative proceedings, such litigations and proceedings may be costly and could result in a substantial diversion of management resources. Any of the foregoing may have a material adverse effect on our business, prospects, financial condition and results of operations.

Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantages.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations, and may not adequately protect our business, or permit us to maintain our competitive advantage. The following examples are illustrative:

- others may be able to make compounds that are similar to our drug candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;
- we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our pending patent applications will not lead to issued patents;
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by our competitors;

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- we may obtain patents for certain compounds many years before we receive NDA approval for drugs containing such compounds, and because patents have a limited life, which may begin to run prior to the commercial sale of the related drugs, the commercial value of our patents may be limited;
- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive drugs for commercialization in our major markets;
- we may fail to develop additional proprietary technologies that are patentable;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our drug candidates for one or more indications.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

OTHER RISKS RELATED TO OUR INDUSTRY AND BUSINESS

We face significant competition in the biopharmaceuticals market, in particular for therapeutic antibody drugs. Multinational drug companies will competitively dominate the therapeutic areas of our Core Products as a result of medical professionals' preference for the marketed and existing first-mover drugs manufactured by multinational drug companies.

The development and commercialization of new therapeutic antibody drugs as well as other drugs is highly competitive. We face competition with respect to our current drug candidates and will continue to 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. For example, there are a number of large pharmaceutical and biotechnology companies that currently market drugs or are pursuing the development of therapies in the field of cancers and autoimmune diseases. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to that of our drug candidates. For example, with respect to amino acid sequence, there is 100% equivalence in amino acid sequence between our Core Products and their respective reference products Xolair, Remicade and Erbitux even though CMAB008 and CMAB009 are different from their reference products in aspects of expression system and glycosylation modification. The sales of therapeutic drug products in the asthma, colorectal cancer and autoimmune disease therapeutic areas to which CMAB007, CMAB009 and CMAB008 belong will be competitively dominated by existing multinational drug companies as a result of medical professionals' preference for marketed and existing first-mover drugs manufactured by multinational companies. 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. Specifically, there are a large number of companies developing or marketing treatments for cancers, autoimmune and infectious diseases including many major pharmaceutical and biotechnology companies.

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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 research and development, manufacturing, pre-clinical studies, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient, are less expensive or benefit from better coverage under the National Medical Insurance Catalogue or other government-sponsored medical insurance schemes than drugs that we may develop. Our competitors also may obtain NMPA or other regulatory approval 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. Additionally, technologies developed by our competitors may render our potential drug candidates uneconomical or obsolete, and we may not be successful in marketing our drug candidates against competitors.

In addition, as a result of the expiration or successful challenge of our patent rights, we could face litigation with respect to the validity and/or scope of patents relating to our competitors' products. The availability of our competitors' products could limit the demand, and the price we are able to charge, for any products that we may develop and commercialize.

The incidence and prevalence for target patient populations of our drug candidates are based on estimates and third-party sources. If the market opportunities for our drug candidates are smaller than we estimate or if any approval that we obtain is based on a narrower definition of the patient population, our revenue and ability to achieve profitability might be materially and adversely affected.

Periodically, we make estimates regarding the incidence and prevalence of target patient populations for particular diseases based on various third-party sources and internally generated analysis and use such estimates in making decisions regarding our drug development strategy, including acquiring or in-licensing drug candidates and determining indications on which to focus in pre-clinical or clinical trials.

These estimates may be inaccurate or based on imprecise data. For example, the total addressable market opportunity will depend on, among other things, their acceptance by the medical community and patient access, drug pricing and reimbursement. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our drugs, or new patients may become increasingly difficult to identify or gain access to, all of which may significantly harm our business, financial condition, results of operations and prospects.

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We depend on a stable and adequate supply of quality raw materials, consumables and research and development services from our suppliers, including some of our related parties, and price increases or interruptions of such supply could have an adverse impact on our business.

During our business operations, we require a substantial amount of raw materials and consumables, such as chromatography, cell culture media and pharmaceutical grade materials. For the years ended December 31, 2017 and 2018, our costs of raw materials and consumables in our research and development expenses were RMB2.5 million and RMB33.0 million, respectively. We also seek services from hospitals and other R&D service providers suppliers for our clinical trials. We incurred contracting costs for these services of RMB5.3 million and RMB32.9 million for the years ended December 31, 2017 and 2018, respectively. In the event of significant price increases for raw materials, consumables and research and development services, we cannot assure you that we will be able to raise the prices of our drug candidates upon commercialization sufficiently to cover such increased costs. As a result, our profitability could be adversely affected.

We have historically procured a portion of our raw materials and research and development services from some of our related parties. See Note 31 to “Appendix I—Accountants’ Report” for more information. For the years ended December 31, 2017 and 2018, we purchased raw materials and research and development services from our related parties in the amounts of approximately RMB11.5 million and RMB13.3 million, respectively.

Although we believe that we have stable relationships with our existing suppliers, we cannot assure you that we will be able to secure a stable supply of raw materials, consumables and research and development services going forward. Our suppliers may not be able to keep up with our fast growth or may reduce or cease their supply of raw materials to us at any time. In addition, we cannot assure you that our suppliers have obtained and will be able to renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations, and failure to do so by them may lead to interruption in their business operation, which in turn may result in shortage of raw materials, consumables and services provided to us. Some of our suppliers are based overseas and therefore may need to maintain export or import licenses. If the supply of these raw materials, consumables and services is interrupted, our business operation and financial position may be adversely affected.

Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information.

We rely on the agreements signed with our employees and third parties to safeguard our intellectual property, such as trade secrets, know-how and other proprietary information. In the course of our research and development activities and our business activities, we often rely on agreements signed with our employees and third parties to protect our proprietary information. In addition, each of our core employees is required to sign a general employment contract which includes confidentiality and invention assignment clauses upon joining our company. We take steps to protect our proprietary information, and our agreements are carefully drafted to protect our proprietary interests. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our

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competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors or business partners might intentionally or inadvertently disclose our trade secret information to competitors or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. We sometimes engage individuals or research institutions to conduct research relevant to our business. The ability of these individuals or research institutions to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized, which could adversely affect our business.

Our facilities may be vulnerable to natural disasters or other unforeseen catastrophic events.

We conduct our biologics discovery, development and manufacturing activities in our facilities located in Taizhou, Jiangsu Province. We depend on these facilities for continued business operations. Natural disasters or other unanticipated catastrophic events that affect our facilities, including power interruptions, water shortages, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to operate our business. Our facilities and certain equipment located in these facilities would be difficult to replace in any such event and could require substantial replacement lead time and cost. The occurrence of any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

We may be unable to attract and retain senior management and retain scientific employees, including certain former employees of Biomabs.

Our success depends in part on our continued ability to attract, retain and motivate highly qualified management, clinical, and scientific personnel. In addition, we are dependent on attracting and retaining certain of Biomabs' clinical and scientific personnel for the continued development and commercialization of our drug candidates, including CMAB007, CMAB009 and CMAB008. See "History, Development and Corporate Structure—Reorganization." We are also highly dependent upon our senior management, as well as other employees and consultants. The loss of services of any of these individuals or one or more of our other members of senior management could delay or prevent the successful development of our drug candidates.

Although we have not historically experienced unique difficulties attracting and retaining qualified employees, we could experience such problems in the future. For example, competition for qualified employees in the biotechnology and pharmaceutical industry is intense. In addition, we will need to hire additional employees as we expand our sales and marketing and manufacturing teams. We may not be able to attract and retain qualified employees on acceptable terms.

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Our reputation is key to our business success. Any negative publicity may adversely affect our reputation, business and growth prospect.

Any negative publicity concerning us, our affiliates or any other company in our industry, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us or any of our affiliates or any other company in our industry would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In addition, we believe that customer referrals, academic marketing and word-of-mouth marketing will be a key element of our ability to acquire customers upon commercialization.

Furthermore, certain products distributed or sold in the pharmaceutical distribution and retail markets in China may be manufactured without proper licenses or approvals and/or fraudulently mislabeled. These products are generally referred to as counterfeit pharmaceutical products. Some counterfeit products may or may not have the same chemical composition as the authentic counterparts, which may make them less effective, entirely ineffective, or more likely to cause severe adverse side effects. Any unintentional and unknowing sales of counterfeit products by third parties illegally using our brand names, may subject us to negative publicity, may severely harm the reputation and brand name of us, our affiliates or any other company in our industry and subject us to fines and other administrative penalties, or even result in litigation against us. As a result, any negative publicity about us or any of our affiliates or any other company in our industry could adversely affect our ability to retain or attract customers.

Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigation to which we subsequently become a party might result in substantial costs and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

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We may undertake acquisitions or joint ventures that may have a material adverse effect on our ability to manage our business and may not be successful.

To pursue our growth strategy, we may acquire new technologies, businesses or services or enter into strategic alliances with third parties. We may not be able to identify attractive targets, and we have limited experience in acquisitions. In addition, we may not be able to successfully acquire the targets identified despite spending significant amount of time and resources on pursuing such acquisition. Furthermore, integration of an acquired company, its intellectual property or technology into our own operations is a complex, time-consuming and expensive process. The successful integration of an acquisition may require, among other things, that we integrate and retain key management, sales and other personnel, integrate the acquired technologies or services into our integrated services from both an engineering and a sales and marketing perspective, integrate and support preexisting supplier, distribution and customer relationships, coordinate research and development efforts, and consolidate duplicate facilities and functions.

The geographic distance between companies, the complexity of the technologies and operations being integrated and the disparate corporate cultures being combined may increase the difficulties of integrating an acquired company or technology. In addition, it is common in our industry for competitors to attract customers and recruit key employees away from companies during the integration phase of an acquisition.

Our available cash and stock may be used for our future acquisitions, which will possibly result in significant acquisition-related charges to earnings and dilution to our shareholders. Future acquisitions will likely present challenges and could require that our management develop expertise in new areas, manage new business relationships and attract new types of customers. The diversion of our management's attention and any difficulties encountered in these acquisitions could have an adverse effect on our ability to effectively manage our own business. These acquisitions and equity investments may also expose us to other potential risks, including loss of the invested amounts, inability to earn an adequate return, unforeseen liabilities, diversion of resources from our existing businesses and potential harm to relationships with employees or customers.

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

Our subsidiary, Taizhou Pharmaceutical, maintains property insurance and equipment insurance covering physical damage to, or loss of, our facilities and their improvements, equipment, office furniture and inventory; clinical trial liability insurance for certain of our product candidates covering, among others, bodily injury to the patients; employer liability insurance generally covering death or work-related injury of our employees; and public liability insurance covering certain incidents involving third parties that occur on or in our premises. Our subsidiary, Taizhou Biotech did not have any significant business operation as of the Latest Applicable Date and it therefore has not purchased any kind of insurance. We do not maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. Our insurance coverage may be insufficient to

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cover any claim for product liability, damage to our facilities, plant and equipment or employee injuries. To our knowledge, insurance companies in China do not offer business liability insurance. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties.

We may be exposed to fraud, bribery or other misconduct committed by our employees or third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. During the two years ended December 31, 2017 and 2018 and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Increased labor costs could slow our growth and affect our profitability.

Our operations require a sufficient number of qualified employees. In recent years, the average labor cost in the global biologics market has been steadily increasing as the competition for qualified employees has become more intense, according to the Frost & Sullivan Report. Our staff costs accounted for approximately 42.3% and 28.7% of the aggregate of our research and development expenses and administrative expenses for the years ended December 31, 2017 and 2018, respectively. We cannot assure you that there will be no further increase in labor cost. If there is a significant increase in our labor cost, our operations and profitability may be adversely affected.

In addition, we adopted the Pre-IPO Share Option Scheme in August 2018 for the primary purpose of providing incentives and reward to our employees. Under the scheme, our Board of Directors had granted share options to eligible employees to subscribe for Shares in the Company. See “Statutory and General Information—D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus for more details. We will not grant any further option under the Pre-IPO Share Option Scheme after the Listing, but we may adopt other share-based compensation scheme in the future. Share options granted under our existing or future share-based compensation scheme could adversely affect our net income.

RISKS RELATED TO DOING BUSINESS IN CHINA

Adverse changes in political, economic and other policies of the Chinese government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products; and could otherwise materially and adversely affect our business, operations or competitive position.

Substantially all of our operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic,

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political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

Uncertainty in the interpretation and enforcement of PRC laws and regulations could limit the legal remedies available to you and to us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have limited precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing general economic matters. The overall effect of legislation over the past three decades has significantly increased 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 and regulations may not sufficiently cover all aspects of economic activity in China.

Our business and operations are primarily conducted in China and are governed by PRC laws, rules and regulations. Our Chinese subsidiaries are generally subject to laws, rules and regulations applicable to foreign investments in China. These laws and regulations change frequently, and their interpretation and enforcement involve uncertainties. In addition, some regulatory requirements issued by certain PRC government authorities may not be consistently applied by other government authorities, thus making strict compliance with all regulatory requirements impractical or, in some circumstances, impossible. For example, we may have to resort to administrative and court proceedings to enforce the legal protections that we benefit from either by law or contract. However, 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 legal systems in more developed nations. These uncertainties may also impede our ability to enforce the contracts we have entered into. These uncertainties, together with any development or interpretation of the PRC law that is adverse to us, could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

It may be difficult to effect service of process upon us or our management that reside in China or to enforce any judgments obtained from foreign courts against them or us in China.

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China from time to time. Almost all of our assets and some of the assets of our management are located

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in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments 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 (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other western countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

We rely principally on dividends and other distributions on equity paid by our operating subsidiaries to fund cash and financing requirements. Limitations on the ability of our operating subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

We are a holding company, and we rely principally on dividends and other distributions on equity paid by our subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. If any of our subsidiaries in China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by the subsidiary only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, each of our operating subsidiaries in China is required to set aside a portion of its net profit each year as statutory reserve. These reserves are not distributable as cash dividends. A wholly foreign-owned enterprise is required to set aside at least 10% of its after-tax profits of the preceding year as its reserve funds. It may stop contributing if the aggregate amount of the reserve funds has already accounted for more than 50% of its registered capital. Moreover, upon a board resolution, it may set aside certain amounts from its after-tax profits of the preceding year as bonus and welfare funds for staff and workers. A Sino-foreign

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equity joint-venture enterprise is required to set aside reserve funds, bonus and welfare funds for staff and workers and development funds, the percentage of which must be determined by the board of directors. As a result of these PRC laws and regulations, each of our PRC subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. Limitations on the ability of our operating subsidiaries in China to pay dividends to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends or otherwise fund and conduct our business.

Government control of currency conversion of and regulations on loans to, and direct investment in, PRC entities by offshore holding companies may delay or prevent us from making loans or additional contributions to our PRC subsidiaries, which could restrict our ability to utilize the proceeds from the Global Offering effectively and affect our ability to fund and expand our business.

The PRC government imposes controls on the convertibility of foreign currencies into Renminbi. Under China's existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to significant foreign-exchange controls and require the registration with, and approval of, PRC governmental authorities. In particular, if one subsidiary receives foreign-currency loans from us or other foreign lenders, these loans must be registered with SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be filed with or approved by certain government authorities, including the Ministry of Commerce or its local counterparts.

In August 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular No. 142, providing that the Renminbi capital converted from foreign-currency-registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC.

On March 30, 2015, SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which came into force and superseded SAFE Circular 142 from June 1, 2015. On June 9, 2016, SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are expected to be lifted. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. Considering that SAFE Circular 19 and SAFE Circular 16 are relatively new, it is unclear how they will be implemented, and there exists high uncertainties with respect to its interpretation and implementation by authorities. For example, under SAFE Circular 16, we may still not be allowed to

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convert foreign currency-registered capital of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment except for principal-guaranteed bank products. Further, SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital to provide loans to a its non-affiliated company.

Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

Any failure by the Shareholders or beneficial owners of our Shares who are PRC residents to comply with certain PRC foreign exchange regulations relating to offshore investment activities by such PRC residents could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The State Administration of Foreign Exchange, or the SAFE, has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, issued and effective on July 4, 2014. SAFE Circular 37 requires PRC residents to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC residents, referred to in SAFE Circular 37 as a “special purpose vehicle.” SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. If a shareholder who is a PRC citizen or resident does not complete the registration with the local SAFE branches, the PRC subsidiaries of the special purpose vehicle may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the special purpose vehicle, and the special purpose vehicle may be restricted to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above may result in liabilities for the PRC subsidiaries of the special purpose vehicle under PRC laws for evasion of applicable foreign exchange restrictions, including (1) the requirement by the SAFE to return the foreign exchange remitted overseas within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive and (2) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步

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簡化和改進直接投資外匯管理政策的通知》), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which, local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. Due to a lack of detailed implementation rules of the registration requirements and the foregoing uncertainty, as of the Latest Practicable Date, some individual shareholders of our Company, other than the Founding Individuals, who are PRC citizens and who collectively held less than 1% of shares of our Company, had not conducted their registration with the competent local branches of the SAFE. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and regulations, however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be able to compel them to comply with Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. This classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under China's Enterprise Income Tax Law, or the EIT Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. A tax circular issued by the PRC State Administration of Taxation on April 22, 2009, or Circular 82, regarding the standards used to classify resident enterprises clarified that dividends and other distributions paid by such resident enterprises will be considered to be PRC source income, subject to PRC withholding tax, currently at a rate of 10%, when received or recognized by non-PRC resident enterprise shareholders. This circular also subjects such resident enterprises to various reporting requirements with the PRC tax authorities. The implementing rules of the EIT Law define "de facto management bodies" as "management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. In addition, Circular 82 specifies that certain China-invested enterprises controlled by Chinese enterprises or Chinese group enterprises will be classified as resident enterprises if the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and (iv) half or more of senior management or directors having voting rights. On July 27, 2011, the PRC State Administration of Taxation issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial), or Bulletin 45, which became effective on September 1, 2011, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC

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resident enterprise status, including which competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration. Bulletin 45 specifies that when provided with a copy of a Chinese tax resident determination certificate issued by the competent tax authorities from an offshore incorporated PRC resident enterprise, the payer should not withhold 10% income tax when paying Chinese-sourced dividends, interest and royalties to the PRC resident enterprise. In 2014, the State Administration of Taxation, or SAT, released the Announcement of the SAT on Issues Concerning the Recognition of Chinese-Controlled Enterprises Incorporated Overseas as Resident Enterprises on the Basis of Their Actual Management Bodies, or Bulletin 9 and supplemented some provisions on the administrative procedures for the recognition of resident enterprise, while the standards used to classify resident enterprises in Circular 82 remain unchanged.

Currently, most of the members of our management team as well as the management team of some of our offshore holding companies are located in China. However, Circular 82 and Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign corporations like us. In the absence of detailed implementing regulations or other guidance determining that offshore companies controlled by PRC individuals or foreign corporations like us are PRC resident enterprises, we do not currently consider our Company or any of our overseas subsidiaries to be a PRC resident enterprise.

Despite the foregoing, the SAT may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a “resident enterprise” for PRC enterprise income tax purposes. If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, the EIT Law and its implementing rules issued by PRC tax authorities suggest that dividends paid by us to our non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our stock may be subject to a withholding tax of 10% for non-PRC enterprise shareholders and potentially 20% for non-PRC individual shareholders. Similarly, these unfavorable consequences could apply to other offshore companies if they are classified as a PRC resident enterprise.

We face uncertainty relating to PRC laws and regulations relating to transfers by a non-resident enterprise of assets of a PRC resident enterprise.

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident

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Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or Circular 7. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

For example, Circular 7 specifies that when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company which directly or indirectly holds such PRC Taxable Assets, the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in Circular 7, transfers of PRC Taxable Assets under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to PRC enterprise income tax: (i) more than 75% of the value of the equity interest of the overseas enterprise is directly or indirectly attributable to the PRC Taxable Assets; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in China at any time during the year prior to the indirect transfer of PRC Taxable Assets, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of PRC Taxable Assets; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold PRC Taxable Assets and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of PRC Taxable Assets payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to “non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market,” or the Public Market Safe Harbor. In general, transfers of the Shares by Shareholders on the Hong Kong Stock Exchange or other public market would not be subject

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to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed “Information about this Prospectus and the Global Offering,” potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of the Global Offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.

Any future outbreak of severe acute respiratory syndrome or avian flu in China, or similar adverse public health development, may severely disrupt our business and operations.

Our business is subject to the general economic and social conditions in China. The outbreak of any severe contagious disease, such as severe acute respiratory syndrome, or SARS, Ebola virus, the H1N1 influenza or other subtypes of avian flu, including H5N1 and most recently H7N9, could adversely affect the economy, infrastructure and livelihood of people in China. For instance, China experienced an outbreak of SARS in 2003 and several occurrences of avian flu in various regions since 2004. Recently, there was an outbreak of Ebola virus, the Middle East Respiratory Syndrome and Zika virus, which has not yet been fully contained.

The perception that an outbreak of contagious disease may occur again may also have an adverse effect on our future recruiting efforts. In addition, if any of our employees are affected by any severe communicable disease outbreak, we may be required to quarantine the employees who are suspected of becoming infected, as well as others who have come into contact with those employees to prevent

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the spread of the disease. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our service capacity and thus adversely affect our operations. In such event, the disruption in our production process could affect our financial condition, operational results and future prospects.

Fluctuations in exchange rates may result in foreign exchange losses and adversely impact our profitability.

In the Track Record Period, a vast majority of our expenditures were denominated in Renminbi, and a vast majority of our financial assets are also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

The political relationships between China and other countries may affect our business operations.

During the Track Record Period, we procured certain raw materials from companies headquartered in foreign countries and regions. In addition, some of the product candidates we work on may target at foreign markets. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the supply of our raw materials and the future demand for our products from foreign companies or customers. There can be no assurance that such foreign companies and customers will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

RISKS RELATED TO THE GLOBAL OFFERING

No public market currently exists for our Shares and an active trading market for our Shares may not develop or be sustained.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market

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price of the Shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares issued upon exercise of share options under the Pre-IPO Share Option Scheme). A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

The price and trading volume of our Shares may be volatile, which could lead to substantial losses to investors.

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

We may make a Downward Offer Price Adjustment, which will result in a reduction of the Offer Price and the net proceeds available to us.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$1.35 per Offer Share if we make a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$1.35, our estimated net proceeds from the Global Offering will be reduced by approximately HK\$283.5 million assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme, compare to the scenario where the Offer Price is set at the mid-point of HK\$1.73 and such reduced proceeds will be used as described in the “Future Plans and Use of Proceeds—Use of Proceeds” section of this prospectus.

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

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experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. In addition, exercise and vesting of share options under the Pre-IPO Share Option Scheme may result in an increase in our issued share capital, which in turn may result in a dilution of our shareholders' shareholding interest in our Company and a reduction in earnings per Share in the future.

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

Prior to the Global Offering, there has not been a public market for our Shares. Future sales or perceived sales by our existing Shareholders of our Shares after the Global Offering could result in a significant decrease in the prevailing market price of our Shares. Only a limited number of the 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 Shares in the public market or the perception that these sales may occur could significantly decrease the prevailing market price of our Shares and our ability to raise equity capital in the future.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interest of our other shareholders.

Immediately upon 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 and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme, our Controlling Shareholders will collectively control approximately 54.00% voting power at general meetings of our Company. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. For example, Mr. Guo Jianjun, one of our Controlling Shareholders, is also interested in Sinomab, which principally provides CRO and CMO services in the PRC and its customers' drugs could have similar or identical targets and indications with our product candidates. While we do not see any direct competition between us and Sinomab, and each of our Controlling Shareholders and Sinomab has entered into a deed of non-competition with us, we cannot assure you that our relevant Controlling Shareholders' interests will always be aligned with us or our other shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the

RISK FACTORS

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

We recorded negative reserves for the year ended December 31, 2017 as we incurred significant losses primarily due to our research and development expenses in relation to clinical activities. Negative reserves could have a material adverse effect on our ability to declare dividends and conduct our business. There can be no assurance that we will not experience negative reserves again and we will be eligible to declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Accordingly, since our Company derives substantially all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in China, we may not have sufficient distributable profits to pay dividends to our Shareholders. For the year ended December 31, 2017, we recorded a negative reserve as we incurred significant losses primarily due to our research and development expenses in relation to our clinical activities. We have never declared to pay any dividend on our ordinary shares or any other securities.

We do not have any dividend policy or intention to declare or pay any dividends in the near future. There can be no assurance that future dividends will be declared or paid. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and may be based on a number of factors, including our financial condition, future earnings, capital requirements and surplus, contractual and legal restrictions, our ability to receive dividend payments from our subsidiaries, and other factors that our Directors deem relevant. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. In view of our significant accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

We are a Cayman Islands company, and you may have different protection of your shareholder rights than you would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles of Association and by the Cayman Companies Law and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary

RISK FACTORS

responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Hong Kong and other jurisdictions. See “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus for more information. As a result, our shareholders may encounter different issues in protecting their interests through actions against our management, directors or major shareholders compared to shareholders of a corporation incorporated in Hong Kong or other jurisdictions.

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 Sole Global Coordinator nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions 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.

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.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the , the executive Directors have been and are expected to continue to be based in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. Li Yunfeng (李雲峰) and Mr. Tsang Ho Yin (曾浩賢);
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange upon reasonable notice;
- (d) our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;
- (e) Red Solar Capital Limited, our compliance advisor, will act as an additional channel of communication with the Hong Kong Stock Exchange; and
- (f) each Director will provide his or her mobile phone number, office phone number, e-mail address and fax number to the Hong Kong Stock Exchange.

Please see the section headed “Directors and Parties Involved in the Global Offering” in this prospectus for further details about other channels of communication with the Hong Kong Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience,” the Hong Kong Stock Exchange will consider the individual’s: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

We have appointed Mr. Li Yunfeng (李雲峰) (“**Mr. Li**”) and Mr. Tsang Ho Yin (曾浩賢) (“**Mr. Tsang**”) as our joint company secretaries. Mr. Li is our executive Director and chief financial officer. Mr. Li’s biographical information is set out in the section headed “Directors and Senior Management” in this prospectus. Since Mr. Li does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Li as our joint company secretary. In order to provide support to Mr. Li, we have appointed Mr. Tsang, a solicitor admitted to practice in Hong Kong, which meets the requirements under Rule 3.28 and 8.17 of the Listing Rules, as our joint company secretary to provide assistance to Mr. Li, for a three-year period from the Listing Date so as to enable him to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge his duties. Prior to the expiry of such three-year period, the qualifications and experience of Mr. Li and the need for on-going assistance of a joint company secretary will be further evaluated by the Company to determine whether the appointment of Mr. Li as the company secretary of the Company will satisfy the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules. In addition, Mr. Li will also attend no less than 15 hours of relevant professional training courses in each financial year to familiarize himself with the requirements of the Listing Rules and applicable Hong Kong laws and regulations.

See the section headed “Directors and Senior Management” in this prospectus for further information regarding the qualifications of Mr. Li and Mr. Tsang.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, transaction(s) which will constitute non-exempt continuing connected transaction(s) of our Company under the Listing Rules upon Listing. Accordingly, we have sought and obtained from the Hong Kong Stock Exchange for a waiver in relation to such continuing connected transaction(s) between us and certain connected persons under Chapter 14A of the Listing Rules. Please see “Connected Transactions” for further details of these transaction(s).

EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE AND PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus shall include an accountants’ report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the Company during each of the three financial years immediately preceding the issue of the prospectus as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include in the prospectus a report prepared by the Company’s auditor with respect to profits and losses of the Company in respect of each of the three financial years immediately preceding the issue of the prospectus.

According to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests 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.

According to Rule 4.04(1) of the Listing Rules, the accountant’s report contained in the prospectus must include, inter alia, the results of the Company in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Hong Kong Stock Exchange.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

According to Rule 18A.06 of the Listing Rules, an eligible biotech company shall comply with Rule 4.04 of the Listing Rules modified so that references to “three financial years” or “three years” in that rule shall instead reference to “two financial years” or “two years”, as the case may be.

Accordingly, we have applied to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) 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 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the following grounds:

- (a) our Company is primarily engaged in the research and development, application and commercialization of biotech products, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;
- (b) the Accountants’ Report for each of the two financial years ended December 31, 2017 and 2018 has been prepared and is set out in Appendix I to the prospectus in accordance with Rule 18A.06 of the Listing Rules;
- (c) during the two financial years ended December 31, 2017 and 2018, we had not commercialized any products and therefore did not generate any revenue from product sales;
- (d) notwithstanding that the financial results set out in the prospectus are only for the two years ended December 31, 2017 and 2018 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in the prospectus pursuant to the relevant requirements; and
- (e) further, as Chapter 18A of the Listing Rules provides track record period for biotech companies in terms of financial disclosure is two years, strict compliance with the requirements of section 342(1) 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 to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome for the Company.

Our Company is of the view that the accountants’ report covering the December 31, 2017 and 2018, together with other disclosure in the prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in the prospectus. Therefore, the exemption would not prejudice the interests 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

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

INFORMATION 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 forth 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 Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for the Hong Kong Offer Shares" and in the relevant 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 is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Friday, May 24, 2019, subject to the Offer Price being agreed.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE 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 acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, 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 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 ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option), and the Shares which may be issued pursuant to the exercise of the share options which were granted under the Pre-IPO Share Option Scheme.

No part of our share or loan 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 in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Friday, May 31, 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 2181.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong 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. 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 to enable the Shares to be admitted into CCASS.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

The indicative Offer Price range is HK\$1.50 to HK\$1.95. We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in this prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

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.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of us, the Sole Global Coordinator, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

REGISTER OF SHAREHOLDERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Walkers Corporate Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on our Hong Kong register of members. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in HK\$ and RMB have been translated, for the purpose of illustration only, into United States dollars in this prospectus at the following exchange rates:

US\$1.00: HK\$7.8475

US\$1.00: RMB6.7912

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No representation is made that any amounts in HK\$ and RMB were or could have been or could be converted into United States dollars at such rates or any other exchange rates on such date or any other date.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Likewise, the products of sales volumes and average selling prices may differ from revenue by product type due to rounding adjustments.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Dr. Qian Weizhu (錢衛珠)	Room 1202, No.14, Lane 300, Jinxiu Road, Pudong New District, Shanghai, PRC	Chinese
Dr. Wang Hao (王皓)	No. 594, Xiangyin Road, Yangpu District, Shanghai, PRC	Chinese
Mr. Li Yunfeng (李雲峰)	No. 194, Aomen Road, Putuo District, Shanghai, PRC	Chinese
Dr. Li Jing (李晶)	Room 101, No.9, Lane 2899, Hongmei Road, Minhang District, Shanghai, PRC	Chinese
<i>Non-executive Directors</i>		
Mr. Guo Jianjun (郭建軍)	No. 202, Building 1, Block 33, 4th Neighborhood, Jianxi District, Luoyang City, Henan Province, PRC	Chinese
Mr. Jiao Shuge (焦樹閣)	Flat A, 18/F, Luna Sky, The Cullinan 1, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong	Singaporean
<i>Independent Non-executive Directors</i>		
Mr. Guo Liangzhong (郭良忠)	Room 909, Unit 5, Building 1, North Block, Baiyunguan Street, Xicheng District, Beijing, PRC	Chinese
Dr. Zhang Yanyun (張雁雲)	Room 301, No. 650, Yulin Road, Yangpu District, Shanghai, PRC	Chinese
Dr. Liu Linqing (劉林青)	Room 702, 7th Floor, Unit 4, Sun Tower 2, No. 22, Democratic 2nd Road, Wuchang District, Wuhan, PRC	Chinese

Please see the section headed “Directors and Senior Management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor, Sole Global Coordinator and Sole Bookrunner	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
Legal Advisors to Our Company	<i>As to Hong Kong and U.S. laws:</i> Cleary Gottlieb Steen & Hamilton (Hong Kong) 37/F, Hysan Place 500 Hennessy Road Causeway Bay Hong Kong <i>As to PRC law:</i> Commerce & Finance Law Offices 6F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District Beijing, PRC <i>As to Cayman Islands law:</i> Walkers (Hong Kong) 15/F, Alexandra House 18 Chater Road Central Hong Kong
Legal Advisors to the Sole Sponsor and Underwriters	<i>As to Hong Kong law:</i> Eversheds Sutherland 21/F, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong <i>As to U.S. law:</i> Eversheds Sutherland (US) LLP 999 Peachtree St. NE Atlanta, Georgia United States 30309

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

As to PRC law:

Zhong Lun Law Firm

10-11/F, Two IFC

8 Century Avenue

Pudong New Area

Shanghai, PRC

Auditors and Reporting Accountants

Deloitte Touche Tohmatsu

Certified Public Accountants

35th Floor, One Pacific Place

88 Queensway

Admiralty

Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

Suite 1014-1018, Tower B

Greenland Hui Center

No. 500 Yunjin Road

Xuhui District

Shanghai, 200232 PRC

Compliance Advisor

Red Solar Capital Limited

11th Floor, Kwong Fat Hong Building

No.1 Rumsey Street, Sheung Wan

Hong Kong

Receiving Banks

Bank of China (Hong Kong) Limited

1 Garden Road

Hong Kong

CMB Wing Lung Bank Limited

CMB Wing Lung Bank Building

45 Des Voeux Road, Central

Hong Kong

CORPORATE INFORMATION

Registered office in Cayman Islands	Walkers Corporate Limited Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Principal place of business and head office in the PRC	Block G79 Lujia Road East Koutai Road West China Medical City Taizhou 225300 PRC
Principal place of business in Hong Kong	Unit 713 of 7th Floor of Lakeside 1 Phase 2, Hong Kong Science Park Shatin, New Territories Hong Kong
Company's Website	<u>www.mabpharm.cn</u> <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Li Yunfeng (李雲峰) Block G79 Lujia Road East Koutai Road West China Medical City Taizhou 225300 PRC Mr. Tsang Ho Yin (曾浩賢) 39/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong <i>(Solicitor admitted to practice in Hong Kong)</i>

CORPORATE INFORMATION

Authorized Representatives

Mr. Li Yunfeng (李雲峰)
Block G79
Lujia Road East
Koutai Road West
China Medical City
Taizhou
225300
PRC

Mr. Tsang Ho Yin (曾浩賢)
39/F, Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

Audit Committee

Dr. Liu Linqing (劉林青) (Chairman)

Mr. Jiao Shuge (焦樹閣)

Mr. Guo Liangzhong (郭良忠)

Remuneration Committee

Dr. Zhang Yanyun (張雁雲) (Chairman)

Dr. Wang Hao (王皓)

Mr. Guo Liangzhong (郭良忠)

Nomination Committee

Mr. Guo Liangzhong (郭良忠) (Chairman)

Dr. Qian Weizhu (錢衛珠)

Dr. Zhang Yanyun (張雁雲)

**Cayman Islands Principal Share
Registrar and Transfer Agent**

Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CORPORATE INFORMATION

Principal Bank

Shanghai Pudong Development Bank (Medical High-Tech
Zone Taizhou Branch)
1/F, Data Building, Taizhou Avenue
Medical High-Tech Zone
Taizhou, Jiangsu
PRC

INDUSTRY OVERVIEW

Certain information and statistics set out in this section and elsewhere in this Document relating to the industry in which we operate are derived from the industry report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us. The information extracted from the industry report should not be considered as a basis for investments in the Global Offering 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 we 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 industry report or any of the other reports 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, or any other parties involved (except Frost & Sullivan) 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 Industry Overview section is derived from the industry report prepared by Frost & Sullivan.¹

BIOLOGICS MARKET GLOBALLY AND IN CHINA

Definition of Biologics

The FDA defines biologics to include a wide range of products such as protein monoclonal antibodies, or mAbs, recombinant therapeutic protein, vaccines, blood and blood components, cell therapy and gene therapy. Biologics can be composed of sugars, proteins, or nucleic acids or complex combinations of these substances, or may be living entities such as cells and tissues. Biologics are isolated from a variety of natural sources—human, animal, or microorganism—and are produced with cutting-edge biotechnological methods. Gene-based and cellular biologics often are at the forefront of biomedical research, and may be used to treat many medical conditions for which no other treatment option exists.

Features of the Biologics Market

The biologics market has the following features:

- *Knowledge- and capital-intensive.* Biologics require multi-disciplinary and highly specific skill sets. For example, the introduction of continuous manufacturing of pharmaceuticals can be challenging for a highly complex biologics supply chain to produce sufficient products to meet demand. In addition, large-scale biotech-manufacturing facilities typically require US\$200 million to US\$700 million or more to build, compared with similar-scale small-molecule facilities that may cost US\$30 to US\$100 million. Marketing activities may be equally costly.
- *Stringent Regulation.* Regulatory review of biologic drugs is subject to strict regulation, including the requirement to produce comprehensive clinical data, a complex registration process and continued post-marketing surveillance.
- *Long and complex development process and difficult to copy.* The development of new biologics is a long, complex and costly process. It usually takes 10 to 15 years for a biologic drug to go through discovery and clinical trial phases before it can be brought to market. The sophisticated development process of biologics coupled with patent and data protection regulations makes it difficult to copy successful biologics.

¹ The contract sum to Frost & Sullivan is RMB0.77 million for the preparation and use of the industry report prepared by Frost & Sullivan, 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 automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

In compiling and preparing the industry 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 research and development (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.

INDUSTRY OVERVIEW

Size and Forecast of Global Biologics Market

The global biologics market generated revenue of US\$240.2 billion in 2017, which is expected to reach US\$404.0 billion in 2022, representing a CAGR of 11.0% during this period. In 2017, the FDA approved 46 novel drugs, of which 12 were new therapeutic biologics. The ten top-selling drugs had a total revenue of US\$82.2 billion globally in 2017, of which eight were biologics.

Key Drivers of Global Biologics Market

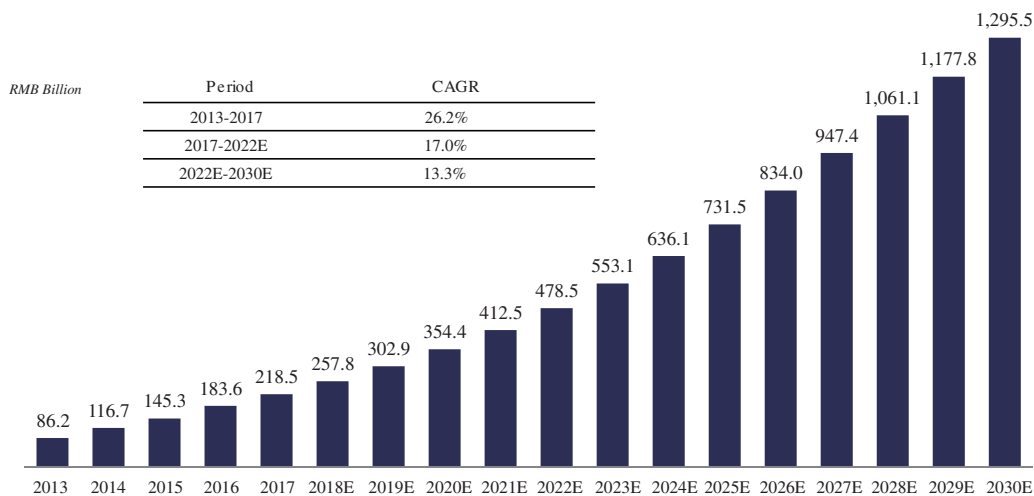
Key drivers of the global biologics market include:

- *Growing acceptance among patients and doctors.* Biologic drugs are highly effective, with fast onset and few side effects in treating a broad spectrum of diseases that lacked effective therapies in the past, such as cancers and autoimmune diseases. These attributes have led to a growing acceptance among patients and doctors.
- *Significant developments in biotechnology.* Biotechnology allows researchers to create substances that cannot be found in nature and avoid blood-born products. Supported by new types of technology, biotechnology may increase the quantity and quality of some biologics at substantially lower production costs.
- *Increasing R&D investment.* Discovering and developing new biologics is a time-intensive, complex and expensive process. Global R&D investment for biologics is expected to increase in the future. The continuous emergence of new products and biologics companies will drive the growth of the global biologics industry.
- *Growing biosimilar market.* Increasing pressure on governments to curtail healthcare expenditures coupled with a consistent demand for effective medications has supported the growth of less expensive biosimilars. While makers of branded originator drugs are facing expiring patents and a potential decline in sales, the attractiveness of biosimilars is expected to increase.

Size and Forecast of China's Biologics Market

Driven by unmet needs of the patient population, increasing healthcare expenditures, favorable government policies, approval of new biologics therapies and increased investment in research and development, China's biologics market has experienced rapid growth in the past few years, with growth rate exceeding that of the global biologics market. China's biologics market generated revenue of RMB218.5 billion in 2017. Driven by improving spending power and a growing patient pool, China's biologics market is expected to grow to RMB478.5 billion by 2022, representing a CAGR of 17.0% during this period.

Historical and Forecasted China's Biologics Market Size, 2013-2030E



Source: Company annual reports, Frost & Sullivan analysis

INDUSTRY OVERVIEW

Key Drivers of China's Biologics Market

In addition to the drivers and trends of the global biologics markets discussed above, key drivers and major trends of China's biologics market include:

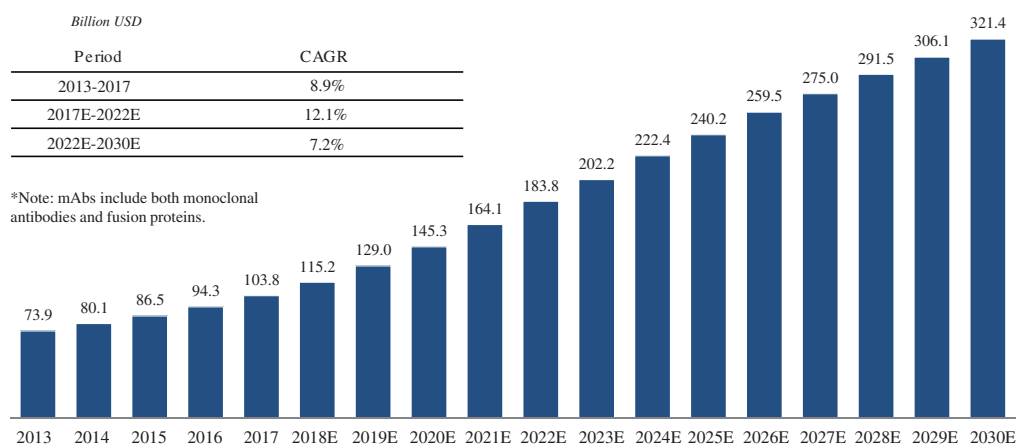
- *Increasing capital investment and manufacturing capacity.* Biologic development is capital-intensive. Capital investment in China's pharmaceutical industry in 2017 reached US\$24.9 billion, accounting for 22.2% of global pharmaceutical investment. Sufficient access to capital in China will support R&D activity and the construction of manufacturing facilities.
- *Increasing affordability.* China's revised NRDL and price negotiation mechanism may potentially incorporate additional biologics for reimbursement, while economic growth and increasing disposable income levels will enhance health awareness and purchasing power of the Chinese people.

MABS MARKET GLOBALLY AND IN CHINA

Size and Forecast of Global and China's MAb's Market

MABs is the largest category in global biologics market by revenue. In 2017, global mAbs segment accounted for 43.2% of global biologics market. The mAbs market is expected to experience higher growth rate than the biologics market in general, increasing from US\$103.8 billion in 2017 to US\$183.8 billion in 2022, representing a CAGR of 12.1% in the same period. This increase is driven by a combination of expiring patents on original biologics, increasing demand for biologics and favorable changes in the regulatory environment.

Historical and Forecast Global mAbs Market Size, 2013-2030E

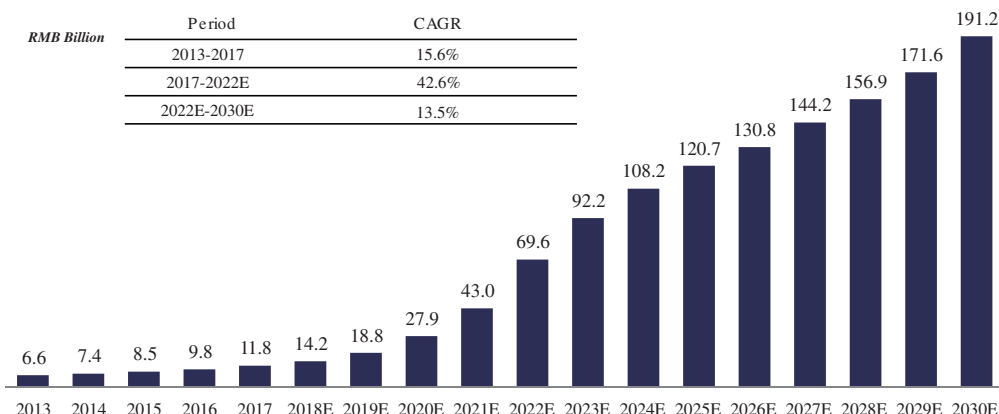


Source: Company annual reports, Frost & Sullivan analysis

Due to higher prices and limited affordability of patients in China, China's mAbs market only accounted for 5.4% of the total biologics market in 2017. With more mAbs included in NRDL and increasing availability of biosimilars as well as new mAb launches in China, such as anti-PD1 mAbs and anti-PD-L1 mAbs, China's mAbs market is expected to grow to RMB69.6 billion by 2022, representing a CAGR of 42.6% from 2017 to 2022, significantly outpacing the biologics growth during the same period.

INDUSTRY OVERVIEW

Historical and Forecast China mAbs Market Size, 2013-2030E



Source: Company annual reports, Frost & Sullivan analysis

Key Drivers of China's MABs Market

The key growth drivers of China's mAbs market include:

- Growing patient pool.** Factors including an aging population, urbanization and changing lifestyles that increasingly include an unhealthy diet have led to a substantial increase in the incidence of chronic diseases. For example, the number of patients suffering from rheumatoid arthritis reached 5.8 million in 2017 and new incidents of cancer reached 4.2 million in 2017. MABs have demonstrated superior efficacy and fewer side effects compared to chemical drugs and have the potential to address unmet clinical needs.
- Supportive government policies.** The Chinese government has promulgated a series of policies to encourage pharmaceutical innovation as well as strengthen the control and prevention of chronic diseases.
- Rising disposable income and spending power.** Per capita disposable incomes in China have increased from RMB18.3 thousand in 2013 to RMB26.0 thousand in 2017, representing a CAGR of 9.1% over the same period, and are expected to increase further in the future. The Chinese government has introduced policies to make drugs more affordable. In addition to incorporation through regular NRDL updates, the Chinese government has included five mAbs out of the first group of 36 innovative drugs into the NDRL through the price negotiation mechanism. It is expected that additional mAbs will be included in the NDRL in the future.
- Increasing capital investment.** A number of highly experienced professionals with international experience have started enterprises in China that focus on innovative drugs such as mAbs and these companies have attracted substantial capital investments. Established companies also have increasingly invested in the research and development of innovative drugs to diversify away from a focus on generic drugs. As a result, the mAbs sector in China is catching up with other developed pharmaceutical sectors characterized by substantial investment into pharmaceutical innovation.
- Potential Off-Label Use.** Off-label drug use refers to the use of drugs for an unapproved indication. Many mAbs approved in the United States are expected to be initially approved in China for limited indications. The physicians in China may choose to prescribe these drugs to patients based on indications approved and clinical studies performed overseas. In indications where there were no approved drugs or for patients who have exhausted standard treatments, drugs may be used off-label and generate additional market growth.

INDUSTRY OVERVIEW

Entry Barriers of China's mAbs Market

The following are main entry barriers of China mAbs market:

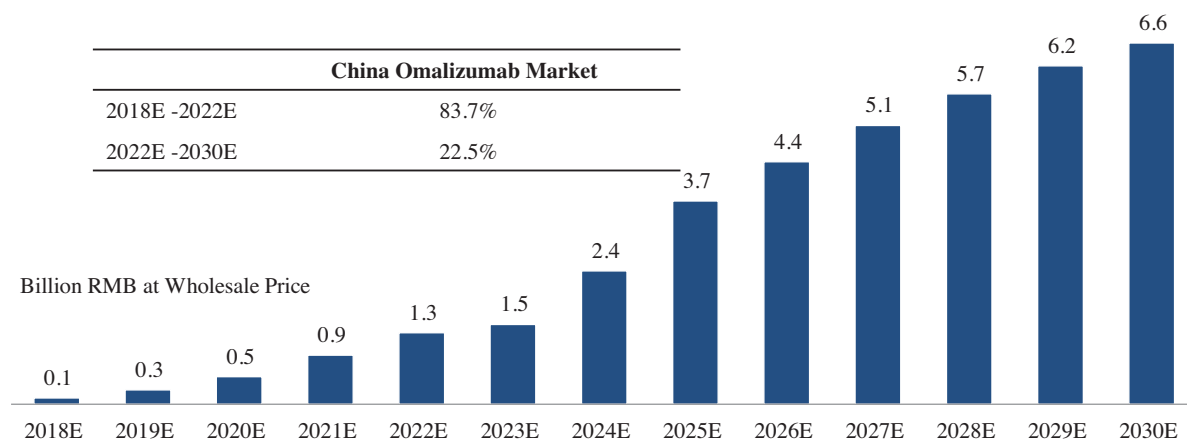
- *Strong research capabilities.* Development of monoclonal antibody agents is a very complex process and requires integration of knowledge from multiple disciplines and special skill sets. Generally, development of mAbs needs more clear understanding basis of pathway or pathology studies compared with molecularly agents. In addition, structure of mAbs are far more complex than other drug, which requires more experienced research team specifically focusing on development of mAbs.
- *Manufacturing technology.* The living cells used to manufacture biologics are fragile and sensitive to external environment. The characteristics of living cells impose high technical requirement on the manufacturing process of biologics which result far more difficult process scale up. Also, the structures of mAbs agents can be very easily influenced by specifics of manufacturing process, even slight differences in the structure can result in significant differences in the safety and efficacy profile.
- *Financial resources.* Large-scale biologics manufacturing facilities require US\$200 million to US\$700 million or more to build, compared with similar-scale molecularly facilities that may cost just US\$30 million to US\$100 million. In addition, development of mAbs agent usually costs over 10 years and US\$1.5 billion. Besides, it also takes several years to educate market and build sales channel before generating stable revenue.
- *Compliance with stringent regulations.* mAbs agents regulations are still evolving. Currently the approval for biologics generally involves a more complex registration process, including requirement for more comprehensive clinical data like immunogenicity.

ANALYSIS OF COMPANY'S CORE AND OTHER PIPELINES

Size and Forecast for China's Omalizumab Market

Only one omalizumab monoclonal antibody is approved for marketing in China, which is owned and distributed by Novartis under the trade name Xolair® and approved by the NMPA in 2017. Xolair® was not available in China market until 2017. Xolair® was approved by the FDA in the U.S. to treat asthma in June 2003 and chronic idiopathic urticarial in March 2014. The phase III clinical trial for Xolair® on the indications of nasal polyps and rhinosinusitis in the U.S. began in March 2017 and is still in the process of enrolling patients. The phase II/III clinical trial for Xolair® on the indication of bronchitis in the U.S. had completed in September 2017. In 2018, Xolair® was officially marketed in China with an estimated sales revenue of RMB0.1 billion at the beginning. Due to large asthma patient pool, increase in affordability and biosimilar launches in the near future, it is believed that the market will reach RMB1.3 billion in 2022, representing a CAGR of 83.7% from 2018 to 2022.

Forecasted China Omalizumab Market Size, 2018E-2030E



INDUSTRY OVERVIEW

	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Omalizumab													
Addressable													
Patients, thousand	2,400.7	2,523.9	2,651.6	2,782.4	2,916.8	3,055.5	3,198.7	3,346.3	3,498.3	3,654.9	3,815.9	3,981.6	4,151.6
Treatment rate, %	0.1	0.2	0.4	0.7	1.0	1.8	3.0	4.5	5.4	6.1	6.7	7.2	7.6
Patients on treatment,													
thousand	2.2	5.1	10.2	19.1	28.7	55.3	96.1	152.2	188.7	223.9	257.3	288.5	316.8
Annualized cost per													
patients for MNC													
drug, thousand													
RMB	51.7	51.7	51.7	51.7	51.7	31.0	30.4	29.8	29.2	28.6	28.1	27.5	27.0
Annualized cost per													
patients for local													
drug, thousand													
RMB	n.a.	n.a.	36.2	36.2	36.2	21.7	21.3	20.9	20.5	20.0	19.6	19.3	18.9

Source: Companies Annual Reports, Frost & Sullivan analysis

Assumptions:

1. According to Frost & Sullivan, main participants in the projected period are companies of marketed drug and drug candidates that are in late stage. In omalizumab market, there is one marketed drug, Xolair®, and one drug candidate in late stage, CMAB007. Assuming there is no significant difference between approval durations for multinational and local pharmaceutical companies, CMAB007 is expected to launch in 2020 based on the timing of submission and the duration of approval process of MNC omalizumab.
2. According to Frost & Sullivan, annual treatment costs are calculated by the on-label price and duration of treatment. The duration of treatment is expected to be similar between MNC and local drugs given their similar clinical trial results. Based on statistics of historical pricing differences between MNC and local approved branded biologics, to gain the pricing advantage, local pharmaceutical companies are expected to price their drugs at 70% of the price of MNC drugs. Local producers of omalizumab are expected to capture the market share primarily by virtue of its price advantage.
3. According to Frost & Sullivan, MNC and local producers of omalizumab are both expected to be included in NRDL in 2023 through access negotiation. Prices of omalizumab products manufactured by both multinational and local pharmaceutical companies are both expected to decrease by 40% upon inclusion to the NRDL, and are expected to further decrease by 2% in each subsequent year as a common practice in industry.
4. Frost & Sullivan does not consider off-label prescription with respect to the modeling for the approved branded drugs of both multinational and local pharmaceutical companies.

Prevalence of Asthma in China

The number of asthma patients in China grew from 21.9 million in 2013 to 23.4 million in 2017, representing a CAGR of 1.6 %, and is expected to reach 25.2 million by 2022. Moderate-to-severe asthma accounted for 35.8% of the entire asthma population in 2017. Moderate asthma that is well-controlled with Step 3 treatment accounted for 27.5% of entire asthma population, and severe asthma that requires Step 4 or Step 5 accounted for 8.3% of overall asthma population.

Competitive Landscape of MAbs for Asthma Treatment

There is only one anti-IgE mAb currently marketed in China, namely Xolair® owned and distributed by Novartis. The following tables provide an overview of the products currently marketed and in pipeline in China:

Marketed

Brand Name	Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Xolair®	Omalizumab	Novartis	August 8, 2017	Anti-IgE	Asthma	4,312/150mg	x	n/a

Source: NMPA, Frost & Sullivan analysis

INDUSTRY OVERVIEW

Pipeline

Drug Name	Major Clinical Trial Sponsor	Mechanism of Action	Indication	Estimated Enrollment*	Clinical Stage	Date**	Application No.***
CMAB007	Biomabs	IgE	Asthma	400 (Recruiting)	Phase III	October 19, 2017	CTR20170959

* Estimated enrollment is the number of targeted involved patients based on the latest clinical trials of drug candidates in the *chinadrugtrials* database of CDE.

** Date indicates the date of first disclosure of information about clinical trials.

*** Application No. indicates the registration number of clinical trials.

Source: NMPA, Frost & Sullivan analysis

As of the Latest Practicable Date, CMAB007 is the only anti-IgE mAb developed by a local Chinese company that has reached phase III clinical trial. Once launched, CMAB007 will be more affordable compared with currently marketed anti-IgE mAb Xolair®. The addressable patient cohort in 2017 of CMAB007 was 2.2 million people, and the competitor products, which have the same indication coverage as CMAB007, have similar addressable patient cohorts. Pursuant to Administrative Measures for Drug Registration, our core product candidate CMAB007 falls into the second registration category (i.e. monoclonal antibodies).

Size and Forecast of China's Cetuximab Market

Cetuximab sales in China was stable at around RMB0.3 billion in the past few years. This was primarily because of its high pricing and limited affordability of China patients. Launches of biosimilar are expected to drive up cetuximab sales in China significantly. Together with dynamic adjustment with price negotiation to include more drugs for severe diseases in the NRDL, the market is expected to increase to RMB1.2 billion in 2022, representing CAGR of 28.4% from 2017 to 2022.

Historical and Forecasted China Cetuximab Market Size, 2013-2030E



Source: Companies' Annual Reports, Frost & Sullivan analysis

INDUSTRY OVERVIEW

Assumptions:

- According to Frost & Sullivan, main participants in the projected period are companies of marketed drug and drug candidates that are in late stage. In cetuximab market, there is one marketed drug, Erbitux®, and three drug candidates in late stage, SCT200, CMAB009 and KL140. Assuming there is no significant difference between approval durations for multinational and local pharmaceutical companies, all late-stage drug candidates are expected to launch around 2022 based on the timing of submission and the duration of approval process for MNC cetuximab.
- According to Frost & Sullivan, annual treatment costs are calculated by the on-label price and duration of treatment. The duration of treatment is expected to be similar between MNC and local drugs given their similar clinical trial results. Based on statistics of historical pricing differences between MNC and local approved branded biologics, to gain the pricing advantage, local pharmaceutical companies are expected to price their drugs at 70% of the price of MNC drugs. Local producers of cetuximab are expected to capture the market share primarily by virtue of its price advantage.
- According to Frost & Sullivan, cetuximab was included in the NRDL in 2018 through access negotiation. It is practically expected to reach provinces as well as hospital terminals in 2019. Prices of cetuximab products manufactured by both multinational and local pharmaceutical companies are both expected to decrease by 2% in each subsequent year as a common practice in industry.
- Frost & Sullivan does not consider off-label prescription with respect to the modeling for the approved branded drugs of both multinational and local pharmaceutical companies.

Incidence of Colorectal Cancer in China

From 2013 to 2017, the incidence of CRC in China increased from 357.2 thousands to 411.1 thousands. The incidence of CRC in China is expected to increase to 474.5 thousands by 2022, representing a CAGR of 2.9% from 2017 to 2022. The increase is primarily driven by higher consumption of red meat and processed meat, as well as high tobacco and alcohol consumption levels.

Competitive Landscape of Anti-EGFR mAbs for CRC Treatment

There is only one anti-EGFR mAb currently marketed in China for the treatment of colorectal cancer. The following tables provide an overview of the products currently marketed and in pipeline in China:

Marketed

Brand Name	Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Erbitux®	Cetuximab	Merck KGaA	January 4, 2006	Anti-EGFR	CRC	1,295/100mg	List B	n/a

Source: NMPA, Frost & Sullivan analysis

The chart below shows our CMAB009 and other pipeline anti-EGFR mAbs that are in the late stage (i.e. Phase II or above).

Pipeline

Drug Name	Major Clinical Trial Sponsor	Mechanism of Action	Indication	Estimated Enrollment*	Clinical Stage	Date**	Application No.***
Chimeric Anti-EGFR mAb							
CMAB009	Taizhou Pharmaceutical	Anti-EGFR	CRC	512 (Recruiting)	Phase III	September 25, 2017	CTR20170701
—	Sichuan Kelun Pharmacy Institute Co., Ltd.	Anti-EGFR	CRC	570 (Not Recruiting)	Phase III	January 9, 2018	CTR20171667
Fully Human Anti-EGFR mAb							
Panitumumab	Amgen	Anti-EGFR	CRC	377 (Complete)	Phase III	August 18, 2016	CTR20160256
SCT200	Sinocelltech Ltd.	Anti-EGFR	CRC	110 (Not Recruiting)	Phase II	July 13, 2018	CTR20181541

* Estimated enrollment is the number of targeted involved patients based on the latest clinical trials of drug candidates in the *chinadrugtrials* database of CDE.

** Date indicates the date of first disclosure of information about clinical trials.

*** Application No. indicates the registration number of clinical trials.

Source: NMPA, Frost & Sullivan analysis

INDUSTRY OVERVIEW

In addition to anti-EGFR mAbs, anti-VEGF mAbs are also used as treatment for CRC. However, their clinical usage scenarios are different. Anti-EGFR mAbs are recommended to treat K-Ras/N-Ras/BRAF wild-type left-side CRC and they are confirmed to possess better efficacy profile than Anti-VEGF mAbs for treatment of left-side CRC. In addition, anti-VEGF mAbs are mainly used for treatment of NSCLC. There was only one marketed and one drug candidate in the late stage targeting CRC as of the Latest Practicable Date. In clinical practice, there is no direct competition between these two classes. The following tables provide an overview of the anti-VEGF mAbs targeting CRC currently marketed and in the late stage (i.e., Phase II and above) in China.

Marketed

Brand Name	Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Avastin®	Bevacizumab	Roche	Feb 26, 2010	Anti-VEGF	CRC, NSCLC	1,998/100mg	List B	n/a

Source: NMPA, Frost & Sullivan analysis

Pipeline

Drug Name	Major Clinical Trial Sponsor	Mechanism of Action	Indication	Estimated Enrollment*	Clinical Stage	Date**	Application No.***
HLX04	Shanghai Henlius Biotech, Inc.	Anti-VEGF	CRC	638 (Recruiting)	Phase III	March 18 2018	CTR20171503

* Estimated enrollment is the number of targeted involved patients based on the latest clinical trials of drug candidates in the *chinadrugtrials* database of CDE.

** Date indicates the date of first disclosure of information about clinical trials.

*** Application No. indicates the registration number of clinical trials.

Source: NMPA, Frost & Sullivan analysis

Different from the currently marketed cetuximab product Erbitux®, which uses the mouse myeloma cell SP2/0 expression system, CMAB009 uses CHO expression system. The post translational modification of CHO is closer to that of humans, and there is no NGNA and Gal-α1,3-Gal terminal glycosylation with immunogenic risk. CMAB009 can reduce the incidence of adverse reactions such as severe hypersensitivity, with improved safety during clinical use. In addition, compared with the currently marketed anti-EGFR mAb Erbitux®, CMAB009 will be more affordable for the potential patients.

In addition to CMAB009, there are ten drug candidates that are anti-EGFR mAbs indicated for colorectal cancer under development at various clinical stages, a majority of which are at the phase I stage. The R&D of CMAB009 has already entered the phase III stage and we have already started recruiting targeted patients. The addressable patient cohort in 2017 of CMAB009 was 42.2 thousand people, and the competitor products, which have the same indication coverage as CMAB009, have similar addressable patient cohorts. Pursuant to Administrative Measures for Drug Registration, our core product candidate CMAB009 falls into the second registration category (i.e. monoclonal antibodies).

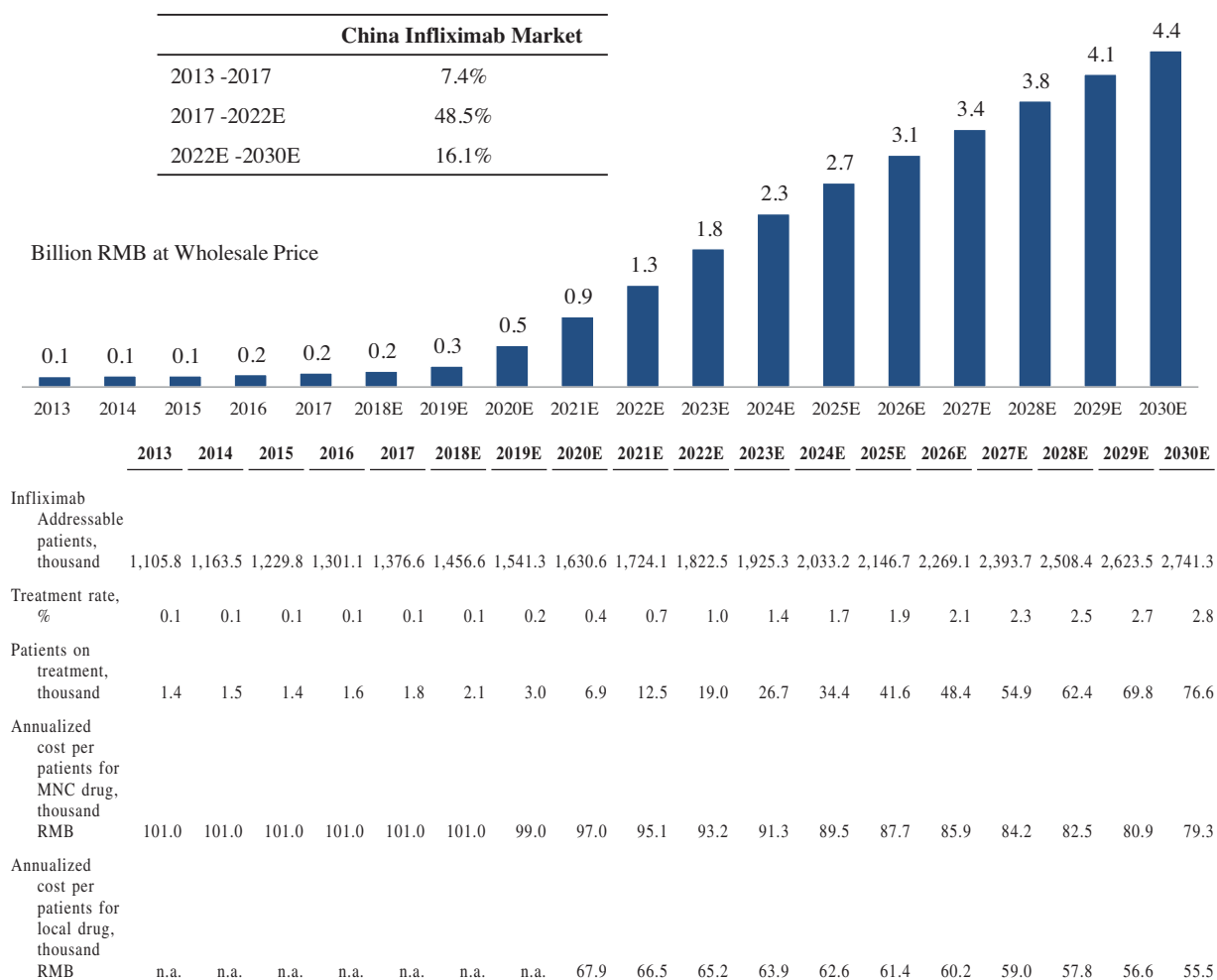
Size and Forecast for China's Infliximab Market

There is only one chimeric anti-TNFα mAb currently marketed in China, namely Remicade® (Infliximab) owned and distributed by Johnson & Johnson, which was approved by the NMPA in 2006. However, due to the high pricing and limited affordability of Chinese patients, its sales were flat at around RMB0.2 billion in 2017.

With launches of biosimilars, as well as rising medical demand from expanding patient pool and enlarging NRDL coverage (with chimeric anti-TNFα agents included), the sales revenue of infliximab is expected to experience a sharp increase, reaching RMB1.3 billion in 2022, representing a CAGR of 48.5% from 2017 to 2022.

INDUSTRY OVERVIEW

Historical and Forecasted China Infiximab Market Size, 2013-2030E



Source: Companies' Annual Reports, Frost & Sullivan analysis

Assumptions:

- According to Frost & Sullivan, main participants in the projected period are companies of marketed drug and drug candidates that are in late stage. In infiximab market, there is one marketed drug, Remicade® and three drug candidates in late stage including CMAB008, GB242 and HS626. Assuming there is no significant difference between approval durations for multinational and local pharmaceutical companies, all late-stage drug candidates are expected to launch around 2020 based on the timing of submission, current progress of clinical trial, past approval duration for multinational pharmaceutical company infiximab.
- According to Frost & Sullivan, annual treatment costs are calculated by the on-label price and duration of treatment. The duration of treatment is expected to be similar between MNC and local drugs given their similar clinical trial results. Based on statistics of historical pricing differences between MNC and local approved branded biologics, to gain the pricing advantage, local pharmaceutical companies are expected to price their drugs at 70% of the price of MNC drugs. Local producers of infiximab are expected to capture the market share primarily by virtue of its price advantage.
- The primary criterion of drugs to be included in NRDL through accession negotiation are drugs with unmet clinical demands in China. According to Frost & Sullivan, there is limited demand with respect to the target indication of infiximab. As a result, infiximab is expected to be included in NRDL automatically through the version update of NRDL, which may not affect the drug price. There is also a possibility that infiximab may not be included in NRDL. However, the drug price is still expected to decrease by 2% in each subsequent year as a common practice in industry.
- Frost & Sullivan does not consider off-label prescription with respect to the modeling for the approved branded drugs of both multinational and local pharmaceutical companies.

Prevalence of Rheumatoid Arthritis in China

The number of rheumatoid arthritis (“RA”) patients increased from 5.7 million in 2013 to 5.8 million in 2017. The number of patients is expected to grow to 6.0 million by 2022. This increase is driven by an aging population, environmental factors and increasing obesity.

INDUSTRY OVERVIEW

Competitive Landscape of Anti-TNF α mAb for RA Treatment

There are six anti-TNF α mAb currently marketed in China for the treatment of rheumatoid arthritis. The following tables provide an overview of the products currently marketed and in pipeline in China:

Marketed

Brand Name	Category/Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Remicade [®]	Infliximab (chimeric)	Johnson & Johnson	2006	Anti-TNF α	RA, AS, PS and Crohn's Disease	6,047/100mg	x	n/a
Humira [®]	Adalimumab (fully human)	AbbVie Inc.	2010	Anti-TNF α	RA, AS, PS	7,600/40mg	x	n/a
Enbrel [®]	Etanercept (rhTNFR:FC)	Pfizer Limited	2010	Anti-TNF α	RA	2,030/25mg	x	n/a
Simponi [®]	Golimumab (fully human)	Janssen Biologics B.V.	2017	Anti-TNF α	RA, AS	5,180/50mg	x	n/a
Yisaipu [®]	Recombinant Human TNF α Receptor II: IgG Fc Fusion Protein for Injection	Guojian Pharmaceutical A 3S Group (Shanghai) Co., Ltd	2005	Anti-TNF α	RA, AS, PS	643/25mg	List B	n/a
Anbainuo [®]		Zhejiang Hisun Pharmaceutical Co., Ltd	2015	Anti-TNF α	RA, AS, PS	520/25mg	List B	n/a

Source: NMPA, Frost & Sullivan analysis

The chart below shows our CMAB008 and other pipeline anti-TNF α drugs that are in the late stage (i.e, Phase II or above).

Pipeline

Drug Name	Major Clinical Trial Sponsor	Mechanism of Actions	Indication	Estimated Enrollment*	Clinical Stage	Date**	Application No.***
Chimeric Anti-TNF α mAb							
CMAB008	Biomabs	Anti-TNF α	RA	392 (Complete)	Phase III	September 15, 2017	CTR20170934
CT-P13	Celltrion	Anti-TNF α	RA	270 (Not recruiting)	Phase III	October 30, 2018	CTR20181685
GB242	Genor Biopharma Co. Ltd	Anti-TNF α	RA	568 (Not recruiting)	Phase III	July 28, 2017	CTR20170127
Fully Human Anti-TNF α mAb							
DB101	Dongbao Pharmaceutical Co., Ltd.	Anti-TNF α	RA	338 (Not recruiting)	Phase III	2019-02-26	CTR20190112
Humanized Anti-TNF α mAb							
AT132	Livzon Mabpharm Inc.	Anti-TNF α	RA	159 (Recruited)	Phase II	March 28, 2017	CTR20170265
UBP1211	Junshi Biosciences/Jiangsu Union Biopharma Co., Ltd.	Anti-TNF α	RA	536 (Recruiting)	Phase III	May 27, 2017	CTR20170415

* Estimated enrollment is the number of targeted involved patients based on the latest clinical trials of drug candidates in the *chinadrugtrials* database of CDE.

** Date indicates the date of first disclosure of information about clinical trials.

*** Application No. indicates the registration number of clinical trials.

Source: NMPA, Frost & Sullivan analysis

INDUSTRY OVERVIEW

Other than Anti-TNF α , there is another class drug targeting RA as well. Anti-IL-6 mAbs are used to treating RA patients who do not respond to anti-TNF α mAbs. So the targeting patients are exclusive to each other between anti-TNF α mAbs and anti-IL-6 mAbs. There was only one marketed anti-IL-6 mAbs in China and no IL-6 mAbs targeting RA in the late stage (i.e, Phase II or above) as of the Latest Practicable Date.

Marketed

Brand Name	Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Actemra®	Tocilizumab	Roche	November 29 2017	Anti-IL-6	RA	1,925/80mg	No	n/a

Source: NMPA, Frost & Sullivan analysis

According to our clinical results compared to published results of currently marketed infliximab product, CMAB008 uses CHO expression system which reduces immunogenicity. We believe that CMAB008 is safer than, and as effective, as currently marketed infliximab product for treatment of moderate to severe active RA as of the Latest Practicable Date.

In addition to CMAB008, there are three drug candidates that are anti-TNF α mAbs indicated for rheumatoid arthritis that are in the late stage (i.e. Phase II or above). We are also conducting a head-to-head study versus currently marketed infliximab product to confirm better safety profile and immunogenicity of CMAB008 and its non-inferior efficacy. The addressable patient cohort in 2017 of CMAB008 and CMAB815 collectively was 1.3 million people, and the competitor products, which have the same indication coverage as CMAB008 and CMAB815, have similar addressable patient cohorts. Pursuant to Administrative Measures for Drug Registration, our core product candidate CMAB008 falls into the second registration category (i.e. monoclonal antibodies).

Competitive Landscape of Anti-TNF α mAb for RA, AS and PS Treatment

CMAB815 has the same target as CMAB008. In addition to the same indications for treatment as CMAB008, CMAB815 is also indicated for treatment of ankylosing spondylitis (“AS”) and psoriasis (“PS”). There are seven anti-TNF α mAbs currently marketed in China indicated for the treatment of RA, AS and PS. In addition to the six marketed competitor drugs for CMAB008 under “—Competitive Landscape of Anti-TNF α mAb for RA Treatment,” the following table provides an overview of the other product currently marketed in China only indicated for the treatment of AS:

Marketed

Brand Name	Category/Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Qiangke®	Recombinant Human TNF α Receptor II: IgG Fc Fusion Protein for Injection	Shanghai Golden	2011	Anti-TNF α	AS	653/25mg	List B	n/a

Source: NMPA, Frost & Sullivan analysis

There are six drug candidates that are anti-TNF α mAbs indicated for the treatment of RA, AS or PS that are in the late clinical stage (i.e. Phase II or above). In addition to the drug candidates listed above indicated for the treatment of RA, the following table provides an overview of the other drug candidates indicated for the treatment of PS and/or AS:

INDUSTRY OVERVIEW

Pipeline

Drug Name	Major Clinical Trial Sponsor	Mechanism of Actions	Indication	Clinical Stage	Date*	Application No.**
Fully Human Anti-TNF α mAb						
CMAB815	Biomabs	Anti-TNF α	RA,AS,PS	Phase I	January 8, 2018	CXSL1700144
Certolizumab pegol	UCB	Anti-TNF α	Psoriasis	NDA	March 30, 2018	JXSS1800003
IBI303	Innovent Biologics, Inc	Anti-TNF α	AS	NDA	November 12, 2018	CXSS1800027
HS016	Zhejiang Hisun Pharmaceutical Co., Ltd	Anti-TNF α	AS	NDA	September 25, 2018	CXSS1800025
HLX03	Henlius Biotech Co., Ltd.	Anti-TNF α	Psoriasis	NDA	January 24, 2019	CXSS1900001
BAT1406	Bio-Thera Solutions, Ltd.	Anti-TNF α	AS	NDA	August 27, 2018	CXSS1800018
Humanized Anti-TNF α mAb						
HS626	Zhejiang Hisun Pharmaceutical Co., Ltd	Anti-TNF α	Psoriasis	Phase III	April 8, 2018	CTR20180351
rhTNFR:Fc						
—	Qilu Pharmaceutical Co., Ltd.	Anti-TNF α	AS	Phase III	May 7, 2014	CTR20140351

* Date indicates the date of first disclosure of information about clinical trials.

** Application No. indicates the registration number of clinical trials.

Source: NMPA, Frost & Sullivan analysis

Competitive Landscape of Anti-PD-1 mAb for Metastatic NSCLC and Hepatocellular Carcinoma Treatment

There are four Anti-PD-1 mAbs currently marketed in China indicated for the treatment of non-small cell lung cancer (“NSCLC”) and melanoma and classical Hodgkin’s lymphoma. The following tables provide an overview of the products currently marketed and in pipeline in China:

Marketed

Brand Name	Category/Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Opdivo®	Nivolumab	BMS	June 15, 2018	Anti-PD-1	Locally advanced or metastatic NSCLC	9,260/100mg 4,591/40mg	x	n/a
Keytruda®	Pembrolizumab	Merck	July 26, 2018	Anti-PD-1	Locally advanced or metastatic melanoma	17,918/100mg	x	n/a
Tyvyt®	Sintilimab	Innovent	December 27, 2018	Anti-PD-1	Relapsed or refractory classical Hodgkin’s lymphoma	7,838/100mg	x	n/a
JS001	Toripalimab	Junshi	December 17, 2018	Anti-PD-1	Unresectable local progression or metastatic melanoma	7,200/240mg	x	n/a

Source: NMPA, Frost & Sullivan analysis

INDUSTRY OVERVIEW

Pipeline

In addition to CMAB819, there are four additional drug candidates under advanced clinical development that are anti-PD-1 mAbs indicated various types of cancer including NSCLC:

Brand Name	Generic Name	Major Clinical Trial Sponsor	Mechanism of Actions	Indication	Clinical Stage	Date*	Application No.
CMAB819	Nivolumab	Biomabs	Anti-PD-1	NSCLC, HCC	IND approval	September 28, 2017	CXSL1700012
SHR-1210	Camrelizumab	Hengrui	Anti-PD-1	Classical Hodgkin's lymphoma	NDA submission	April 23, 2018	CXSS1800009
BGB-A317	Tislelizumab	Beigene	Anti-PD-1	Classical Hodgkin's lymphoma	NDA submission	September 6, 2018	CXSS1800019

* Date indicates the date of first disclosure of information about clinical trials.

Source: NMPA, Frost & Sullivan analysis

Competitive Landscape of Anti-HER-2 mAb for Breast Cancer Treatment

There is one anti-HER-2 mAb currently marketed in China for the treatment of HER-2 positive breast cancer. The following table provides an overview of the product currently marketed in China:

Marketed

Brand Name	Category/Generic Name	Manufacturer	NMPA Approval	Mechanism of Action	Indication	Retail Price (RMB)	NRDL	Application No.
Herceptin®	Trastuzumab	Roche	2002	Anti-HER-2	HER-2 positive breast cancer	7,270/440mg	List B	n/a

Source: NMPA, Frost & Sullivan analysis

In addition to CMAB809, there are six additional drug candidates under advanced clinical development that are anti-HER-2 mAbs indicated for breast cancer treatment. The following table provides an overview of these drug candidates:

The chart below shows our CMAB809 and other pipeline anti-HER-2 drugs that are in the late stage (i.e. Phase II or above).

INDUSTRY OVERVIEW

Pipeline

Drug Name	Major Clinical Trial Sponsor	Mechanism of Actions	Indication	Clinical Stage	Date*	Application No.**
CMAB809	Taizhou Pharmaceutical	Anti-HER-2	HER-2 overexpression breast cancer or metastatic gastric cancer	Phase I	July 11, 2016	CXSL1600025
HLX02	Shanghai Henlius Biotech, Inc.	Anti-HER-2	HER-2 positive breast cancer	Phase III	September 12, 2016	CTR20160526
—	Sunshine Guojian	Anti-HER-2	HER-2 overexpression breast cancer	NDA submission	September 7, 2018	CXSS1800023
GB221	Genor Biopharma	Anti-HER-2	HER-2 positive breast cancer	Phase III	April 19, 2018	CTR20171510
Trastuzumab Biosimilar	Anhui Anke Biotechnology	Anti-HER-2	HER-2 positive breast cancer	Phase III	August 3, 2017	CTR20160642
HS022	Zhejiang Hisun	Anti-HER-2	HER-2 positive breast cancer	Phase III	April 8, 2018	CTR20180362
Recombinant Humanized anti-HER2 Monoclonal Antibody	RemeGen	Anti-HER-2	Metastatic breast cancer	Phase II	July 2, 2018	CTR20180844

* Date indicates the date of first disclosure of information about clinical trials.

** Application No. indicates the registration number of clinical trials.

Source: NMPA, Frost & Sullivan analysis

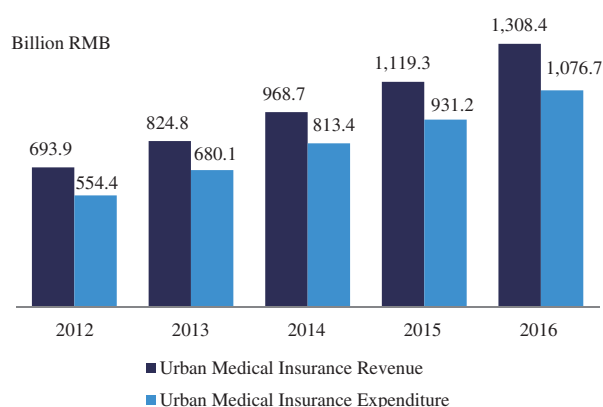
The addressable patient cohort in 2017 was 1.3 million people for CMAB008 and CMAB815 collectively, 33.6 thousand for CMAB819, and 3.4 million for CMAB809, respectively. Because of the same respective indication coverage, the competitor products have similar addressable patient cohorts.

MEDICAL INSURANCE IN CHINA

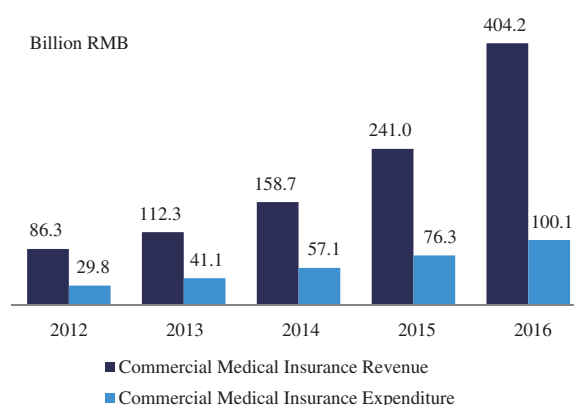
Medical insurance provided by the PRC government, including urban and rural medical insurance, is the largest payer for pharmaceutical expenditure in China. Commercial medical insurance is also increasingly purchased by PRC healthcare consumers to supplement their urban medical insurance coverage, and this trend is expected to continue to grow as demand for insurance grows. The following charts set forth the revenue and expenditure of urban medical insurance and commercial medical insurance in the PRC for the period indicated.

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**The Revenue and Expenditure of
the Urban Medical Insurance, 2012-2016**



**The Revenue and Expenditure of
the Commercial Medical Insurance, 2012-2016**



Note: Urban medical insurance includes Urban Employee Basic Medical Insurance and Urban Resident Basic Medical Insurance

Source: NHFPC, MoHRSS, Frost & Sullivan analysis

The national and provincial reimbursement drug lists provide the framework for drug reimbursement for those with urban medical insurance coverage. The national reimbursement drug list (NRDL) is managed by the National Medical Insurance Bureau (NMIB) and is periodically re-evaluated. The NRDL generally divides reimbursable drugs into two categories—List A and List B. Set forth below is an introduction to NRDL’s List A and List B drugs.

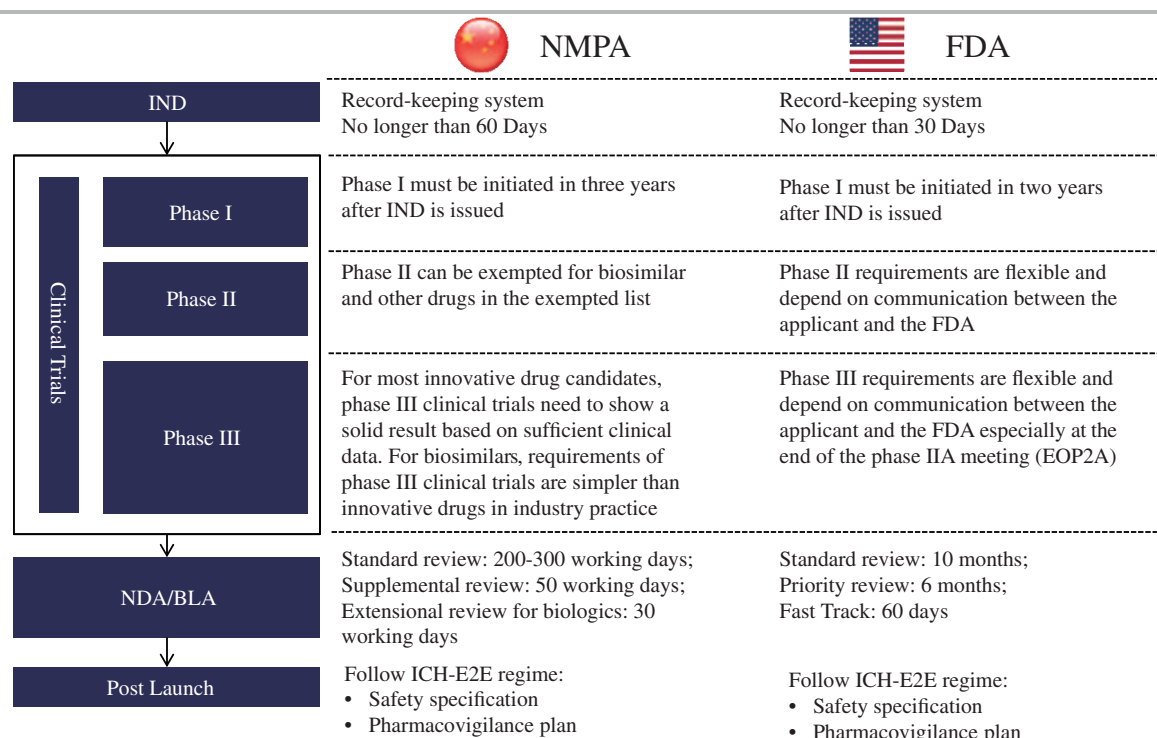
Description	List A catalogue	List B catalogue
Features	<ul style="list-style-type: none"> Fully reimbursable drugs Must be included in the provincial government reimbursement drug lists 	<ul style="list-style-type: none"> Higher price premium and require 10-30% cash co-payment by the patients; For list B drugs in NRDL, a province has the flexibility to substitute up to 15%, which can be adjusted to suit local economic and demographic situations, and meet their medical requests locally.
Number (2017 version)	<ul style="list-style-type: none"> 402 Western medicine drugs 192 traditional Chinese medicine (including ethnodrugs) 	<ul style="list-style-type: none"> 926 Western medicine drugs 1,051 traditional Chinese medicine (including ethnodrugs)

Source: NHFPC, MoHRSS, NDRC, Frost & Sullivan analysis

In 2017, the NRDL was updated for the fourth time, in which 339 drugs were added. A negotiation system was established for patented or exclusive drugs that have high clinical value but are relatively expensive. If successfully negotiated between the drug manufacturer and the PRC government, these drugs will be added to List B of the NRDL. 44 patented or exclusive drugs have entered into negotiation with MoHRSS, of which 36 drugs were added to List B of the NRDL. Innovative domestic drug companies may enjoy more market access and reimbursement opportunities if they successfully demonstrate their drug candidates’ high clinical value and are able to add their drugs to the reimbursement list.

INDUSTRY OVERVIEW

DRUG REGISTRATION PROCEDURES IN CHINA AND THE U.S.



Note: The Procedure is a general approval pathway. In reality, the approval pathway may vary for each case.

Source: CMA, Frost & Sullivan analysis

COMPARISON OF EXCLUSIVITY FOR BIOSIMILARS

	NMPA	FDA	EMA
Regulatory Framework	Guidelines for the R&D and Evaluation of Biosimilars (Trial) 《生物類似藥研發與評價技術指導原則（試行）》	<ul style="list-style-type: none"> Biologics Price Competition and Innovation Act (BPCIA) 	<ul style="list-style-type: none"> Guideline on Comparability of Medicinal Products Containing Biotechnology-derived Proteins as Drug Substance; Non-clinical and clinical issues Guideline on Comparability of Medicinal Products Containing Biotechnology-derived Proteins as Active Substance - Quality issues
Regulatory Authorization	NMPA	<ul style="list-style-type: none"> FDA 	<ul style="list-style-type: none"> EMA
Registration Pathway	Biosimilar	<ul style="list-style-type: none"> 351(k), PHS Act 	<ul style="list-style-type: none"> Similar Biological Medicinal Products (SBMP)
Definition	<ul style="list-style-type: none"> Therapeutic Biologics Similar in terms of quality, safety and potency Same amino acid sequence Special treatment for products such as PEGylated products, and ADC products 	<ul style="list-style-type: none"> Therapeutic Biologics No clinically meaningful differences between the biological product and the reference product in terms of the safety, purity, and potency 	<ul style="list-style-type: none"> Biological medicine No meaningful differences from the reference medicine in terms of quality, safety or efficacy
Exclusivity for reference biologics	No significant exclusivity for reference biologics	<ul style="list-style-type: none"> In the first 4 years after marketing authorization of reference product, applicant of biosimilar cannot file application to FDA. In the first 12 years after marketing authorization of reference product, biosimilar cannot launch in market 	<ul style="list-style-type: none"> In the first 8 years after marketing authorization of the reference product, company cannot cross-refer to the data in support of another marketing authorization In the first 10 years after marketing authorization of the reference product, biosimilar cannot be placed on the market, even if the medicinal product has already received a marketing authorization. If there is new indication which is registered in the first 8 years and brings significant clinical benefit over existing therapies, the period will be extended to 11 years
Exclusivity for biosimilar	No exclusivity for the first approved biosimilar product	<ul style="list-style-type: none"> 1 year market exclusivity for first approved interchangeable biosimilar product 	<ul style="list-style-type: none"> No exclusivity for the first approved biosimilar product

Source: Frost & Sullivan analysis

REGULATORY OVERVIEW

We are subject to various laws and regulations of the PRC that are material to our operations and are disclosed below.

LAWS AND REGULATIONS OF THE PRC

Foreign Investment

Companies with limited liability and joint stock limited companies established in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》, the “**Company Law**”), promulgated by the Standing Committee of the National People’s Congress (the “**SCNPC**”) on December 29, 1993, which became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018 respectively. Foreign invested companies are also subject to the Company Law, except as otherwise provided in the foreign investment laws including Law of the PRC on Wholly Foreign-owned Enterprises (《中華人民共和國外資企業法》, the “**WFOE Law**”), Sino-Foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》, the “**EJV Law**”) and Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》, the “**CJV Law**”).

The Foreign Investment Law (2019) 《中華人民共和國外商投資法》 was adopted at the Second Session of the Thirteenth National People’s Congress of the PRC on March 15, 2019 and will come into force as of January 1, 2020, by which time, the EJV Law, the WFOE Law and the CJV Law shall be repealed by The Foreign Investment Law (2019) simultaneously.

The Foreign Investment Law (2019) specifies that the “Foreign Investment” refers to the investment activity directly or indirectly conducted by a foreign natural person, enterprise or other organization (hereinafter referred to as the “foreign investors”), including the following circumstances:

- (a) A foreign investor establishes a foreign-funded enterprise within the territory of China, independently or jointly with any other investor;
- (b) A foreign investor acquires shares, equities, property shares or any other similar rights and interests of an enterprise within the territory of China;
- (c) A foreign investor makes investment to initiate a new project within the territory of China, independently or jointly with any other investor; and
- (d) A foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council.

The Foreign Investment Law (2019) stipulates the regulation of foreign investments by way of affording treatment equivalent to national prior to establishment of the foreign investments and by way of having a “negative list”. The “negative list” will be issued by or upon approval by the State

REGULATORY OVERVIEW

Council. A foreign investor shall not invest in any field prohibited from foreign investment under the “negative list”. A foreign investor shall meet the investment conditions stipulated under the “negative list” for any restricted fields under the “negative list”. For fields not mentioned in the “negative list”, domestic and foreign investments shall be treated equally.

Investments in the PRC by foreign investors are regulated by the Guidance Catalog of Industries for Foreign Investment (2017 Revision) (《外商投資產業指導目錄(2017年修訂)》, the “**Catalog**”), the latest version of which was promulgated by the National Development and Reform Commission (the “**NDRC**”) and the Ministry of Commerce (the “**MOFCOM**”) on June 28, 2017 and became effective on July 28, 2017. The Catalog has been a longstanding tool used by policymakers of the PRC to manage direct foreign investment. The Catalog is divided into the encouraged industries, the restricted industries and the prohibited industries for foreign investment, and industries which are not listed in the Catalog shall be categorized as the permitted industries for foreign investment. On June 28, 2018, NDRC and MOFCOM promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》, the “**Negative List**”), which entered into force from July 28, and repealed special administrative measures for access of foreign investment simultaneously, as provided in the Catalog. The industry in which our PRC subsidiaries are primarily engaged does not fall into the Negative List.

The WFOE Law, the EJV Law and the CJV Law were revised by the SCNPC on September 3, 2016 and the revisions of which became effective on October 1, 2016. According to the amendments, for wholly foreign-owned enterprises, Sino-foreign equity joint venture enterprises and Sino-foreign cooperative joint venture enterprises which the special market entry management measures prescribed by the State do not apply to, their establishment and changes only need to be filed with competent authorities. Pursuant to Announcement No.22, 2016 issued by NDRC and MOFCOM (《國家發展和改革委員會/商務部2016年第22號公告》, the “**Announcement No.22**”) on 8 October 2016, the special market entry management measures shall be implemented with reference to the relevant regulations in relation to the restricted foreign-invested industries, prohibited foreign-invested industries and encouraged foreign-invested industries with requirements as to shareholding and senior management stipulated in the Catalog.

To facilitate the implementation of the above amendments made to the WFOE Law and EJV Law, the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》, the “**Interim Measures**”) was promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017 and June 29, 2018, pursuant to which, the establishment of foreign-invested enterprises which the special market entry management measures prescribed do not apply to and their changes shall be subject to record-filing instead of examination and approval. Within the record-filing scope stipulated in the Interim Measures, the foreign-invested enterprise shall submit the record-filing information for its establishment or change online when they go through the formation or modification registration at the administrative department for industry and commerce and the market regulatory department.

On August 8, 2006, six PRC regulatory agencies, namely, MOFCOM, the State-owned Assets Supervision and Administration Commission of the PRC, the State Administration of Taxation (the “**SAT**”), the State Administration for Industry and Commerce (the “**SAIC**”), the China Securities Regulatory Commission (the “**CSRC**”), and the State Administration of Foreign Exchange (the

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“SAFE”), jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which became effective on September 8, 2006 and were amended by MOFCOM on June 22, 2009. The M&A Rules require, among others, that a foreign investor acquiring the equity interest in a non-foreign invested PRC enterprise or purchasing and operating the asset of such enterprise by establishing a foreign invested enterprise shall comply with relevant foreign investment industry policies and shall be subject to approval by MOFCOM or its local competent authorities.

Pharmaceutical Products Manufacturing Licenses and Approvals

In the PRC, a pharmaceutical manufacturer must obtain a number of permits, licenses and registrations before it may commence operation and production, which include the business license, the Drug Manufacturing Certificate, the Good Manufacturing Practice (GMP) Certificate, and the approval and registration documents, in each case, in relation to pharmaceuticals manufacturing. In accordance with the Pharmaceutical Administration Law of the PRC (《中華人民共和國藥品管理法》), promulgated on September 20, 1984 and amended on April 24, 2015, a pharmaceutical manufacturer must obtain a Pharmaceutical Manufacturing Certificate from the NMPA at the provincial level before it starts to manufacture pharmaceutical products. Prior to granting such license, the relevant government authority will inspect the manufacturer’s production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and equipment within the facilities have met the required standards. According to the Regulations of Implementation of the Pharmaceutical Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) which was effective on September 15, 2002, amended on February 6, 2016 and March 2, 2019, a pharmaceutical production license is valid for five years and may be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority.

According to the Pharmaceutical Administration Law of the PRC (《中華人民共和國藥品管理法》) and its implementing regulations (《中華人民共和國藥品管理法實施條例》), a pharmaceutical manufacturer of pharmaceutical products and pharmaceutical raw materials must obtain a GMP certificate before it may start to produce pharmaceutical products and pharmaceutical raw materials. Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) (the “GMP”), effective on March 1, 2011, provides detailed guidelines in respect of practices governing the production of pharmaceutical products. A GMP certificate certifies that a manufacturer’s factory has met certain criteria in the GMP, which includes: institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, maintenance of sales records and manner of handling customer complaints and adverse reaction reports. According to the Certification Measures on GMP (《藥品生產質量管理規範認證管理辦法》), effective on August 2, 2011, a pharmaceutical manufacturer shall reapply for the GMP certification six months prior to its expiration date.

The Approval and Registration of Pharmaceutical Products

Registration of New Drugs

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), promulgated by the NMPA on July 10, 2007 and effective on October 1, 2007, new drugs refer to those products which have never been launched for sale in China. Pharmaceutical products taking different dosage forms or routes of administration or having curative effects for additional diseases are treated as new drugs.

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In accordance with the Opinions of the State Council on Reforming the System for Review and Examination 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》), which was promulgated by the State Council and became effective on August 9, 2015, the definition of new drugs shall be adjusted from the prevailing definition of “drugs that have never been sold on the market within PRC” to “drugs that have never been sold on the market both within and outside PRC”. In addition, new drugs can be categorized into innovative drugs and improved new drugs based on the originality and novelty of substance base, the scope of which is narrowed as compared to the previous scope.

New drugs are registered under three different types: Chinese medicines and natural medicine, chemical pharmaceutical products and biochemical products, each of which is divided into different categories. Different requirements are applicable to the registration under different types. All new drugs must undergo four phases before the launching: pre-clinical research, application for clinical trials, clinical trials and approval for production.

Upon the completion of pre-clinical research, pharmaceutical manufacturers are required to obtain approval from the NMPA prior to commencing clinical trials of any new drugs.

In accordance with the Measures for the Qualification Accreditation of Institutions Performing Pharmaceutical Clinical Trials (Trial) (《藥物臨床試驗機構資格認定辦法(試行)》), promulgated by the NMPA on February 19, 2004 and effective on March 1, 2004, these Measures are formulated and amended jointly by the NMPA and the National Health Commission of the People’s Republic of China (the “NHC”, formerly known as MOH and NHFPC). The NMPA shall be in charge of the administration of the Qualification Accreditation nationwide. The NHC shall be responsible for the relevant works related to the administration of the Qualification Accreditation within the scope of its authority. The NMPA and the Departments of Health of all provinces, autonomous regions, municipalities directly under the Central Government shall be responsible for the preliminary examination, formalities examination and the daily supervision and administration within their respective administrative regions.

Clinical trials comprise four phases: phase I (preliminary pharmacology and human safety evaluation studies), phase II (preliminary exploration on therapeutic efficacy), phase III (confirmation of therapeutic efficacy) and phase IV (research on applications after launching of new pharmaceuticals). The number of tested cases of clinical trials shall accord with the aim of each phase of clinical trials and relevant statistical requirements, and shall not be less than the statutory minimum number of clinical trial cases, save for otherwise approved by the NMPA in the case of rare diseases, special diseases and other exceptional circumstances.

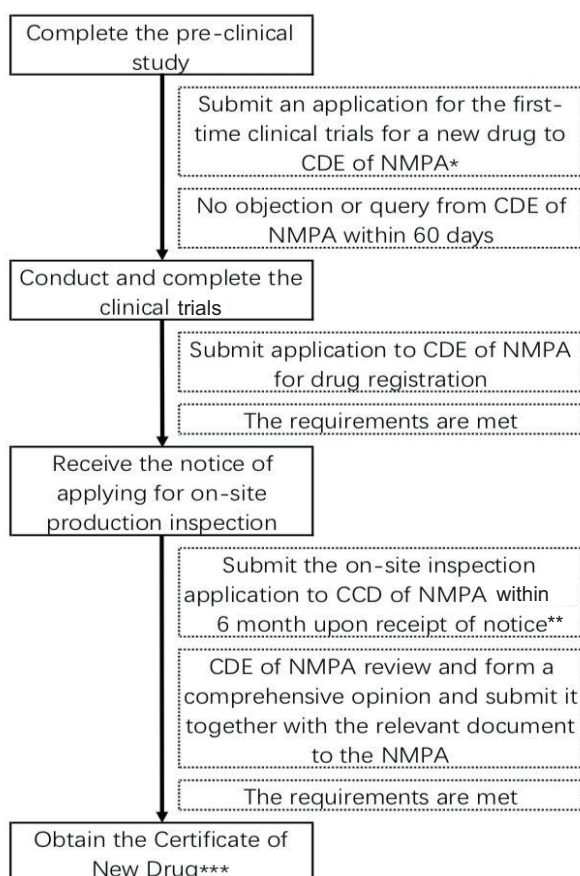
Upon the completion of clinical trials, the applicant shall also apply for an approval to manufacture the new medicines. If the new medicines meet with the specific technical standard/requirements which include such as quality indicators, testing approaches and manufacturing process promulgated by the NMPA, the applicant will be granted a new drug certificate and a drug approval number by the NMPA. The manufacturer may then commence commercial production of the new drug.

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According to 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》) established by NMPA on July 24, 2018, where an application is filed for carrying out clinical trials in PRC, the applicant may carry out clinical trials for drugs according to the submitted scheme, if it has not received any objection or query from CDE of NMPA within 60 days of the date on which the application is accepted and the fees are paid.

In accordance to the Announcement of the China Food and Drug Administration on Adjusting the Acceptance of Drug Registration Applications (《國家食品藥品監督管理總局關於調整藥品註冊受理工作的公告》) promulgated on November 11, 2017 by NMPA, from December 1, 2017, NMPA shall accept and handle the drug registration applications in a centralized manner which are previously accepted by provincial food and drug administrations and evaluated and approved by the NMPA, including applications for clinical trials of new drugs, for manufacture of new drugs (including for New Drug Certificates), for generic drugs, supplementary applications to be approved by the NMPA, etc.

The aforesaid procedures of new drug registration can be illustrated as follows:



* CDE of NMPA refers to the Center for Drug Evaluation of NMPA.

** CCD of NMPA refers to the Certification Committee for Drugs of NMPA.

*** Drug Approval Number shall be granted at the same time to enterprises with Manufacturing License for Drugs and productive conditions.

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The NMPA may stipulate a monitoring period of up to five years in respect of any new medicine approved for production to monitor the safety of such new medicine on an ongoing basis. The NMPA will not approve the production, change dosage forms and import of such new medicine by other enterprises during the monitoring period. No applications for the registration of similar pharmaceutical products by other applicants shall be accepted after the commencement of the monitoring period for such new medicine. Applications for the registration of pharmaceutical products of similar products by other applicants that have been accepted but have not been approved to begin clinical trials shall be returned. However, after a new medicine enters the monitoring period, for other applications whose clinical trial have already been approved by the NMPA, the on-going application shall continue in the regular review process, and the NMPA may approve the production or import of that application in compliance with the requirements, as well as monitor the new medicine produced by the pharmaceutical manufacturer within China. Upon the expiration of the monitoring period of new medicine, applicants may file an application in respect of their generic medicines or for the import of similar pharmaceutical products.

Under the Regulations on the Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》), which was promulgated and implemented since January 7, 2009 by the NMPA, certain types of new medicines may apply to go through the special examination and approval process when submitting the application for clinical trials or the application of production.

Registration of Generic Drugs

In accordance with the Measures for the Administration of Drug Registration and the Opinions of the State Council on Reforming the System for Review and Examination 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》) which was promulgated and implemented since August 9, 2015, generic drugs are those that have same quality and efficacy as reference listed drugs, and application for generic drug refers to application for registration of producing drugs with existing national standard, which have been approved for sale by the NMPA.

For the purpose of generic drug application, the applicants need to go through at least two processes, which are pre-clinical research and the application of production; and generic drugs are required to conduct no less than a certain number of clinical trials, when necessary. All the applicants shall begin the manufacture after obtaining the production approval by the NMPA.

Therapeutic Biological Products

Pursuant to the Measures for the Administration of Drug Registration, biological products shall be registered in accordance with the new drug application procedure, and according to Appendix III to the Administrative Measures for Drug Registration, the registration categories of therapeutic biological products shall be divided into 15 types:

- (i) biological products not marketed in the domestic and overseas;
- (ii) monoclonal antibodies;

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- (iii) gene therapy, somatic therapy and its products;
- (iv) allergenic original products;
- (v) multicomponent product with biological activity that extracted from human, animal tissues or bodily fluids, or prepared by fermentation;
- (vi) new compound products consists of marketed biological products;
- (vii) biological products that have been marketed abroad but have not been marketed in the domestic;
- (viii) micro-ecological products containing unapproved strains;
- (ix) products whose structure is not exactly the same as the marketed products and have not been marketed in the domestic and overseas (including amino acid site mutation and deletion, the generation, elimination, or alteration of post-translational modifications, chemically modify the products resulting from differences in expression systems, etc);
- (x) products which preparation method is different from that of marketed products (for example, using different expression systems, host cells, etc);
- (xi) products prepared by DNA recombination technology for the first time (for example, recombinant technology replaces synthetic technology, biological tissue extraction or fermentation technology, etc);
- (xii) the products that have not been marketed in the domestic and overseas are changed from non-injection route administration to injection route administration, or from local administration to systemic administration;
- (xiii) biological products that change the dosage of marketed products but do not change the route of administration;
- (xiv) biological product that changes the route of administration (not including the above 12 terms); and
- (xv) biological products with national drug standards.

Supplementary Application

A supplementary application means a registration application for any change, modification or cancelation of the matters or contents of the original approval after a new drug, a biologic drug or a generic drug application has been approved. The NMPA at the provincial level will provide an

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examination opinion in respect of any supplementary applications with respect to any amendments to the approval drug specification, changes of the excipients with medicinal requirements the drug formulation, or changes in the production process which will have an effect on the drug quality. Then NMPA at the provincial level will submit such opinion to the NMPA for examination and approval.

Re-registration

According to the measures for the Administration of Drug Registration, an approval number for medicine issued by the NMPA is valid for five years and the applicant shall apply to the relevant NMPA for renewal six months prior to its expiration date.

Registration of Biosimilar Drugs

Before 2015, there lacked specific pathway and guidance for the registration, R&D and evaluation techniques of biosimilar drugs. Measures for the Administration of Drug Registration only define therapeutic biological products and prescribe that such drugs shall be registered in accordance with the new drug application procedures. Pursuant to these application procedures for new drugs, applicants are not required to conduct head-to-head clinical trials to test the biosimilarity of their drug candidates.

In February 28, 2015, NMPA published the Announcement on Promulgating the Guiding Principles for the Research and Development and Evaluation Techniques concerning Biosimilar Drugs (《關於生物類似藥研發與評價技術指導原則》的通告) (the “**2015 Guiding Principles Announcement**”). The 2015 Guiding Principles Announcement clarifies the registration procedures and R&D requirements of biosimilar.

The 2015 Guiding Principles Announcement does not set up new procedural requirements, nor provide a specific regulatory pathway for the registration of biosimilar drugs. Pursuant to the 2015 Guiding Principles Announcement, biosimilar drugs shall be registered according to the application procedures for new drugs. See “— Registration of New Drugs” for more information.

In addition, the 2015 Guiding Principles Announcement defines biosimilar drugs as therapeutic biological products similar to registered reference drugs in terms of quality, safety and efficacy. Depending on their nature and preparation method, biosimilar drugs shall be applied for registration under the corresponding categories (namely, Categories 2, 10 and 15) of therapeutic biological products listed in Appendix III to the Measures for the Administration of Drug Registration. Applicants shall submit relevant application materials in accordance with the registration requirements for different categories of therapeutic biological products, respectively, as well as the 2015 Guiding Principles Announcement.

Furthermore, the 2015 Guiding Principles Announcement provides specific requirements for the R&D of biosimilar drugs. Under the 2015 Guiding Principles Announcement, applicants for registration of biosimilar drugs are required to prove the similarities between their drug candidates

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and the reference drugs through contrast experimental studies, so as to support the safety and efficacy of such drugs. If the product is researched and developed pursuant to such requirements for biosimilar drugs, applicant shall make relevant statement in the Application Form for Drug Registration (《藥品註冊申請表》).

New Measures by the NMPA in 2015

Since July 2015, the NMPA has introduced certain measures to improve the standards of the approval of pharmaceutical research and development and the efficiency of the approval of drug applications.

According to the NMPA Notice in Relation to Self-review of Clinical Trials Data (《國家食品藥品監督管理總局關於開展藥物臨床試驗數據自查核查工作的公告》) (the “**Notice No. 117**”), which was issued and effected on July 22, 2015, the NMPA requires the applicants to self-review the clinical trials data relating to the existing 1622 drugs’ manufacturing or importation in the attached list. In addition, on November 11, 2015, the NMPA issued Certain Policies in Relation to Review and Approval of Drug applications (《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》) (the “**Notice No. 230**”), which set out ten policies to be applied in the process of reviewing and approving the current drug applications, with an emphasis on the safety and effectiveness of the drug, the accuracy of clinical trials data, and the consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. The combination of Notice No. 117 and Notice No. 230 means that pharmaceutical companies will need to conduct self-review of their current drug applications to see if it meets the stringent standards of the NMPA, failing which, the NMPA would expect the relevant applicant to withdraw its drug application and to resubmit the relevant drug application when the requirements are met.

Furthermore, the NMPA also issued three papers in relation to bio-equivalence and comparability studies of generic drugs, namely, (i) the Notice about the Regulations in Relation to Registration of Bio-equivalence Studies for Generic Drugs (《關於化學藥生物等效性試驗實行備案管理的公告》) which stipulates that the bio-equivalence studies for generic drugs shall be subject to registration instead of approval since December 1, 2015 and sets out the procedure and criteria of registration in relation to the bio-equivalence studies for generic drugs; (ii) The Opinion of the General Office of the State Council on Evaluation of the Quality and Effectiveness of Generic Drugs (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》), effected on February 6, 2016, which provides the principles and policies for evaluating the quality and effectiveness of generic drugs, in order to improve the quality of generic drugs in China; and (iii) the NMPA Opinions on Encouraging the Prioritized Evaluation and Approval for Drug Innovations (《食品藥品監管總局關於鼓勵藥品創新實行優先審評審批的意見》), effected on December 21, 2017, which sets forth the scope, the working requirement and the procedure for the prioritized check-and-approval process for drug registration.

Distribution of Pharmaceutical Products

Drug Trading License

The establishment of a wholesale pharmaceutical distribution company requires the approval of provincial drug administrative authorities. Upon approval, the authority will grant a medicine

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operation certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local drug administrative authorities at or above the county level. Upon approval, the authority will grant a Drug Trading License in respect of the retail pharmacy store. Once these permits are received, the wholesale or retail pharmaceutical company (as the case may be) shall be registered with the relevant local branch of the SAIC.

According to the Measures for the Administration of Drug Trading License (《藥品經營許可證管理辦法》) promulgated by the NMPA on February 4, 2004 and amended on November 17, 2017, a Drug Trading License is valid for five years. Each holder of the Drug Trading License shall apply for an extension of its permit within six months prior to expiration.

Good Supply Practices or GSP

Under the Administrative Measures of Certification of Good Supply Practices (《藥品經營質量管理規範認證管理辦法》), promulgated on and effective on April 24, 2003 by the NMPA, each retail or wholesale enterprises of pharmaceutical products is required to obtain a GSP certificate from the relevant drug administrative authorities prior to commencing its business. GSP constitutes the basic standards in management of operation quality of medicines and shall apply to enterprises exclusively or concurrently engaged in medicine operation within the PRC. The current applicable GSP standards require pharmaceutical enterprises to implement strict controls on its operation of pharmaceutical products, including standards regarding staff qualifications, premises, warehouses, inspection equipment and facilities, management and quality control. The GSP certificate is generally valid for five years and may be extended within three months prior to its expiry of its valid term.

According to the Administrative Measures of Good Supply Practices(《藥品經營質量管理規範》), which was promulgated by the NMPA on June 25, 2015 and was amended on July 13, 2016 and became effective on the same day, drug distributors should take quality control measures in the processes of procurement, storage, sale and transportation to ensure drug quality and establish drug trace system. In addition, if the pharmaceutical manufacturing enterprises are involved in the storage and transportation of drugs when selling and distributing drugs, they are also subject to the Good Supply Practices.

Pursuant to the Opinions on Accelerating the Advancement of the Construction of the Important Product Traceability System (《國務院辦公廳關於加快推進重要產品追溯體系建設的意見》) issued by the General Office of the State Council on December 30, 2015, the government will drive pharmaceutical manufacturing and operating enterprises to accelerate the construction of the traceability system and define the responsibilities and obligations of pharmaceutical manufacturers and operators to form an all-varieties, whole-process complete traceability and supervision chain.

Pricing Controls

Since the Circular of the State Planning Commission on Improving the Drug Price Policy to Improve Drug Price Management (《國家計委關於完善藥品價格政策改進藥品價格管理的通知》), which was promulgated by the State Planning Commission on November 3, 1998, first requested price

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control authorities in various places to reduce drug prices, the range of drugs with prices determined and guided by the government were successively adjusted in 2000, 2005 and 2006 and the drug price reform was implemented through the adjustment of prices determined and guided by the government.

On April 26, 2014, the NDRC issued the Notice on Issues concerning Improving the Price Control of Low-Price Drugs (《關於改進低價藥品價格管理有關問題的通知》) which stipulates that the maximum retail prices of low-price drugs set by the government shall be cancelled and the model of the self-determination of prices by enterprises within the standards of average daily costs was adopted instead and also stipulates that a list of low-price drugs shall be established.

Pursuant to the Notice regarding the Printing of the Guidelines on the Implementation of the National Essential Drugs System (《關於印發<關於建立國家基本藥物制度的實施意見>的通知》) jointly promulgated by nine ministries and commissions including the NHC, the Ministry of Finance (“MOF”) and the MOFCOM and coming into effect on August 18, 2009, zero-markup sales is implemented for essential drugs provided to and used by basic level health care institutions established by the government (i.e. the retail price equals the procurement cost). Pursuant to the Guiding Opinion of the General Office of the State Council on the Comprehensive Reform Pilot of Public Hospitals in Cities (《國務院辦公廳關於城市公立醫院綜合改革試點的指導意見》) issued by the General Office of the State Council on May 6, 2015, public hospital in cities are requested to gradually cancel drug price addition (other than herbal pieces), i.e. zero-markup sales.

The NDRC, the NHC and other five governmental departments promulgated the Opinion on Facilitating Pharmaceutical Price Reform (《推進藥品價格改革的意見》) (the “**Price Reform Opinion**”) and the Notice Regarding the Opinion on Facilitating Pharmaceutical Price Reform (《關於印發推進藥品價格改革意見的通知》) (the “**Price Reform Notice**”) on May 4, 2015. Pursuant to the Price Reform Notice, government price controls on pharmaceutical products (other than narcotic drugs and establishing rules such as psychiatric drugs of category I) will be lifted on June 1, 2015. According to the Price Reform Opinion, after price controls are lifted, prices of pharmaceutical products will be mainly determined by market competition. Instead of direct price controls, the government will regulate prices mainly by establishing a combined procurement mechanism, establishing rules such as medical insurance reimbursement standards and strengthening regulation of medical institutions and retail pharmacies and pricing practices.

On November 15, 2018, the Joint Procurement Office published the Papers on Drug Centralized Procurement in “4+7 Cities” (the “**Paper**”) (“**4+7城市藥品集中採購文件**”), which launched the national pilot scheme for drugs centralized tendering with minimum procurement quantities. The pilot scheme will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing, Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xian (the “**4+7 cities**”). The Paper listed 31 drugs and an intended quantity commitment for each drug for centralized tendering in the 4+7 cities.

The drug being offered for tender must belong to one of the following categories:

- an originator drug or reference preparations used for consistency evaluation designated by NMPA;
- a generic drug that has passed the consistency evaluation; or

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- a generic drug approved for registration according to the NMPA Notice No. 51(2016).

The tenderer must also ensure that its annual production and sales capacity can satisfy the intended minimum quantity requirement.

The procurement cycle is 12 months and is calculated from the execution date of the successful bid result. During these 12 months, public hospitals must prioritize their drug purchasing from the successful bidder until the quantity commitment has been satisfied. If the quantity commitment is satisfied, the excess is still procured at the selected price until the expiration of the procurement cycle. On the basis of prioritizing the use of selected drugs in centralized procurement, the medical institutions in 4+7 cities may purchase the non-selected drugs at the appropriate price for the remainder.

On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (the “**Notice**”) (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which is aimed to achieve a significant reduction in drug prices and improve the market-oriented drug pricing mechanism. The Notice provides additional detailed measures in the implementation of the national pilot scheme for drugs centralized tendering with minimum procurement quantities in the 4+7 cities.

Two-invoice System

In order to further optimize the order of purchasing and selling pharmaceutical products and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21, 2016, the “two-invoice system” (兩票制) will be fully implemented in the PRC. According to the Circular on Issuing the Implementing Opinions on Carrying out the Two-invoice System for Drug Procurement among Public Medical Institutions (for Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)的通知》) (the “**Circular**”), which was effective from December 26, 2016, the two-invoice system means one invoice between the pharmaceutical manufacturer and the pharmaceutical distributor, and one invoice between the pharmaceutical distributor and the hospital, and thereby only allows a single level of distributor for the sale of pharmaceutical products from the pharmaceutical manufacturer to the hospital. According to the Circular, two-invoice system will be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) involved in the comprehensive medical reform program and pilot cities for public hospital reform on a priority basis, while other regions are encouraged to implement such system, so that such system can be promoted in full swing nationwide in 2018.

Medical Insurance

Under 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》), which was promulgated by the State Council and became effective on December 14, 1998, and the Tentative Measures for the Administration of the Scope of Basic Medical Insurance Coverage for

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Pharmaceutical Products for Urban Employee (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》) (the “**Tentative Measures**”), which was promulgated by the NDRC, the Ministry of Human Resources and Social Security (the “**MOHRSS**”, formerly known as MOLSS), the MOF, the NHC, the NMPA and the State Administration of Traditional Chinese Medicine and became effective on May 12, 1999, all employers in urban areas, including enterprises (state-owned enterprises, collectively-owned enterprises, foreign wholly-owned enterprises and private enterprises, etc.), organizations, public institutions, social bodies, private non-enterprise units and their employees shall participate in the basic medical insurance.

Under the Tentative Measures, the administration of the scope of essential medical insurance coverage for pharmaceutical products shall be carried out through formulation of the Essential Medical Insurance Drugs Catalog. A pharmaceutical product listed in the Essential Medical Insurance Drugs Catalog must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet one of the following requirements:

- (1) it is set forth in the Pharmacopoeia (the prevailing version) of the PRC;
- (2) it meets the standards promulgated by the NMPA; and
- (3) if imported, it is approved by the NMPA for import.

The Basic Medical Insurance Drugs Catalog is divided into two classes, Class A and Class B. The formulation of Class A shall be unified by the State and not be subject to local adjustment. Class B formulated by the State may be subject to appropriate adjustment by various provinces, autonomous regions and municipalities in light of local economical level, medical demand and habits of drug usage. The sum for the increase and decrease of the varieties shall not exceed 15% of the total number of medicine varieties in Class B formulated by the State. As a result, the contents of Class B of the provincial medical insurance drugs catalogs may differ from region to region in the PRC.

Expenses incurred by insured individuals for medicines included in Class A shall be paid as required under the basic medical insurance. Expenses incurred by insured individuals for medicines included in Class B shall be first paid by themselves on a certain percentage, then paid as required under the basic medical insurance. Since the percentage of reimbursement for medicines in Class B is determined by local governments, the specific percentage of out-of-pocket is not consistent.

Currently, the MOHRSS has promulgated the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance (2017 Version) (《國家基本醫療保險、工傷保險和生育保險藥品目錄(2017年版)》), which has come into force on February 21, 2017 and was amended on July 13, 2017, September 20, 2017. On September 30, 2018, State Medical Insurance Administration has promulgated the Circular of the State Medical Insurance Administration on Adding 17 Types of Anticancer Drugs to Category B of the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance (《國家醫療保障局關於將17種抗癌藥納入國家基本醫療保險、工傷保險和生育保險藥品目錄乙類範圍的通知》), inclusion, after negotiation, of 17 Types of Anticancer Drugs to the Medicine Catalog for National Basic Medical Insurance, the Work-Related Injury Insurance and the Maternity Insurance.

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National Essential Drug List

On August 18, 2009, the NHC and eight other ministries and commissions in the PRC promulgated the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法(暫行)》), and the Guidelines on the Implementation of the National Essential Drugs System (《關於建立國家基本藥物制度的實施意見》), which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National Essential Drug List. On March 13, 2013, the NHC promulgated the National Essential Drug List (《國家基本藥物目錄(2012年版)》), which became effective on May 1, 2013. Thereafter, the NHC and eight other ministries and commissions in the PRC promulgated the Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法》) on February 13, 2015. Subsequently, on September 30, 2018, the NHC promulgated the National Essential Drug List (《國家基本藥物目錄(2018年版)》), which became effective on November 1, 2018.

According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community health care service centers and service stations, shall store up and use drugs listed in the National Essential Drug List. The drugs listed in the National Essential Drug List shall be purchased by centralized tender process.

Prescription Drugs and OTC Drugs

In order to promote safety, efficacy and convenience in the use of pharmaceutical products, the SDA, the predecessor of the NMPA, published the Trial Administrative Measures regarding the Classification of Prescription Drugs and Over-the-Counter Drugs (《處方藥與非處方藥分類管理辦法(試行)》) in June 1999, which were implemented with effect from January 1, 2000. These administrative measures divide drugs according to their type, specification, the relevant disease or ailment which they are designed to treat, dosage and method of administration. Prescription drugs are those whose prescription, purchase and intake require prescription by practicing doctors or assistant doctors. OTC drugs are those whose prescription, purchase and intake do not require prescription by practicing doctors or assistant doctors.

The NMPA is responsible for the selection, approval, publication, and revision of the State Non-Prescription Medicine Catalog (國家非處方藥目錄). Depending on the safety of the relevant drug, OTC drugs are further subdivided into type A and type B and administered separately. Manufacturers of both prescription and OTC drugs are required to obtain a pharmaceutical manufacturing permit and to obtain drug approval numbers for the relevant drugs. Retailers and wholesalers of prescription drugs and OTC drugs and retail outlets selling prescription medicines and type A over-the counter drugs are required to obtain a pharmaceutical operation permit. Retail outlets selling type B OTC drugs require approval from the provincial food and drug administration or the designated bureau. In addition, retail outlets selling type B over-the counter drugs are required to have professionally trained and suitably qualified staff before engaging in the sale of type B OTC drugs. Retail outlets are required to source their drugs from qualified manufacturers and operators holding the requisite permits and approvals.

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Commercial Bribery with respect to Pharmaceutical Industry

Medical production and operation enterprises involved in criminal, investigation or administrative procedure for commercial bribery shall be listed in the Adverse Records of Commercial Bribery by provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Bribery in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) enforced on March 1, 2014 by the NHC, if medical production and operation enterprises be listed into the Adverse Records of Commercial Briberies for the first time, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies in local province for two years since publication of the record, and public medical institution, and medical and health institutions receiving financial subsidies in other province shall lower their rating in bidding or purchasing process. If medical production and operation enterprises be listed into the Adverse Records of Commercial Bribery more than once in five years, their products shall not be purchased by public medical institutions, and medical and health institutions receiving financial subsidies nationwide for two years since publication of the record.

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Competition Law**”), which was promulgated on September 2, 1993 and was subsequently, amended on November 4, 2017 and April 23, 2019, a business operator may not use bribery to seek trading opportunities or competitive advantages. A business operator may offer discounts or commissions to other parties on explicit terms. Such discounts and commissions, if offered, must be accurately recorded by each party in their respective accounts.

Pursuant to the Notice on Issuing the Working Plans of the Ministry of Health and the State Administration of Traditional Chinese Medicine on Establishing and Improving the Long-term Mechanism for the Prevention and Control of Commercial Bribery in Medical and Pharmaceutical Sales (關於印發《衛生部、國家中醫藥管理局關於建立健全防控醫藥購銷領域商業賄賂長效機制的工作方案》的通知), which was issued on December 7, 2006, government branches should formulate behavioral guidelines for medical and pharmaceutical sales representatives, and monitor and regulate the behaviors of these sales representatives.

Product Liability

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 is the principal governing law to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the

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defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

Pursuant to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》) promulgated by the National People's Congress (the "NPC") on April 12, 1986, amended on August 27, 2009, both manufacturers and sellers shall be held liable where relevant defective products result in damage to property of others or bodily injuries.

Pursuant to the Tort Liability Law of the PRC (《中華人民共和國侵權責任法》), promulgated by the SCNPC on December 26, 2009 and became effective on July 1, 2010, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Environmental Protection

According to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), promulgated by the SCNPC on October 28, 2002 and became effective on September 1, 2003 and was amended on July 2, 2016 and December 29, 2018, the Administrative Regulations on the Environmental Protection of Construction Project (《建設項目環境保護管理條例》), promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and effective on October 1, 2017 and other relevant environmental laws and regulations, entities generating environmental pollution and other public hazards must incorporate environmental protection measures into their plans and set up a responsibility system of environmental protection. Construction projects shall go through environmental impact assessment procedure. The construction projects which may have significant impact on the environment shall prepare an environmental impact report with full assessment of their impact on the environment, and to those which may have light impact on the environment shall prepare an environmental impact statement with analysis or special-purpose evaluation while those projects which have less severe environmental impact are not required to conduct environment impact assessment but need to complete the environmental impact registration form. Pollution prevention facilities for construction projects must be designed, constructed and launched into production and use at the same time with the main part of the projects. For a construction project for which an environmental impact report or environmental impact statement is prepared, its matching environmental protection facilities may go into production or be delivered for use only after they pass the acceptance check; and they may not go into production or be delivered for use if no acceptance check is made for them or they fail to pass the acceptance check. After the completion of construction of a construction project for which an environmental impact report or environmental impact statement is prepared, the constructor shall make an acceptance check of the matching environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council.

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The Law on Prevention and Control of Air Pollution

According to the Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), effective on June 1, 1988 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018 respectively, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment on the air pollution the project is likely to produce and its potential impact on the ecological environment. No construction projects may be put into operation before adequate facilities for prevention and control of air pollution have been inspected and accepted by the environmental protection administrative authorities. Construction projects which have an impact on the atmosphere environment shall conduct the environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

The Law on Prevention and Control of Environmental Pollution by Solid Waste

The Law of PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》), effective on April 1, 1996 and latest amended on November 7, 2016, stipulates that construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Facilities for the prevention and control of solid waste are required to be designed, constructed and put into use or operation simultaneously with the main part of the construction project. No construction projects may be put into operation before its facilities for the prevention and control of solid waste have been inspected and accepted by the environmental protection administrative authorities.

The Law on the Prevention and Control of Water Pollution

According to the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), effected on November 1, 1984, amended on May 15, 1996, February 28, 2008 and June 27, 2017 respectively, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. The water pollution prevention and control facilities shall be subject to the requirements of environmental impact assessment documents approved or filed for the record.

Pollutant Discharge

The Environmental Protection Law of the PRC stipulates that the government shall implement the pollutant emission license administration system. Pollutant discharge by enterprises, public institutions and other producers and business operators is subject to relevant pollutant emission license. The Environmental Protection Law of the PRC requires any entity operating a facility that produces pollutants or other hazardous materials to adopt environmental protection measures in its

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operations, and to establish an environmental protection responsibility management system. Effective measures to control and properly dispose of waste gas, waste water, waste residue, dust or other waste materials shall be adopted. Any entity operating a facility that discharges pollutants shall report to and register with the competent authority pursuant to applicable regulations. According to the Environmental Protection Law of the PRC, in the event that an entity discharges pollutants in violation of the pollutant discharge standards or volume control requirement, the entity would be subject to administrative penalties, including order to suspend business for rectification, and even order to terminate or close down business under severe circumstances.

The Law on Prevention and Control of Radioactive Pollution

According to the Law of PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) effective on October 1, 2003, any enterprise that uses radioisotope shall apply for a license and complete registration as required by relevant regulations. In addition, any enterprise that uses radioisotope shall, before applying for a license, prepare an environmental impact assessment document and submit it to the environmental administrative authorities for approval. The radiation protection facilities at the workplace of a construction project that releases radiation shall be designed, constructed and put into operation simultaneously with the main part of the project. The main part of the project may not be put into operation until the relevant environmental protection administrative authorities inspect and accept its radiation protection facilities.

Work Safety

Laws on Prevention and Control of Occupational Diseases

According to the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), effected on May 1, 2002 and subsequently amended on December 31, 2011, July 2, 2016, November 4, 2017 and December 29, 2018, for a construction project which may incur occupational disease hazards, the entity responsible for the construction project shall: (i) during the period of feasibility study, conduct a pre-assessment on such hazards; (ii) assess the effect of the control on occupational disease hazards before the construction project is delivered after completion for inspection and acceptance; and (iii) provide facilities for the effective prevention and protection of occupational diseases. The prevention facilities may be put into formal operation and use only after they have passed the inspection conducted by the entity responsible for the construction.

According to the Notice of the State Administration of Work Safety on Publication of the Classified Management Catalog for the Risks of Occupational Disease Hazards at Construction Projects (2012 Version) (《國家安全監管總局關於公佈建設項目職業病危害風險分類管理目錄(2012年版)的通知》) promulgated on May 31, 2012, manufacturing of biological drug falls within the “relatively serious” category. Pursuant to the Measures for Regulating Three Simultaneous Work Related to the Protective Devices for Occupational Diseases of Construction Projects (《建設項目職業病防護設施“三同時”監督管理辦法》) promulgated by the State Administration of Work Safety on March 9, 2017, for construction projects that may pose occupational disease hazards, the constructor shall conduct an occupational disease hazard pre-evaluation, the design of the protective devices for occupational diseases as well as an evaluation of the effect of the occupational disease hazard control, and organize the acceptance of the protective devices for occupational diseases. For construction

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projects which may cause “relatively serious” occupational disease hazards, the chief person in charge of the constructor and the authorized person in charge shall organize Professional Occupational Health Technicians to conduct a review of the report of occupational disease hazard control effect evaluation, accept the protective devices for occupational diseases and offer review comments and acceptance comments on whether it complies with the requirements of the relevant occupational disease prevention and control laws, regulations, rules and standards. The administrations of work safety shall conduct supervision and inspection of the acceptance activities organized by the constructor and the acceptance results, as well as incorporate the supervision and inspection into the annual work safety supervision and inspection plan. Specifically, the administrations of work safety shall conduct a random inspection of the acceptance plans for the protective devices for occupational diseases of relatively serious occupational disease hazard construction projects and the acceptance work report by randomly selected law enforcement officers or inspectors as prescribed by the State Administration of Work Safety.

According to the Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》), an employer shall: (i) establish and improve the responsibility management system of occupational disease prevention and treatment, strengthen the administration of, and improve the capability of, occupational disease prevention and treatment, and bear responsibility for the harm of occupational diseases caused by it; (ii) contribute to occupational injury insurance; (iii) provide facilities for the effective prevention and protection of occupational diseases, and provide materials to employees for personal use against occupational diseases; (iv) provide alarm equipment, allocate on-spot emergency treatment materials, washing equipment, emergency safety exits and necessary safety zones for work places where acute occupational injuries are likely to take place due to poisonous and harmful elements therein; and (v) inform the employees of, and specify in the labor contracts with the employees the potential harm of, occupational disease as well as the consequences thereof, and the prevention and protection measures and treatment against occupational diseases when signing the labor contracts with employees.

Regulation on Hazardous Chemicals

Regulation on Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》, the “**Hazardous Chemicals Regulation**”) was promulgated by the State Council on January 26, 2002 and amended on March 2, 2011 and December 7, 2013. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC government exerts strict control over, and adopts an examination and approval system of, the manufacture and storage of hazardous chemicals.

An enterprise that stores and uses hazardous chemicals is required to appoint a qualified institution to conduct safety evaluation of its safety production conditions once every three years and to prepare the safety evaluation report accordingly. Such report shall set out the rectification measures and plans for problem solution as to the safety production. The safety evaluation report and the implementation of the rectification measure shall be filed with the safety supervision regulatory authority.

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Regulation on Pathogenic Microorganism Laboratories

According to the Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》), which was promulgated by the State Council on November 12, 2004 and subsequently amended on February 6, 2016 and March 19, 2018, the pathogenic microorganism laboratory is classified into four levels, namely Bio-safety Level 1, 2, 3 and 4 in terms of the national standard on biosafety of the laboratory. A laboratory of Bio-safety Level 1 or 2 shall not conduct laboratory activities related to highly pathogenic microorganisms. The construction, alteration or extension of a laboratory of Bio-safety Level 1 or 2 shall be reported for the record to competent health authorities. The establisher of a laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards.

Labor and Social Insurance

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009 and December 29, 2018, the PRC Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and subsequently amended on December 28, 2012, and the Implementing Regulations of the Employment Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examination for employees engaged in work involving occupational hazards.

Under applicable PRC laws, including the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and became effective on July 1, 2011 and subsequently amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》), which was promulgated by the State Council and became effective on January 22, 1999, and was amended on March 24, 2019 the Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》), which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), which was promulgated by the State Council and became effective on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security

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funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Intellectual Property

China is a party to several international conventions on intellectual property rights, including Agreement on Trade-Related Aspects of Intellectual Property Rights (《與貿易有關的知識產權協議》), Paris Convention for the Protection of Industrial Property (《保護工業產權巴黎公約》), Berne Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》), World Intellectual Property Organization Copyright Treaty (《世界知識產權組織版權公約》), Madrid Agreement Concerning the International Registration of Marks (《商標國際註冊馬德里協議》) and Patent Cooperation Treaty (《專利合作公約》).

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》, the “**Patent Law**”), promulgated by the SCNPC on March 12, 1984, amended on September 4, 1992, August 25, 2000 and December 27, 2008 and the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the State Council on June 15, 2001 and latest amended on January 9, 2010, there are three types of patent in the PRC: invention patent, utility model patent and design patent. The protection period is 20 years for invention patent and 10 years for utility model patent and design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law.

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》, the “**Trademark Law**”), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001 and August 30, 2013, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology (the “**MIIT**” formerly known as “**MII**”) on August 24, 2017, and effective on November 1, 2017, which replaced the Administrative Measures for Internet Domain Names of the PRC (《中國互聯網絡域名管理辦法》) promulgated by the MIIT on November 5, 2004, “domain name” shall refer to the character mark of hierarchical structure,

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which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of such computer. The principle of “first come, first serve” applies to domain name registration service. After completing the domain name registration, the applicant will become the holder of the registered domain name.

Taxation

Income Tax

Because we carry out our PRC business operations through operating subsidiaries organized under the PRC law, our PRC operations and our operating subsidiaries in China are subject to PRC tax laws and regulations, which indirectly affect your investment in our shares.

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the “**EIT Law**”) promulgated by the NPC on March 16, 2007, which became effective on January 1, 2008, and subsequently amended on February 24, 2017 and December 29, 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% commencing from January 1, 2008 with certain exceptions. For example, high-tech Enterprises to which the state need to give key support are given the reduced enterprise income tax rate of 15%.

In order to clarify certain provisions in the EIT Law, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》, the “**EIT Implementation Rules**”) on December 6, 2007, which became effective on January 1, 2008. Under the EIT Law and the EIT Implementation Rules, enterprises are classified as either “resident enterprises” or “non-resident enterprises”. Pursuant to the EIT Law and the EIT Implementation Rules, besides enterprises established within the PRC, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and subject to the uniform 25% enterprise income tax rate for their global income. In addition, the EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose “de facto management bodies” are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC.

Pursuant to the Circular on Improving the Policy on Extra Pre-tax Deduction of Research and Development Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the State Administration of Taxation, MOF, and Ministry of Science and Technology on November 2, 2015 which was partially abolished on January 1, 2018, where the research and development expenses actually incurred by an enterprise when it conducts any research and development activity have not been included in the current loss and profit as intangible assets, 50% of the amount of research and development expenses actually incurred in this year shall be deducted from the amount of taxable income in this year and shall be deducted on an actual basis as required. Where any intangible assets are formed, 150% of the costs of the intangible assets shall be amortized before tax payment.

Pursuant to the Circular on Raising the Proportion of Pre-tax Super Deduction of Research and Development Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the MOF, State Administration of Taxation and Ministry of Science and Technology on September 20,

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2018, with respect to research and development expenses actually incurred by an enterprise from its R&D activities, an extra 75% of the actual amount of expenses is deductible before tax, in addition to other actual deductions, during the period from January 1, 2018 till December 31, 2020, provided that the said expenses are not converted into the intangible asset and balanced into this enterprise's current gains and losses; however, if the said expenses have been converted into the intangible asset, such expenses may be amortized at a rate of 175% of the intangible asset's costs before tax during the above-said period.

Pursuant to the Notice on Raising the Proportion of Weighted Pre-tax Deduction of the Research and Development Expenses of Small- and Medium-Sized Scientific and Technological Enterprises (《關於提高科技型中小企業研究開發費用稅前加計扣除比例的通知》) promulgated by the MOF, State Administration of Taxation, and Ministry of Science and Technology on May 2, 2017, Where the research and development expenses already incurred by a small- or medium-sized scientific and technological enterprise in the course of research and development activities have not been included in the current loss and profit as intangible assets, during the period from January 1, 2017 through December 31, 2019, another 75% of the amount of research and development expenses already incurred in this year shall be deducted from the amount of taxable income in this year in addition to the prescribed deduction from the amount actually incurred. Where any intangible assets are formed, 175% of the costs of the intangible assets shall, during the said period, be amortized before taxes.

The other standards of the policies for the weighted pre-tax deduction of research and development expenses enjoyed by small- and medium-sized scientific and technological enterprises shall be continuously governed by the Circular on Improving the Policy on Extra Pre-tax Deduction of Research and Development Expenses mentioned above.

Pursuant to Circular on Extending the Length of Years for High-tech Enterprises and Technology-oriented Small- and Medium-sized Enterprises to Carry Forward Their Losses (《關於延長高新技術企業和科技型中小企業虧損結轉年限的通知》) promulgated by the MOF, State Administration of Taxation on July 11, 2018, from January 1, 2018, an enterprise becoming qualified as a high-tech enterprise or a technology-oriented small- or medium-sized enterprise (SME) in the current year, may carry forward the losses incurred in preceding five years before it gains such qualification, to the extent of the portion that has not been offset yet, for up to ten years in the future, compared with the previous five years at longest.

Withholding Income Tax and Tax Treaties

The EIT Implementation Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside.

Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關

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於對所得避免雙重徵稅和防止偷漏稅的安排》，the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority having satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協議股息條款有關問題的通知》) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and, based on the Announcement on Issues concerning “Beneficial Owners” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》), issued on February 3, 2018 by the SAT, agents and designated payees are not “beneficial owners”, and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax

Pursuant to the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993, amended on November 5, 2008, and February 6, 2016 and November 19, 2017, and the Implementation Rules of the PRC Interim Regulations on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the MOF on December 25, 1993, amended on December 15, 2008 and October 28, 2011 respectively, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of value-added tax, and shall pay value-added tax and unless stated otherwise, the tax rate for value-added tax payers who are selling goods, labor services, or tangible movable property leasing services or importing goods shall be 17%.

In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》, the “**Pilot Plan**”). Since January 1, 2012, the PRC government has been gradually implementing a pilot program in certain provinces and municipalities, to levy an 11% or 6% VAT on revenue generated from certain kinds of services in lieu of the 5% business tax. According to the Notice Regarding the Nationwide Implementation of B2V Transformation Pilot Program in respect of Transportation and Certain Modern Service Industries jointly issued by the MOF and SAT (《關於在全國開展交通運輸業和部分現代服務業營業稅改徵增值稅試點稅收政策的通知》, the “**B2V Circular 37**”) issued by the MOF and SAT, and effective from August 1, 2013, such policy was implemented nationwide. On December 12, 2013, the MOF and the SAT released the Circular on the Inclusion of the Railway Transport and Postal Service Industries into the Pilot Collection of Value-Added Tax in Lieu of Business Tax (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》, the “**B2V Circular 106**”) and its appendices, which further expanded the scope of taxable services for value-added tax and has replaced the B2V Circular 37 since January 1, 2014. On March 23, 2016, the MOF and the SAT released the Circular on the Nationwide Implementation of Transformation Pilot Program of Value-Added Tax in Lieu of Business Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》) and its appendices, according to which the pilot program of value-added tax in lieu of business tax is implemented nationwide and the B2V Circular 106 was abolished since May 1, 2016.

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According to Circular of the MOF and the SAT on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, where a tax payer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable 17% and 11% tax rates are adjusted to be 16% and 10% respectively.

Foreign Exchange

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》, the “**Foreign Exchange Administrative Regulations**”), promulgated by the State Council on January 29, 1996 and amended on August 5, 2008, constitute an important legal basis for the PRC governmental authorities to supervise and regulate foreign exchange. On June 20, 1996, the People’s Bank of China (the “**PBOC**”) further promulgated the Administrative Provisions on the Settlement, Sales and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》, the “**Settlement Provisions**”).

Pursuant to the Foreign Exchange Administrative Regulations and the Settlement Provisions, RMB is generally freely convertible to foreign currencies for current account transactions (such as trade and service-related foreign exchange transactions and dividend payments), but not for capital account transactions (such as capital transfer, direct investment, securities investment, derivative products or loans), except where a prior approval from the SAFE and/or its competent local counterparts is obtained.

Foreign-invested enterprises in the PRC may, without any approval from the SAFE and/or its competent local counterparts, purchase foreign exchange for dividend distribution, trade or services by providing certain documentary evidence (such as resolutions of the board of directors and certificates of tax payments).

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》, the “**SAFE Circular 142**”), which provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within the PRC.

On November 19, 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》, the “**Circular 59**”), which became effective on December 17, 2012 and was amended on May 4, 2015 and October 10, 2018. Circular 59 substantially amends and simplifies the current foreign exchange procedure. The major developments under Circular 59 are that the opening of various special purpose foreign exchange accounts (e.g., pre-establishment expenses account, foreign exchange capital account and guarantee account) no longer requires the approval of SAFE. Furthermore, multiple capital accounts for the same entity may be opened in different provinces, which was not possible before the issuance of Circular 59. Reinvestment of RMB proceeds by foreign investors in the PRC no longer requires SAFE’s approval.

REGULATORY OVERVIEW

On May 10, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) which became effective on May 13, 2013 and was amended on October 10, 2018 and specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Invested Enterprises (《外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (hereafter as the “**Circular 19**”) promulgated on March 30, 2015 which came into force and superseded SAFE Circular 142 from June 1, 2015, the SAFE looses the controls on settlement of foreign exchange capital by allowing FIEs to settle their foreign exchange capital according to real business needs, and removes the restriction that foreign exchange capital of FIEs shall not be settled and used for domestic equity investment, the foreign exchange capital can be directly settled in RMB and transferred by FIEs to the designated accounts of the invested enterprises after the invested enterprises have made domestic re-investment registration with the SAFE. Whilst FIEs are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the FIEs or forbidden by laws and regulations; (b) for direct or indirect securities investment unless otherwise provided by laws and regulations; (c) to provide entrusted loans (unless permitted by the scope of business) or repay loans between enterprises (Including advances by a third party); or (d) to purchase real estate not for self-use purposes (save for real estate enterprises).

On June 9, 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”). The SAFE Circular 16 unifies the Discretionary Foreign Exchange Settlement for all the domestic institutions. The Discretionary Foreign Exchange Settlement refers to the foreign exchange capital in the capital account which has been confirmed by the relevant policies subject to the Discretionary Foreign Exchange Settlement (including foreign exchange capital, foreign loans and funds remitted from the proceeds from the overseas listing) can be settled at the banks based on the actual operational needs of the domestic institutions. The proportion of Discretionary Foreign Exchange Settlement of the foreign exchange capital is temporarily determined as 100%.

Furthermore, SAFE Circular 16 stipulates that the use of foreign exchange incomes of capital accounts by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in Renminbi obtained by the FIE from foreign exchange settlement shall not be used for the following purposes:

- (1) directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;

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- (2) directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- (3) used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- (4) used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the “**SAFE Circular 37**”) on July 4, 2014, which replaced the former circular commonly known as “**SAFE Circular 75**” promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a “special purpose vehicle”. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》, the “**SAFE Circular 13**”), which became effective on June 1, 2015. According to SAFE Circular 13, local banks shall examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37.

Share Option Rules

Under the Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) issued by the PBOC on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. In addition, under the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies issued by SAFE on February 15, 2012 (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》, the “**Share Option Rules**”), PRC residents who are granted

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shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches; (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants; and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. However, there exist high uncertainties with respect to implementation by local SAFE branches and the practice may vary from place to place.

Import and Export of Goods

According to the Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位註冊登記管理規定》), promulgated by the General Administration of Customs of the PRC on March 13, 2014, amended on December 20, 2017 and July 1, 2018, import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

Import and Export of Special Articles

According to the Administrative Provisions on the Sanitation and Quarantine of Entry/Exit Special Articles (《出入境特殊物品衛生檢疫管理規定》), issued on January 21, 2015, amended on October 18, 2016, May 1, 2018, July 1, 2018 and November 23, 2018, import or export of special medical articles, including biological products, microbes and blood must be inspected by the relevant inspection and quarantine authorities.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OVERVIEW

Our Company was established in the Cayman Islands on June 1, 2018. Our Group is principally engaged in the research, development and production of monoclonal antibody drugs for cancers and autoimmune diseases.

Our Group's business history can be traced back to 2015, when Sinomab through its subsidiary, Mabtech Holdings, established Taizhou Pharmaceutical in February 2015, which began to design and construct R&D equipment and production lines required for phase III clinical trials.

In 2015, through Sinomab, we obtained investment from Pre-IPO Investors. For details, please refer to "— Pre-IPO Investments" in this section.

Our Group was founded by Mr. Guo Jianjun through his personal funds. Mr. Guo Jianjun is our non-executive Director and ultimate Controlling Shareholder. For details of his background, please see the section headed "Directors and Senior Management" in this prospectus.

BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Date	Events
October 2005	The pre-clinical study for CMAB009 was completed
December 2005	The pre-clinical study for CMAB008 was completed
September 2006	The pre-clinical study for CMAB007 was completed
June 2009	The phase I clinical trial for CMAB008 was completed
December 2009	The phase I clinical trial for CMAB009 was completed The phases II/III clinical trials for CMAB008 was completed
June 2010	The phase I clinical trial for CMAB007 was completed
June 2012	HSTK, a company ultimately controlled by Mr. Guo Jianjun, acquired Zhangjiang Biotech
December 2012	The phases II/III clinical trials for CMAB009 was completed
February 2015	Taizhou Pharmaceutical was incorporated
December 2015	Sinomab Group obtained all rights and interests of CMAB007, CMAB009 and CMAB008 Taizhou Pharmaceutical acquired all rights and interests in CMAB009 in the PRC from Biomabs

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Date	Events
	CDH PE, being a sophisticated investor, invested in our Group
March 2016	The phases II/III clinical trials for CMAB007 was completed
May 2016	The “3*1500 liter antibody bioreactor system” of Taizhou Pharmaceutical was put into operation
November 2016	Taizhou Biotech was incorporated
January 2017	The clinical preparation for CMAB009 was completed
April 2017	Recombinant anti-HER2 humanized monoclonal antibody for injection (CMAB809) was granted clinical approval
July 2017	The clinical preparation for CMAB007 was completed Zhangjiang Biotech transferred all its personnel, core technologies and equipment to MTJA and Biomabs
September 2017	The clinical preparation for CMAB008 was completed Recombinant anti-PD1 fully human monoclonal antibody injection (CMAB819) was granted clinical approval Phase III clinical trial was commenced for CMAB008 and CMAB009
October 2017	Phase III clinical trial was commenced for CMAB007
June 2018	Our Company was incorporated
August 2018	The Reorganization was completed (which includes, among other things, (i) transferring all R&D personnel involved in the phase III clinical trials for CMAB007 and CMAB008 from Biomabs to Taizhou Pharmaceutical; (ii) irrevocably granting exclusive rights in relation to CMAB007 and CMAB008 by Sinomab to our Company; and (iii) transferring all rights and interests in CMAB007, CMAB008 and CMAB009 in the overseas area (excluding Japan, North America and Europe) from Biomabs to our Company)
October 2018	The patient enrollment for phase III clinical trial of CMAB008 was completed

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

TRANSFER/LICENSE OF ALL RIGHTS AND INTERESTS (EXCLUDING JAPAN, NORTH AMERICA AND EUROPE) IN THE CORE PRODUCTS TO THE GROUP

The early stages of the research and development of the Core Products, including pre-clinical trial and phases I and II/III clinical trials were conducted by Zhangjiang Biotech and/or Biomabs. Below is a brief summary of how Sinomab Group acquired Zhangjiang Biotech and Biomabs, respectively, and subsequently transferred/licensed all the rights and interests (excluding Japan, North America and Europe) in the Core Products to the Group. Sinomab also exclusively licensed all rights and interests in the Core Products in Japan, North America and Europe to Sorrento Therapeutics, Inc., a company listed on NASDAQ (NASDAQ: SRNE). For further details regarding the exclusive license arrangement between Sinomab and Sorrento Therapeutics, Inc., please refer to “Relationship with the Controlling Shareholders — Relationship Between Sinomab Group and Sorrento” of this prospectus. For further details regarding the research and development of the Core Products, please refer to “— Research and Development of the Core Products” in this section.

Acquisition and disposal of Zhangjiang Biotech by Sinomab Group

Between 2002 and 2003, Zhangjiang Biotech commenced the research and development of the Core Products. Between 2005 and 2006, Zhangjiang Biotech completed the pre-clinical study phases of the Core Products and obtained their respective clinical trial approvals from the NMPA. Between 2009 and 2010, Zhangjiang Biotech further completed phase I clinical trials for the Core Products. For further details regarding research and development of the Core Products, please refer to the sub-section headed “— Research and Development of the Core Products” of this section.

On January 15, 2010, Zhangjiang Biotech and Biomabs entered into a joint development agreement (the “**Joint Development Agreement**”), pursuant to which, both parties agreed to jointly conduct clinical research and development of the Core Products, whereas Biomabs shall be responsible for the development of large-scale preparation process and implementation of manufacturing and commercialization. Both parties agreed to share their rights and interests of the Core Products in the PRC based on their respective research and development costs on the Core Products.

Acquisition of Zhangjiang Biotech by HSTK

Mr. Guo Jianjun was interested in investing in the biotech industry. As such on May 2, 2012, HSTK, a company controlled by Ms. Liu Xiaoli (acting as a nominee shareholder for and on behalf of Mr. Guo Jianjun due to personal reasons), entered into an agreement with HM Biotech (an Independent Third Party and a subsidiary of Biomabs) to acquire 94% equity interests in Zhangjiang Biotech from HM Biotech at a consideration of approximately RMB77.2 million. The acquisition was completed on June 5, 2012. On August 20, 2012, HSTK further entered into an agreement with Biomabs (an Independent Third Party) to acquire the remaining 6% equity interests in Zhangjiang Biotech from Biomabs at a consideration of RMB300,000. The acquisition was completed on October 9, 2012 in compliance with the applicable PRC laws and regulations in all material aspects. After these acquisitions (the “**2012 Acquisitions**”), Zhangjiang Biotech became a wholly-owned subsidiary of HSTK and Mr. Guo Jianjun became the ultimate beneficial owner of Zhangjiang Biotech.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The consideration in respect of the 2012 Acquisitions were determined with reference to the net asset value of Zhangjiang Biotech at that time and was financed by Mr. Guo Jianjun through his personal fund which consisted of a loan borrowed from his sister-in-law, Ms. Ma Jing (“**Ms. Ma**”). Notwithstanding that Ms. Ma provided such loan to Mr. Guo Jianjun for him to acquire Zhangjiang Biotech, she did not involve in the operations of Zhangjiang Biotech nor have any form of interest, control, and/or rights whatsoever in Zhangjiang Biotech pursuant to the loan.

Acquisition of Zhangjiang Biotech by MTYB from HSTK

The operations of Zhangjiang Biotech was not up to satisfaction and Zhangjiang Biotech recorded a significant loss for the year ended December 31, 2013. In January 2014, Dr. Qian Weizhu resigned from the Cancer Institute of the People’s Liberation Army Navy Medical University and joined Zhangjiang Biotech as a deputy general manager. At that time, Dr. Qian Weizhu had more than 20 years of experience working in the oncology and biology field and was also interested in becoming an entrepreneur through investing in a biotech business which she can also manage and operate. As such, on April 23, 2014, MTYB (which was then owned as to 96.92% by GeneMab Limited (a company founded by Dr. Qian Weizhu with an initial issued share capital of HK\$10,000 divided into 10,000 shares of HK\$1 each), and 3.08% by Mr. Zhang Qin and Ms. Liu Yuanyuan (acting as nominee shareholders for and on behalf of Mr. Guo Jianjun due to personal reasons)), entered into an agreement with HSTK to acquire the entire equity interest in Zhangjiang Biotech from HSTK. The consideration of the acquisition was eventually determined to be approximately RMB42 million, which was negotiated by the parties based on the then net asset value of Zhangjiang Biotech. The significant decrease in the net asset value of Zhangjiang Biotech by approximately 45.8% from June 2012 to April 2014 was mainly due to a significant increase of other payables from RMB130,335 to RMB72.56 million for the relevant period primarily as a result of (a) R&D expenses of RMB25.56 million and RMB11.39 million incurred by Zhangjiang Biotech in 2013 and for the four months ended April 30, 2014, respectively, due to the increase in research projects from 15 projects in 2012 to 36 projects in 2014 and the increase in headcount of R&D staff; (b) RMB53.63 million incurred by Zhangjiang Biotech for purchasing R&D machines and equipment for the relevant period; (c) management fees of RMB8.24 million incurred in 2013 due to increase in headcount of non-R&D staff; and (d) significant increase in leasing expenses due to office expansion. The acquisition was completed on April 30, 2014. In order to finance the acquisition, Dr. Qian Weizhu borrowed US\$5 million from Mr. Guo Jianjun.

Note: Ms. Ma graduated from Shanghai Second Medical College (currently known as Shanghai Jiao Tong University School of Medicine) in July 1986. From September 1991 to March 1993, Ms. Ma was the postdoctoral fellow in immunology and antibody development in the Department of Pathology and Immunology of Massachusetts General Hospital which is the teaching hospital of Harvard Medical School. Ms. Ma was a research associate in the Department of Pathology at the School of Medicine at the Case Western Reserve University from January 1993 to January 1996. Ms. Ma is experienced in preparation, identification and structural modification of monoclonal antibody, as well as pre-clinical study of monoclonal antibody drugs.

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Acquisition of Zhangjiang Biotech by Sinomab Group

In September 2014, in order to consolidate his investments in the biotech industry, Mr. Guo Jianjun, through GeneStar Ltd (due to Mr. Guo Jianjun's personal reasons, GeneStar Ltd was wholly-owned by his nominee, Ms. Guo Tingting), established Sinomab. Given that Zhangjiang Biotech was unable to make any significant progress on its operations, Dr. Qian Weizhu decided to cease being a shareholder of Zhangjiang Biotech. Furthermore, Dr. Qian Weizhu was unable to repay the outstanding loan to Mr. Guo Jianjun. As a result, on January 12, 2015, Sinomab (which is controlled by Mr. Guo Jianjun) entered into an agreement with Dr. Qian Weizhu to acquire the entire equity interest in GeneMab Limited (which was then indirectly holding 96.92% equity interests in Zhangjiang Biotech through MTYB) from Dr. Qian Weizhu at a consideration of HK\$10,000 (being its initial issued share capital and taking into account Dr. Qian Weizhu's outstanding US\$5 million loan due to Mr. Guo Jianjun). The acquisition was completed on January 12, 2015. After completion of the acquisition, Zhangjiang Biotech became the wholly-owned subsidiary of Sinomab and Mr. Guo Jianjun became the sole ultimate beneficial owner of Zhangjiang Biotech.

Disposal of Zhangjiang Biotech by Sinomab Group

On December 30, 2016, the State Key Laboratory of Antibody Drugs and Targeted Therapy (抗體藥物與靶向治療國家重點實驗室), which was an Enterprise State Key Laboratory, was built relying on Zhangjiang Biotech pursuant to the Interim Measures of Relying on Enterprises to Build State Key Laboratories (《依託企業建設國家重點實驗室管理暫行辦法》) (the “**Interim Measures**”). According to the Interim Measures, an Enterprise State Key Laboratory is required to participate in public services, which includes, among other things, publicizing research topics and sharing its facilities and equipment with the public. In this regard, Zhangjiang Biotech published various research topics (including “Improvements on cell strain for genetic engineering and antibody engineering” (用於基因工程抗體工程細胞株的改良項目), “Development on new purified medium gel” (新型純化介質凝膠的研製項目), “Development and restructuring of humanized monoclonal antibody production process” (人源化單克隆抗體製備工藝開發、重組項目) and “Research on the quality of the recombinant anti-EGFR human mouse chimeric monoclonal antibody” (重組抗EGFR人鼠嵌合單克隆抗體的質量研究項目), shared its research facilities and equipment with the public (including joining the Shanghai R&D Public Service Platform (上海市研發公共服務平台); shared 11 large-scale instruments each of which is worth more than RMB300,000 with the public), and participated in various academic exchanges and international cooperation such as attending conferences organized by local branches of NIFDC, attending BIO International Convention and contributing to the editing of the Chinese Pharmacopoeia, all of which are not related to the core technology and/or confidential information regarding the drug candidates (including the Core Products) owned by the Group. The State Key Laboratory of Antibody Drugs and Targeted Therapy was subsequently rated as “good laboratory” by the Ministry of Science and Technology of the PRC in May 2018. Given that Zhangjiang Biotech had to continue to fulfill various social responsibilities to retain the “Enterprise State Key Laboratory” title for the State Key Laboratory for antibody drugs and targeted therapy, it would be inappropriate to maintain Zhangjiang Biotech as our main operating entity for conducting research and development of drug products and holding intellectual properties relating to our drug products. In particular, we would run the risk that our core technology may be disclosed or leaked

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while participating in public services. In order to maintain confidentiality of our intellectual properties and consolidate our business, Sinomab Group transferred all of Zhangjiang Biotech's personnel, core technologies and equipment to MTJA and Biomabs, and subsequently disposed of Zhangjiang Biotech through transferring the entire equity interests in HM Biotech (which was then the sole shareholder of Zhangjiang Biotech) to Mr. Liu Guangluo (as to 99% equity interests) and Ms. Xing Yunhui (as to 1% equity interest) at a total consideration of RMB108 million in July 2017. The disposal of Zhangjiang Biotech was conducted through a competitive tender process and the consideration was determined with reference to an asset valuation report prepared by a professional valuer. To the best of our knowledge, having made all reasonable enquiries, Mr. Liu Guangluo is a retired cardiologist who is interested in investing in and developing target therapy and Ms. Xing Yunhui is a family friend of Mr. Liu Guangluo. The transfer of Zhangjiang Biotech's personnel, core technologies and equipment and the disposal of Zhangjiang Biotech were completed in compliance with the applicable PRC laws and regulations in all material aspects. After the disposal of Zhangjiang Biotech, the Group and the Sinomab Group were no longer required to participate in any public services nor received any preferential support under the State Key Laboratory scheme.

Acquisition of Biomabs by Sinomab Group and consolidation of all rights and interests in the Core Products in the PRC

In order to acquire all rights and interests in the Core Products in the PRC, on September 4, 2015, Sinomab entered into an agreement with Biomab Holding Limited and Aharvest Limited (both being independent third parties of the Group) to acquire their respective equity interests in Biomabs, which in aggregate amounted to the entire equity interest in Biomabs, at a total consideration of US\$100 million. The acquisition was funded by the pre-IPO investment received from CDH VC and CDH PE and was completed on November 23, 2015. After the completion of this acquisition, Sinomab Group acquired all the rights and interests in the Core Products in the PRC jointly owned by Zhangjiang Biotech and Biomabs.

On December 16, 2015, in order to consolidate the rights and interests in the Core Products, Zhangjiang Biotech and Biomabs entered into a supplemental agreement to the Joint Development Agreement, pursuant to which, the parties agreed that Biomabs shall be entitled to most of the rights and interests in the Core Products. In particular, Zhangjiang Biotech surrendered all its rights and interests in the Core Products in the PRC and accordingly Biomabs shall be the sole owner of the rights and interests in the Core Products in the PRC.

Transfer/license of all rights and interests (excluding Japan, North America and Europe) in the Core Products to the Group

On December 17, 2015, Taizhou Pharmaceutical and Biomabs entered into a technology transfer agreement pursuant to which Biomabs agreed to transfer all rights and interests in CMAB009 in the PRC to Taizhou Pharmaceutical at a consideration of RMB95 million which was determined based on the fair value of all rights and interests in CMAB009 in the PRC after the arm's length negotiations between Taizhou Pharmaceutical and Biomabs. As part of the Reorganization and for the purpose of the Listing, Biomabs subsequently agreed to waive Taizhou Pharmaceutical's payment obligation under the technology transfer agreement and the transfer was completed on December 17, 2015.

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On August 13, 2018, the Company and Sinomab entered into a license agreement (the “**License Agreement**”) pursuant to which Sinomab irrevocably granted our Company exclusive rights in relation to CMAB007 and CMAB008 in the PRC at nil consideration, which is considered to be on normal commercial terms or better as the licensing arrangement is between two companies under common ownership and forms part of the Reorganization for the purpose of Listing. Pursuant to a deed of undertaking executed by Sinomab and Biomabs in favour of the Company,

- (i) Sinomab undertakes that it will not terminate the License Agreement unilaterally and, in the event that there is any change in the shareholder and/or ultimate control of Sinomab, Sinomab will procure its future shareholder(s) and/or ultimate controller(s) not to intervene the license arrangement and/or cause Sinomab to terminate the License Agreement in any way. Accordingly, any change in the ownership of Sinomab shall not affect the exclusive rights in relation to CMAB007 and CMAB008 in the PRC irrevocably granted by Sinomab to the Company pursuant to the License Agreement; and
- (ii) Biomabs undertakes that it will not, without prior consent of the Company, transfer any rights and interests relating to CMAB007 and CMAB008 owned by it (including but not limited to R&D technology, experimental data, biological products, cells, assays, constructions, experimental procedures, preclinical and clinical trial data, preparation techniques, experimental methods and knowledge etc.) (the “**7/8 Rights and Interests**”) to any third party. Once the phase III clinical trials of CMAB007 and CMAB008 are completed and the approvals for commercialization in the PRC have been obtained from the NMPA, Biomabs shall transfer all the 7/8 Rights and Interests owned by Biomabs to the Company (or a party nominated by the Company) as soon as practicable for nil consideration. Upon completion of the transfer of the 7/8 Rights and Interests, given that the Company will have all rights and interests relating to CMAB007 and CMAB008 in the PRC and overseas (except North America, Japan and Europe), the licensing arrangement will no longer be applicable and the License Agreement between Sinomab and the Company shall be terminated at the request of the Company.

For further details, please refer to “Connected Transactions — Continuing Connected Transactions — Fully Exempt Continuing Connected Transactions — License Agreement” of this prospectus.

On August 13, 2018, the Company entered into a drug technology transfer agreement with Sinomab, pursuant to which, Sinomab transferred all its rights and interests in CMAB007, CMAB008 and CMAB009 in the overseas area (excluding Japan, North America and Europe) to the Company at nil consideration.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

RESEARCH AND DEVELOPMENT OF THE CORE PRODUCTS

The following is a summary of the progress of the research and development of the Core Products:

Date	Event	Party responsible for the R&D
CMAB007		
March 2003 — September 2006	Preparing and conducting pre-clinical study	Zhangjiang Biotech
March 2008 — June 2010	Preparing and conducting phase I clinical trial	Zhangjiang Biotech (a third party assisted Zhangjiang Biotech in completing the preparation work)
September 2010 — March 2016	Preparing and conducting phase II/III clinical trials	Zhangjiang Biotech and Biomabs (a third party assisted Zhangjiang Biotech in completing the preparation work)
May 2016 — Present	Preparing and conducting new phase III clinical trial	Taizhou Pharmaceutical and Biomabs
CMAB008		
October 2002 — December 2005	Preparing and conducting pre-clinical study	Zhangjiang Biotech
December 2007 — June 2009	Preparing and conducting phase I clinical trial	Zhangjiang Biotech (a third party assisted Zhangjiang Biotech in completing the preparation work)
November 2008 — December 2009	Preparing and conducting phases II/III clinical trials	Zhangjiang Biotech (a third party assisted Zhangjiang Biotech in completing the process). The phases II/III clinical trials for CMAB008 were completed in 2009.
May 2016 — Present	Preparing and conducting new phase III clinical trial	Taizhou Pharmaceutical and Biomabs

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Date	Event	Party responsible for the R&D
CMAB009		
August 2003 — October 2005	Preparing and conducting pre-clinical study	Zhangjiang Biotech
June 2007 — December 2009	Preparing and conducting phase I clinical trial	Zhangjiang Biotech (a third party assisted Zhangjiang Biotech in completing the preparation work)
January 2008 — December 2012	Preparing and conducting phases II/III clinical trials	Zhangjiang Biotech and Biomabs (a third party assisted Zhangjiang Biotech in completing the process). The phase II/III clinical trials for CMAB009 were completed in 2012.
May 2016 — Present	Preparing and conducting new phase III clinical trial	Taizhou Pharmaceutical

Our Group's R&D personnel's involvement in the phase I and phase II/III clinical trial of the Core Products

Dr. Li Jing was involved in the biologics discovery stage, pre-clinical study and phase I clinical trial of the Core Products and phases II/III clinical trials of CMAB007 while she was employed by Zhangjiang Biotech. Apart from Dr. Li Jing and the R&D personnel recruited by Zhangjiang Biotech after the 2012 Acquisitions who were involved in the phases II/III clinical trials for CMAB007, all other key R&D personnel employed by Zhangjiang Biotech and Biomabs who were involved in the pre-clinical study and phases I and II/III clinical trials for the Core Products did not join the Sinomab Group or the Group and do not form part of the Group's current R&D team.

Biomabs was initially responsible for the phases II/III clinical trials for CMAB007. After the 2012 Acquisitions, Zhangjiang Biotech recruited R&D personnel to form a new R&D team and took over the phases II/III clinical trials for CMAB007 from Biomabs since December 2015. Phases II/III clinical trials for CMAB007 were completed by Zhangjiang Biotech in March 2016. All key personnel of the R&D team successively joined the Group and are currently the core R&D personnel of the Group responsible for the ongoing phase III clinical trials for the Core Products.

Arrangements between Biomabs and Taizhou Pharmaceutical regarding phase III clinical trial of CMAB007 and CMAB008

Before completion of the Reorganization, Biomabs was responsible for the phase III clinical trials for CMAB007 and CMAB008 while Taizhou Pharmaceutical was assisting Biomabs in completing the preparation work with respect to the phase III clinical trials. Pursuant to a technical service agreement dated October 20, 2016 entered into between Taizhou Pharmaceutical and Biomabs (the "**Technical Service Agreement**"), Taizhou Pharmaceutical was providing technical services to Biomabs with respect to the research and development of CMAB007 at a consideration of RMB10 million. Further, pursuant to a contract manufacturing agreement dated February 24, 2017 entered into between Taizhou Pharmaceutical and Biomabs (the "**CMO Agreement**"), Taizhou Pharmaceutical was

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manufacturing drug products for Biomabs to be used in the phase III clinical trial of CMAB008. Biomab paid a total of approximately RMB16 million to Taizhou Pharmaceutical pursuant to the CMO Agreement. After completion of the Reorganization, both the Technical Service Agreement and CMO Agreement were terminated and all R&D personnel involved in the phase III clinical trials for CMAB007 and CMAB008 were transferred from Biomabs to the Group. Accordingly, Taizhou Pharmaceutical took over the research and development relating to phase III clinical trials for CMAB007 and CMAB008 from Biomabs. Since phase III clinical trials for CMAB007 and CMAB008 were commenced in the name of Biomabs and as advised by our PRC Legal Advisors, we would have to re-start the phase III clinical trials for CMAB007 and CMAB008 if the applicant name were changed to our Group under the PRC Laws, we have decided to remain Biomabs as the applicant for the phase III clinical trials for CMAB007 and CMAB008. Accordingly, Biomabs and Taizhou Pharmaceutical entered into a clinical trials agreement (the “**Clinical Trials Agreement**”) on August 13, 2018 pursuant to which Taizhou Pharmaceutical shall entrust Biomabs to commence and complete the phase III clinical trials for CMAB007 and CMAB008, which includes (i) upon receiving instructions from Taizhou Pharmaceutical, Biomabs shall remain as the applicant of the phase III clinical trials of CMAB007 and CMAB008, (ii) after Taizhou Pharmaceutical negotiated and confirmed the relevant terms and conditions with third party services providers (including but not limited to Site Management Organization (SMO), hospitals and analysis laboratories, etc.) for conducting clinical trials, Biomabs shall enter into service agreements with the relevant third party service providers as instructed by Taizhou Pharmaceutical; and (iii) upon receiving instructions from Taizhou Pharmaceutical, Biomabs shall make relevant payments in connection with the clinical trials to third party service providers. Apart from the aforementioned responsibilities, Biomabs shall not be involved in any actual research and development activities in respect of CMAB007 and CMAB008 under the Clinical Trials Agreement and Biomabs does not have any rights and interests in relation to the research and development of CMAB007 and CMAB008. Meanwhile, personnel from Taizhou Pharmaceutical (including the personnel transferred from Biomabs to Taizhou Pharmaceutical pursuant to the Reorganization) shall be responsible for conducting the actual research and development with respect to the phase III clinical trials for CMAB007 and CMAB008, such as negotiating with the third party service providers on the terms and conditions of their engagement, liaising with third party services providers on the progress of the clinical trials and analyzing the data collected from the clinical trials. Under the Clinical Trials Agreement, Taizhou Pharmaceutical shall be entitled to the rights and interests in any data and research achievements generated in the course of phase III clinical trials of CMAB007 and CMAB008. For details, please refer to section “Connected Transactions — Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — Clinical Trials Agreement” of this prospectus.

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Below are the clinical objective indicators and safety findings of CMAB007, CMAB008 and CMAB009 up to August 2018 before Sinomab Group licensed the rights and interests in CMAB007 and CMAB008 in the PRC to the Company:

Research and Development Stage	Clinical objective indicators	Safety findings	Leading R&D personnel and their qualifications
CMAB007			
Pre-clinical study	Allergic asthma (<i>in vitro</i> study)	None	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²
Phase I clinical trial	Allergic asthma (healthy volunteers)	None	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²
Phases II/III clinical trials	Allergic asthma: Proportion of subjects with asthma exacerbation	<ul style="list-style-type: none"> • Adverse reaction associate with CMAB007 was higher than 1% • Reactions which occurred at injection sites: local reactions at the injection site, injection site (partial) allergy, loss of feeling at injection site, injection site edema, injection site pruritus • Skin and subcutaneous tissue diseases (rash, swelling of skin, eczema, acne, pruritus) • The difference between two groups was not statistically significant • Most of the adverse reactions were mild to moderate, without discontinuation of CMAB007 	<p>Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president)²</p> <p>Mr. Wang Qiang (王強) (Bachelor in clinical medicine)³</p> <p>Mr. Yan Jun (嚴軍) (Bachelor in clinical medicine, currently our medical supervisor)</p>

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Research and Development Stage	Clinical objective indicators	Safety findings	Leading R&D personnel and their qualifications
Phase III clinical trial	Allergic asthma: The mean number of asthma exacerbations per patient during the 24-week treatment period	Not available ¹	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ² Mr. Yan Jun (嚴軍) (Bachelor in clinical medicine, currently our medical supervisor)
CMAB008 Pre-clinical study	Rheumatoid arthritis	None	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²
Phase I clinical trial	Rheumatoid arthritis	None	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²
Phases II/III clinical trials	Rheumatid arthritis: ACR20/ACR50/ACR70 at week 18 The number of tender joints, the number of swollen joints, and the median improvement from baseline in the measures of disease activity	<ul style="list-style-type: none"> • Infusion reaction • Upper respiratory tract infections • Leucopenia • Abnormal liver function • Urinary tract infections • Skin and accessory diseases (rash, urticarial, mycotic dermatitis) • Body defense responses (fever, viral infections, cellulites, lymphatic tuberculosis, tuberculosis, mumps, gingivitis) • Systemic manifestations (weakness, edema), gastrointestinal symptoms (anorexia, vomiting) • Central and peripheral nervous system reaction (dizziness) 	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²

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Research and Development Stage	Clinical objective indicators	Safety findings	Leading R&D personnel and their qualifications
Phase III clinical trial	Rheumatoid arthritis	Not available ¹	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ² Mr. Yan Jun (嚴軍) (Bachelor in clinical medicine, currently our medical supervisor)
CMAB009			
Pre-clinical study	metastatic colorectal cancer	None	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²
Phase I clinical trial	metastatic colorectal cancer	Acneiform rash Fever Nausea Headache	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²
Phases II/III clinical trials	metastatic colorectal cancer	Rash Diarrhea Nausea Weakness Fever Vomiting Bone marrow failure Loss of appetite Stomach ache Anemia	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ² Mr. Wang Qiang (王強) (Bachelor in clinical medicine) ³
Phase III clinical trial	metastatic colorectal cancer	Not available ¹	Dr. Li Jing (李晶) (Ph.D. in oncology, currently our Executive Director and vice president) ²

Notes:

- No safety findings could be observed so far.
- For details of Dr. Li Jing's bio, please refer to the section headed "Directors and Senior Management — Executive Directors" of this prospectus.
- Mr. Wang Qiang resigned from Biomabs on August, 31 2012 and is currently not employed by the Group.

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The following are other key personnel who have been involved in the research and development of the Core Products and are currently being employed by the Group and their respective qualifications:

Name	Qualifications	Current title in our Group	Date of joining our Group
Dr. Qian Weizhu (錢衛珠)	Ph.D. in oncology	Chief executive officer	February 2015
Dr. Wang Hao (王皓)	Ph.D. in medicine	Chief scientist/vice president	January 2017
Mr. Tao Jing (陶靜)	Bachelor Degree in biochemistry	Vice president	February 2015
Ms. Yuan Xiuzhen (袁秀珍)	Bachelor Degree in chemical pharmaceutical	Quality supervisor	June 2017
Mr. Li Wei (李偉)	Bachelor Degree in pharmaceutical engineering	Production supervisor	July 2018
Ms. Huang Xiafei (黃夏飛)	Master Degree in otolaryngology	Medical manager	September 2018
Mr. Du Li (杜荔)	Bachelor Degree in clinical medicine	Clinical manager	September 2018
Mr. Yang Yue (楊躍)	Bachelor Degree in clinical medicine	Medical manager	September 2018
Mr. Xie Shunsheng (解順生)	Bachelor Degree in biological engineering	Production manager	July 2015
Mr. Shao Shunru (邵順儒)	Bachelor Degree in pharmacy	Quality assurance manager	March 2016
Ms. Yue Aihuan (岳愛環)	Master Degree in biochemistry and molecular biology	Quality control manager	May 2018

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Phase III clinical Trials For the Core Products

Zhangjiang Biotech and Biomabs were both involved in the phases II/III clinical trials for the Core Products. The phases II/III clinical trials for CMAB007, CMAB008 and CMAB009 were completed in March 2016, December 2009 and December 2012, respectively. In July 2016, due to the changes in the production sites for the Core Products and improvements in our production processes, we have engaged in phase III clinical trials for the Core Products following their phases II/III clinical trials to further confirm their efficacy and safety (Taizhou Pharmaceutical being the applicant for CMAB009 and Biomabs being the applicant for CMAB007 and CMAB008). Our R&D team has been involved in the phases II/III clinical trials for CMAB007 under Zhangjiang Biotech, and/or phase III clinical trials for the Core Products under Biomabs and/or Taizhou Pharmaceutical.

Since phase III clinical trials for CMAB007 and CMAB008 were commenced in the name of Biomabs and as advised by our PRC Legal Advisors, we would have to re-start the phase III clinical trials for CMAB007 and CMAB008 if the applicant name were changed to our Group under the PRC Laws. Accordingly, Taizhou Pharmaceutical entered into a clinical trials agreement with Biomabs on August 13, 2018 to entrust Biomabs to commence and complete phase III of the clinical trials of CMAB007 and CMAB008 in the PRC under the name of Biomabs. For further details, please refer to the section headed “Connected Transactions — Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions — Clinical Trials Agreement”.

As at the Latest Practicable Date, the phase III clinical trials for the Core Products are still ongoing. For further details, please refer to the section headed “Business — Our Product Pipeline — Our Core Product Candidates” of this prospectus.

MAJOR SUBSIDIARIES AND OPERATING ENTITIES OF OUR COMPANY

The principal business activities, date of establishment and date of commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Shareholding percentage</u>	<u>Principal business activities</u>	<u>Date of establishment and commencement of business</u>
Mabpharm Holdings	BVI	100%	Mainly engaged in investment holding business	June 8, 2018
Mabpharm HK	Hong Kong	100%	Mainly engaged in investment holding business	July 5, 2018

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Name of company	Place of incorporation	Shareholding percentage	Principal business activities	Date of establishment and commencement of business
Taizhou Pharmaceutical	PRC	100% ⁽¹⁾	Mainly engaged in the research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs (except for the development and application of human stem cells, genetic diagnosis and treatment technologies), import and export and wholesale business involving the abovementioned goods and technologies	February 4, 2015
Taizhou Biotech	PRC	100% ⁽¹⁾	Mainly engaged in technology development in the field of biomedical science and technology (except for the development and application of human stem cells, genetic diagnosis and treatment technologies)	November 24, 2016
Shengheng Biotech	PRC	100%	Mainly engaged in research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs	August 28, 2018

Note:

- (1) From January 1, 2017 to immediately prior to the Reorganization, Taizhou Pharmaceutical and Taizhou Biotech were both direct wholly owned by Mabtech Holdings. During the same period, (i) GeneStar and United Circuit were directly holding 61.67% and 5% equity interests in Sinomab, respectively, which in turn direct wholly owned Mabtech Holdings; (ii) GeneStar was wholly-owned by Sure Pacific Limited, a limited liability company incorporated in the BVI, which was in turn wholly-owned by Ms. Gu Nana (the “Nominee”), who held such interest on trust (due to personal reason) for Mr. Guo Jianjun; and (iii) United Circuit was held as to 68.89% by the Nominee, who held such interest on trust for Mr. Guo Jianjun, and the remaining 31.11% was held by TransGlobal Real Estate Group Limited, a limited company incorporated in the Cayman Islands that engages in various capital investments and ultimately owned as to 50% by Mr. Yiu Chi Shing and 50% by Ms. Liu Yim Sheung, both being independent from Mr. Guo Jianjun, other directors of the Company and their respective associates. Accordingly, Mr. Guo Jianjun has ultimate control over Taizhou Pharmaceutical and Taizhou

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Biotech during the relevant period. As part of the Reorganization and pursuant to a share transfer agreement between Mabpharm HK and Mabtech Holdings dated July 25, 2018, Mabpharm HK acquired 100% equity interests of Taizhou Pharmaceutical and Taizhou Biotech from Mabtech Holdings. The acquisitions were completed on July 31, 2018. For further details, please refer to sub-section headed “ — Reorganization” of this section.

PRE-IPO INVESTMENTS

1. Overview

For the long-term business development and expansion of our business, the Pre-IPO Investors entered into the Pre-IPO Investment Agreements for the purpose of provision of financial resources to our Group through investing in Sinomab.

The table below is a summary of the capitalization of our Pre-IPO Investors of our Company:

Shareholders	Number of ordinary shares in Sinomab after completion of Pre-IPO Investments	Number of Shares immediately prior to the Capitalization Issue	Number of Shares immediately after the Capitalization Issue and before the Global Offering	Consideration	Date on which investment was fully settled	Ownership percentage immediately before the Global Offering	Ownership percentage as of the Listing Date ⁽³⁾
CDH VC	1,666 ⁽¹⁾	1,666,000	74,203,640	US\$10,000,000	February 28, 2015	2.22%	1.80%
CDH PE	16,667 ⁽²⁾	16,667,000	742,348,180	US\$100,857,200	December 18, 2015	22.2%	18.00%
FH Investment	4,792	4,792,000	213,435,680	US\$28,996,400	December 18, 2015	6.39%	5.18%
CDC	1,875	1,875,000	83,512,500	US\$11,346,400	December 18, 2015	2.5%	2.02%

Note:

- (1) Sinomab issued 16,667 preferred shares to CDH VC at a consideration of US\$100,000,000 under the preferred shares subscription agreement dated January 15, 2015, pursuant to which CDH VC settled part of the consideration and paid US\$10,000,000 to Sinomab on February 28, 2015 upon satisfaction of certain conditions. On December 18, 2015, CDH VC transferred 15,001 preferred shares in Sinomab to CDH PE and converted its remaining 1,666 preferred shares into ordinary shares in Sinomab. As a result, CDH VC held 1,666 ordinary shares in Sinomab. Accordingly, by acquiring 15,001 preferred shares in Sinomab from CDH VC, CDH PE also assumed the payment obligation with respect to the 15,001 preferred shares (i.e. US\$90,000,000) from CDH VC.
- (2) On December 18, 2015, Sinomab issued and sold to CDH PE 1,666 ordinary shares in Sinomab, and CDH VC transferred 15,001 preferred shares in Sinomab to CDH PE under the ordinary shares agreement dated the even date. Accordingly, the consideration in respect of (a) the 15,001 preferred shares transferred from CDH VC (i.e. US\$90,000,000) and (b) the 1,666 new ordinary shares issued by Sinomab (i.e. US\$10,857,200), were settled by a payment of US\$100,857,200 previously paid by CDH PE to Sinomab on November 12, 2015. On the even date, CDH PE converted the 15,001 preferred shares to ordinary shares, and as a result CDH PE held 16,667 ordinary shares in Sinomab.
- (3) Assuming the Over-allotment option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

The consideration for each of the Pre-IPO Investments was determined based on arm’s length negotiations between the Pre-IPO Investors, Sinomab, GeneStar and United Circuit after taking into account the timing of the subscription, the illiquidity of the shares as a private company when the Pre-IPO Investments were entered into and the fair value of any relevant business contributed in

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conjunction with the Pre-IPO Investments (where applicable). For the two rounds of the Pre-IPO Investments in January 2015 and December 2015, the then Sinomab Group (before completion of the Reorganization) was valued at approximately US\$400 million and approximately US\$454 million, respectively.

2. Principal terms of the Pre-IPO Investments and the Pre-IPO Investors' rights

The principal terms of the Pre-IPO Investments are set out in the table below⁽¹⁾:

Consideration per Share ⁽²⁾	CDH VC: US\$0.13 per Share CDH PE, FH Investment and CDC: US\$0.14 per Share
Discount to IPO price ⁽³⁾	CDH VC: 41.03% CDH PE, FH Investment and CDC: 36.49%
Use of Proceeds from the Pre-IPO Investments	Proceeds were used for developing our business, including but not limited to acquiring all rights and interests of CMAB007, CMAB009 and CMAB008, and conducting clinical sample preparation. As of the Latest Practicable Date, all of the net proceeds from the Pre-IPO Investments by Pre-IPO Investors have been utilized.
Strategic benefits the Pre-IPO Investors brought to our Company	At the time of these Pre-IPO Investments, our Directors were of the view that our Company benefited from the additional capital that would be provided by the Pre-IPO Investors' investments and the knowledge and experience of the Pre-IPO Investors.

Notes:

- (1) No special rights of the Pre-IPO Investors shall survive the Listing.
- (2) Taking into account the number of Shares immediately after the Capitalization Issue and before the Global Offering for each of the Pre-IPO Investors.
- (3) Assuming the Offer Price is fixed at HK\$1.73, being the mid-point of the indicative Offer Price range, and based on the number of Shares in issue upon the completion of the Capitalization Issue and before the Global Offering assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

Each of the Pre-IPO Investors has entered into a deed of lock-up undertaking (the “**Lock-up Deed**”) in favor of the Company, pursuant to which each of the Pre-IPO Investors undertakes that, without prior written consent of the Company, from the date of this prospectus and ending on, and including, the date that is six months from the Listing Date (the “**Lock-up Period**”), it will not:

- (i) offer, pledge, charge, sell, contract or agree to sell, mortgage, charge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant, or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an

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encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) held by such Pre-IPO Investor on the Listing Date (the “**Lock-up Shares**”); 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 Lock-up Shares; or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in paragraphs (i), (ii) or (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period); and provided that the above restrictions set out in the Lock-up Deed shall not apply to the lending of the Lock-up Shares by the Pre-IPO Investor pursuant to the Stock Borrowing Agreement (if applicable) to be entered into in connection with the Global Offering, and shall not prevent the Shareholders from using the Lock-up Shares as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

3. **Benefits of the Pre-IPO Investment**

Our Directors are of the view that the Pre-IPO Investment strengthened our capital, enlarged our shareholder base and provided financial resources for our business development.

4. **Public Float**

Upon the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme), CDH will control or hold in excess of 10% of the issued Shares and thus will become our Company’s core connected persons as defined under the Listing Rules, while the remaining Pre-IPO Investors other than the Controlling Shareholders (i.e. FH Investment and CDC) will each hold less than 10% of the issued Shares. Therefore, save for the Shares held by the Controlling Shareholders and CDH, the Shares held by FH Investment and CDC will count towards the public float.

5. **Information about the Pre-IPO Investors**

CDH VC is a limited liability company registered and existing under the laws of the BVI that specializes and focuses on venture capital investments and is indirectly held as to 50% by CDH

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Venture Partners III, L.P., a limited partnership formed under the laws of Cayman Islands, and is indirectly held as to 50% by Shanghai CDH Chuangtai VC Center, L.P. (上海鼎暉創泰創業投資中心有限合夥), a limited partnership formed under the laws of the PRC. The general partners of CDH Venture Partners III, L.P. and Shanghai CDH Chuangtai VC Center, L.P. are CDH Venture GP III Company Limited and Suzhou Dinghui Huahe Venture Investment Management Company Limited (蘇州鼎暉華禾創業投資管理有限公司), respectively.

CDH PE is a limited liability company registered and existing under the laws of the Cayman Islands and is wholly-owned by CDH Fund V, L.P. (a limited partnership formed under the laws of Cayman Islands), whose general partner is CDH V Holdings Company Limited, which focuses on private equity investments. CDH PE is a sophisticated investor as required under the Guidance Letter HKEx-GL-92-18 issued in April 2018 by the Hong Kong Stock Exchange. Our director, Mr. Jiao Shuge is one of the three members of the investment committee of CDH V Holdings Company Limited, which is responsible for managing CDH PE. The other members of the investment committee includes Mr. Wu Shangzhi and Mr. Liu Xinlai.

FH Investment is a limited liability company registered and existing under the laws of the BVI that specializes and focuses on investments in the biopharmaceutical sector and ultimately owned by Mr. Yap Shing Chi and his family members.

CDC is a limited liability company registered and existing under the laws of the BVI that specializes and focuses on investments in the biopharmaceutical sector. CDC is held as to approximately 33.8% by Earn Concord Limited (which is a wholly owned subsidiary of Mr. Wang Le Tian) and approximately 66.2% by CDC Investments Company Limited (which is held as to 50% by Mr. Choy Yee Shui and 50% by Mr. Li Hui).

Except for the Pre-IPO Investors who hold equity interests in our Company and Sinomab and the Director nominated by CDH PE (i.e. Mr. Jiao Shuge) as disclosed in this prospectus, the Pre-IPO Investors and their ultimate beneficial owners are independent of our Group and our Company.

6. Compliance with Interim Guidance and Guidance Letters

The Sole Sponsor confirms that the investment by the Pre-IPO Investors is in compliance with the Guidance Letter HKEx-GL29-12 issued in January 2012 and updated in March 2017 by the Hong Kong Stock Exchange, Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 by the Hong Kong Stock Exchange and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 by the Hong Kong Stock Exchange.

SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on June 1, 2018, and is the holding company of our Group.

Save for the Reorganization, we did not have material shareholding changes of our Company during the Track Record Period.

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MAJOR SHAREHOLDING CHANGES OF OUR SUBSIDIARIES

Our business operations are conducted through subsidiaries owned by us. Save as disclosed in “— Reorganization” in this section below, we did not conduct any major acquisitions, disposals or mergers and did not have major shareholding changes of our subsidiaries during the Track Record Period.

PRC REGULATORY REQUIREMENTS

According to the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise.

Our Company’s PRC Legal Advisors are of the view that, when Mabpharm HK acquired 100% equity interests held by Mabtech Holdings in Taizhou Pharmaceutical and Taizhou Biotech, Taizhou Pharmaceutical and Taizhou Biotech were wholly foreign-owned enterprises. These acquisitions do not fall into the scope of foreign capital merger and acquisition under the M&A Rules, nor do they involve the relevant provisions on merger and acquisition with related party. Therefore, it is not required to obtain pre-approval from the Ministry of Commerce.

SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), promulgated by SAFE which became effective on July 14, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

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Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Circular 13”), promulgated by SAFE and became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, Mr. Guo Jianjun completed the registration under the SAFE Circular 37 on March 19, 2018.

THE CAPITALIZATION ISSUE

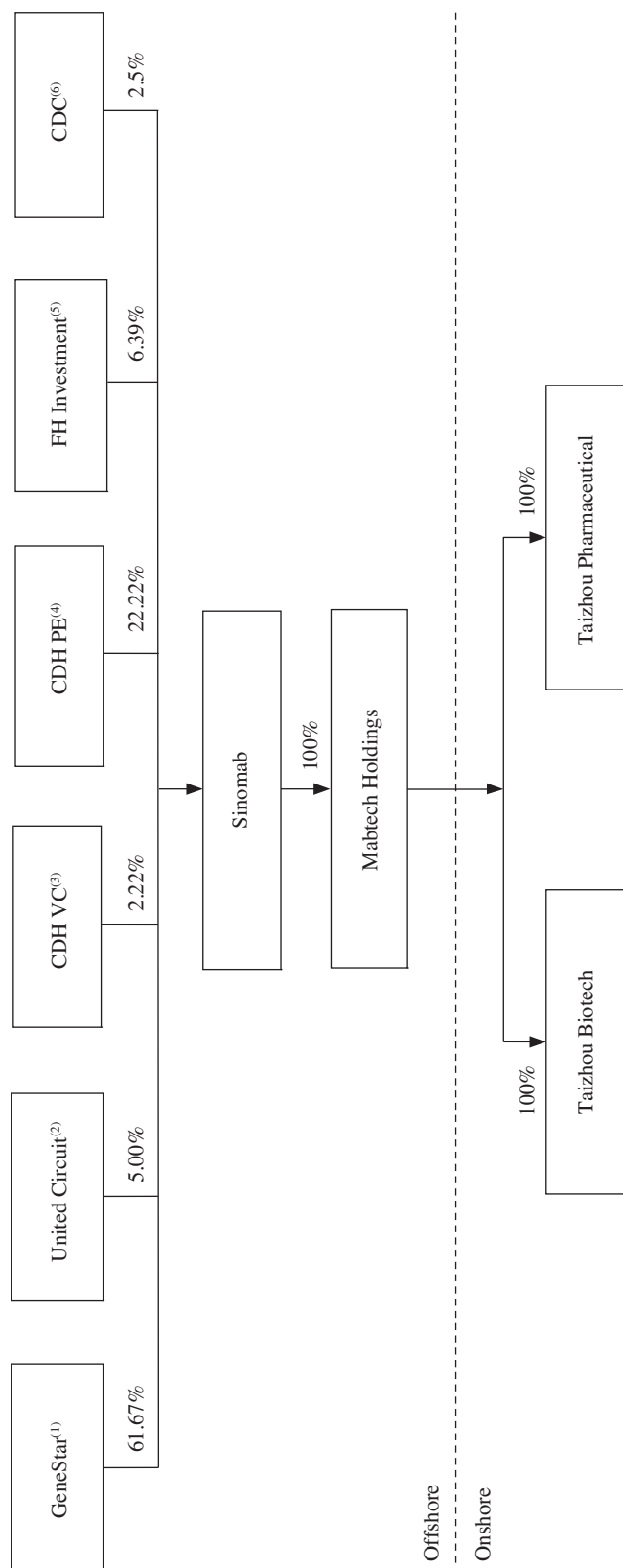
Our Company will, immediately prior to the Listing Date allot and issue a total of 3,265,500,000 Shares credited as fully paid at par to the holders of Shares whose names appear on the register of members of our Company on the day preceding the Listing Date in proportion to their then existing shareholdings in our Company by capitalizing the sum of US\$326,550 from the amount standing to the credit of the share premium account of our Company. The Shares allotted and issued pursuant to the above capitalization issue will rank *pari passu* in all respects with the existing issued Shares.

PRE-IPO SHARE OPTION SCHEME

On August 10, 2018, our Company adopted the Pre-IPO Share Option Scheme. On August 18, 2018, the Company granted an aggregate of 83,512,500 share options to 62 Grantees, representing rights to subscribe for 83,512,500 Shares (representing approximately 2.02% of the issued share capital of the Company immediately upon the completion of the Capitalization Issue and Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme). Subsequent to the granting of the share options, two of the grantees resigned from their respective positions within our Group. As such, the share options granted to these two grantees were lapsed and no longer exercisable. As of the Latest Practicable Date, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 83,311,989 Shares after taking into account the Capitalization Issue (representing approximately 2.02% of the issued share capital of the Company immediately upon the completion of the Capitalization Issue and Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme). None of the share options granted under the scheme has been exercised by any grantee. Please refer to the section headed “Statutory and General Information—D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

REORGANIZATION

In preparation for Listing, our Group has undertaken the Reorganization. Set out below is the corporate structure of our Group from January 1, 2017 (the beginning of the Track Record Period) to immediately prior to the Reorganization:



Notes:

- (1) GeneStar was wholly-owned by Sure Pacific Limited, a limited liability company incorporated in the BVI, which was in turn wholly-owned by the Nominee, who held such interest on trust (due to personal reason) for Mr. Guo Jianjun, our non-executive Director, and one of our Controlling Shareholders, who has ultimate control over the Group.
- (2) United Circuit was held as to 68.89% by the Nominee, who held such interest on trust for Mr. Guo Jianjun, and the remaining 31.11% is held by TransGlobal Real Estate Group Limited, a limited company incorporated in the Cayman Islands that engages in various capital investments and ultimately owned as to 50% by Mr. Yiu Chi Shing and 50% by Ms. Liu Yim Sheung, both being independent from Mr. Guo Jianjun, directors of the Company and their respective associates.
- (3) CDH VC is indirectly held as to 50% by CDH Venture Partners III, L.P., a limited partnership formed under the laws of Cayman Islands, and is indirectly held as to 50% by Shanghai CDH Chuangtai VC Center, L.P. (上海鼎暉創泰創業投資中心有限合夥), a limited partnership formed under the laws of the PRC. The general partners of CDH Venture Partners III, L.P. and Shanghai CDH Chuangtai VC Center, L.P. are CDH Venture GP III Company Limited and Suzhou Dinghui Huahe Venture Investment Management Company Limited (蘇州鼎暉華禾創業投資管理有限公司), respectively.
- (4) CDH PE is wholly-owned by CDH Fund V, L.P., a limited partnership formed under the laws of the Cayman Islands, whose general partner is CDH V Holdings Company Limited.
- (5) FH Investment is wholly-owned by Link Best Capital Ltd, a limited company incorporated in the BVI.
- (6) CDC is held as to 66% by CDC Investment Co. Ltd and as to 34% by Earn Concord Ltd, both of which are limited companies incorporated in the BVI.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Offshore reorganization

Our Company was incorporated in the Cayman Islands on June 1, 2018 to act as the listing vehicle for the purpose of the Listing. Upon incorporation, the initial authorized share capital of our Company was US\$50,000 divided into 500,000,000 Shares with a par value of US\$0.0001 each, of which one Share was allotted and issued at par to the initial subscriber (an Independent Third Party), which was transferred to Asia Mabtech, a BVI company direct wholly-owned by Mr. Guo Jianjun, on the same day.

Mabpharm Holdings was incorporated in the BVI on June 8, 2018. Upon incorporation, Mabpharm Holdings was authorized to issue 50,000 shares of US\$1 each, of which one share was allotted to the Company on the same day. As a result, Mabpharm Holdings became a direct wholly-owned subsidiary of the Company.

Mabpharm HK was incorporated in Hong Kong on July 5, 2018. Upon incorporation, Mabpharm HK allotted one share of HK\$1 each to Mabpharm Holdings on the same day. As a result, Mabpharm HK became a direct wholly-owned subsidiary of Mabpharm Holdings.

GeneStar and United Circuit were held indirectly and directly by the Nominee, who held on trust for and on behalf of Mr. Guo Jianjun, the non-executive Director of the Company, pursuant to the trust deeds dated June 9, 2015, October 15, 2015 and March 17, 2016, respectively. As part of the Reorganization, Asia Mabtech acquired 68.89% equity interests in United Circuit from the Nominee at nil consideration. The acquisition was completed on June 26, 2018.

On June 27, 2018, our Company issued 46,249,999 Shares to Asia Mabtech and 3,750,000 Shares to United Circuit (being an existing shareholder of Sinomab), respectively, at a consideration of US\$0.0001 per Share, respectively.

On July 20, 2018, our Company issued 16,667,000, 1,666,000, 4,792,000 and 1,875,000 Shares to the existing shareholders of Sinomab, i.e. CDH PE, CDH VC, FH Investment and CDC, respectively, at a consideration of approximately US\$40 million, US\$4 million, US\$11.5 million and US\$4.5 million, respectively.

As a result of the foregoing reorganization, each of Asia Mabtech, United Circuit, CDH PE, CDH VC, FH Investment and CDC obtained approximate 61.67%, 5.00%, 22.22%, 2.22%, 6.39% and 2.5% equity interest in the Company, respectively, prior to the completion of the Capitalization Issue and the Global Offering.

On August 8, 2018, Mr. Guo Jianjun transferred his 100% equity interests in Asia Mabtech to the Guo Family Trust established by himself as the settlor. For details of the Guo Family Trust, please refer to “Relationship with the Controlling Shareholders” of this prospectus.

As of the Latest Practicable Date, all the share transfers pursuant to the offshore reorganization have been duly completed and settled and all necessary approvals have been obtained from the relevant authorities.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Onshore reorganization

Pursuant to a share transfer agreement between Mabpharm HK and Mabtech Holdings dated July 25, 2018, Mabpharm HK agreed to acquire 100% equity interests of Taizhou Pharmaceutical and Taizhou Biotech, both being domestic subsidiaries of Mabtech Holdings, at a consideration of US\$20 million and US\$8.7 million, respectively. The acquisitions were completed on July 31, 2018.

Sinomab Group currently engages in the CRO business through Biomabs and MTJA. As part of Sinomab Group's future plan and business strategy, Biomabs is expected to commence its CMO business in 2019. In order to achieve a clear delineation between Sinomab Group's CRO and CMO businesses and the businesses of the Group (being research and development of biologic products with a view to manufacturing and commercialization under the Group's name) and to avoid extensive potential competition between the businesses of Sinomab Group and the Group after Listing, Biomabs was not transferred to the Group during the Reorganization. Our Directors are of the view that not including Biomabs to the Group will not have any material adverse impact on the Group's business and save as the connected transactions with Biomabs after Listing as described in the section headed "Connected Transactions" in this prospectus, the Group will operate independently from Biomabs.

Business combination Core Drugs (CMAB007 and CMAB008)

To combine the business relating to CMAB007 and CMAB008 into our Group, on August 13, 2018, Biomabs, Taizhou Pharmaceutical, Sinomab and our Company entered into a business spin-off agreement (the "**Business Spin-off Agreement**"), pursuant to which Biomabs shall transfer, in relation to CMAB007 and CMAB008, (a) all its staff at the medical registration department and (b) all assets of the medical registration department to our Group company at nil consideration.

Since phase III clinical trials for CMAB007 and CMAB008 were commenced in the name of Biomabs and as advised by our PRC Legal Advisors, we would have to re-start the phase III clinical trials for CMAB007 and CMAB008 if the applicant name were changed to our Group, we have decided to remain Biomabs as the applicant for the phase III clinical trials for CMAB007 and CMAB008, and Biomabs shall license the rights and interests in relation to the core drugs (i.e. CMAB007 and CMAB008) in the PRC to Sinomab, which shall then sub-license such rights to our Company. For details of the license agreement between Sinomab and our Company, please refer to "Connected Transactions—Continuing Connected Transactions—Fully Exempt Continuing Connected Transactions—License Agreement" of this prospectus.

Acquisition of overseas rights and interests (CMAB007, CMAB009 and CMAB008)

On August 13, 2018, Sinomab and our Company entered into a drug technology transfer agreement (the "**Overseas Drugs Technology Transfer Agreement**"), pursuant to which Sinomab shall transfer the rights and interests of CMAB007, CMAB009 and CMAB008 in the overseas areas (excluding Japan, North America and Europe in which rights and interests have been licensed to Sorrento Therapeutics, Inc., a company listed on NASDAQ (NASDAQ: SRNE)) to our Company at nil consideration. For details of the exclusive license arrangement between Sinomab and Sorrento Therapeutics, Inc., please refer to "Relationship with the Controlling Shareholders — Relationship Between Sinomab Group and Sorrento" of this prospectus.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Acquisition of pipeline drugs (CMAB809, CMAB810, CMAB813, CMAB815, CMAB816 and CMAB819)

Prior to August 13, 2018, Sinomab had the rights and interests in pipeline CMAB809, CMAB810, CMAB813, CMAB815, CMAB816 and CMAB819 (the “**8-prefixed Drugs**”), in which CMAB810, CMAB813 and CMAB816 were still in preclinical research stage, and the preclinical research of CMAB809, CMAB815 and CMAB819 had been completed.

On August 13, 2018, Sinomab signed a drug technology transfer agreement with our Company (the “**8-prefixed Drugs Technology Transfer Agreement**”), pursuant to which Sinomab shall transfer all rights and interests of the 8-prefixed Drugs to our Company at nil consideration. Our Group shall be entitled to the rights and interests of the 8-prefixed Drugs, including but not limited to pharmaceutical technology-related products, licensed patents and related R&D technologies, preclinical and clinical trial data, preparation techniques, experimental methods, proprietary technology and trade secrets, etc..

The PRC Legal Advisors of our Company confirmed that the relevant share transfer and business combination in the abovementioned onshore reorganization have been duly completed and settled, all necessary approvals and consents have been obtained from the relevant PRC authorities and the applicable registrations have been completed.

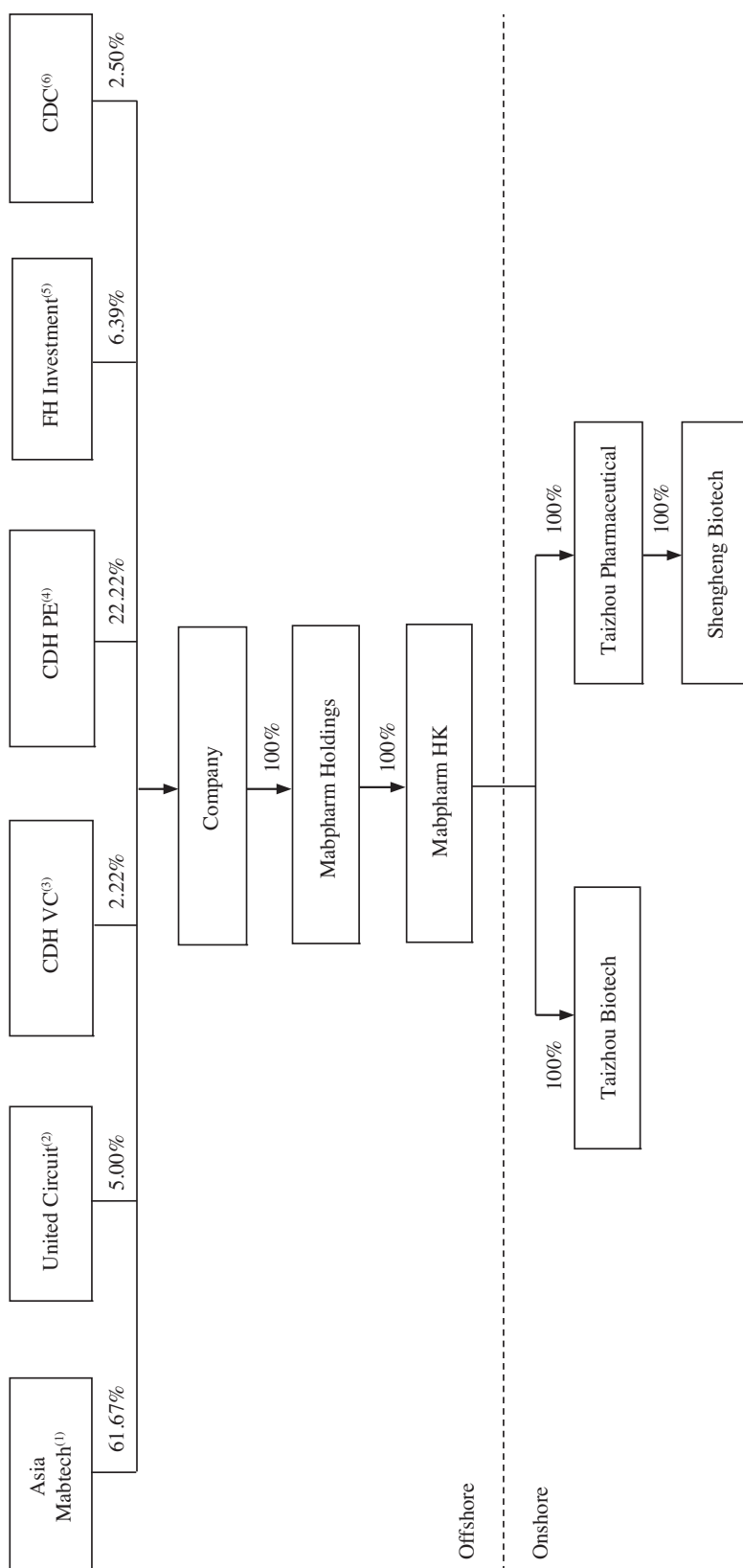
Relationship with Sinomab Group after Reorganization

After completion of the Reorganization, Sinomab Group will be principally engaged in the CRO business and CMO business in the PRC. With the exception of certain transactions between the Group and Sinomab Group to be carried out on a continuing basis after Listing (details of which are described in the section headed “Connected Transactions” of this prospectus), the Group and Sinomab Group will be carrying out their businesses independently of each other.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

STRUCTURE OF OUR GROUP IMMEDIATELY AFTER THE CAPITALIZATION ISSUE AND PRIOR TO THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately after the Reorganization and the Capitalization Issue and prior to the completion of the Global Offering:



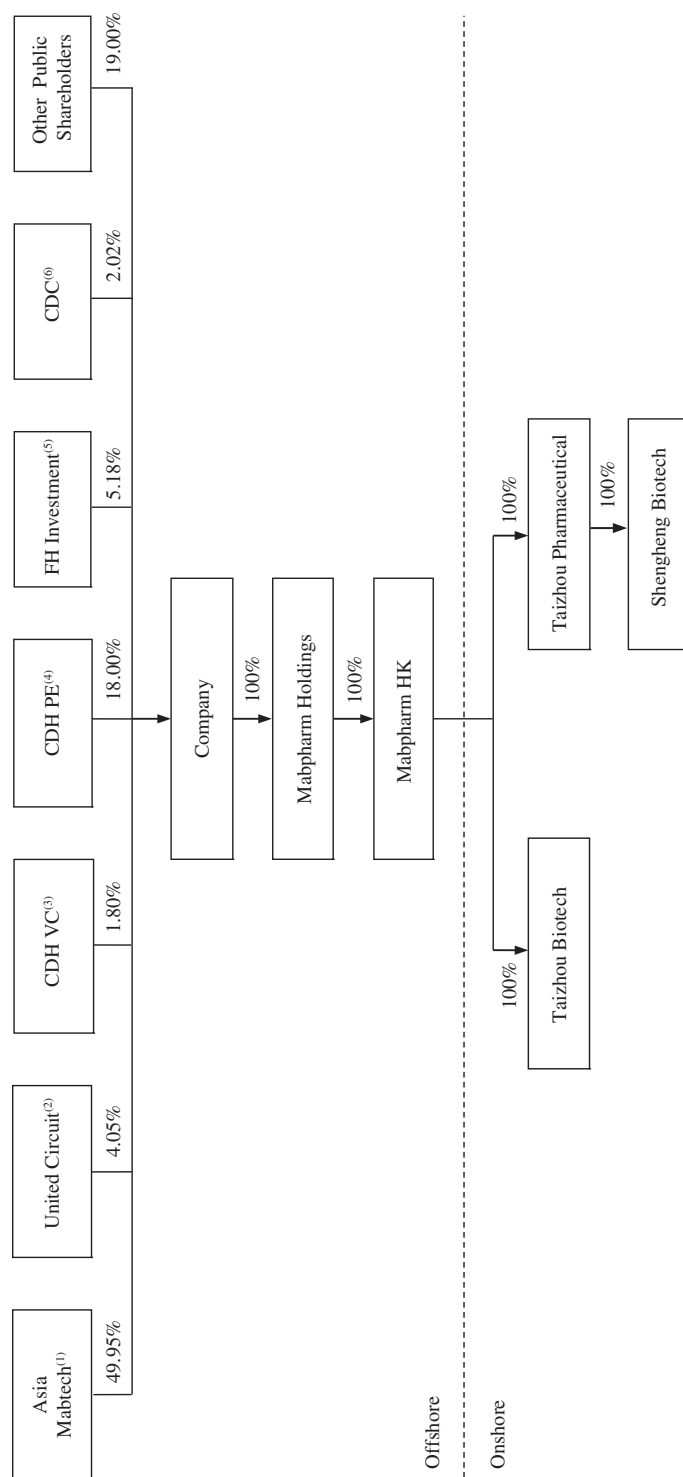
Notes:

- (1) Asia Mabtech is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust. The Guo Family Trust was established by Mr. Guo Jianjun as the settlor and the Guo Family Trustee as the trustee. Mr. Guo Jianjun and his family members are the beneficiaries of the Guo Family Trust.
- (2) United Circuit is held as to 68.89% by Asia Mabtech and the remaining 31.11% is held by TransGlobal Real Estate Group Limited, a limited company incorporated in the Cayman Islands that engages in various capital investments and ultimately owned as to 50% by Mr. Yiu Chi Shing and 50% by Ms. Liu Yim Sheung, both being independent from Mr. Guo Jianjun, directors of the Company and their respective associates.
- (3) CDH VC is indirectly held as to 50% by CDH Venture Partners III, L.P., a limited partnership formed under the laws of Cayman Islands, and is indirectly held as to 50% by Shanghai CDH Chuangtai VC Center, L.P. (上海鼎暉創泰創業投資中心有限合夥), a limited partnership formed under the laws of the PRC. The general partners of CDH Venture Partners III, L.P. and Shanghai CDH Chuangtai VC Center, L.P. are CDH Venture GP III Company Limited and Suzhou Dinghui Huahe Venture Investment Management Company Limited (蘇州鼎暉華禾創業投資管理有限公司), respectively.
- (4) CDH PE is wholly-owned by CDH Fund V, L.P., a limited partnership formed under the laws of Cayman Islands, whose general partner is CDH V Holdings Company Limited.
- (5) FH Investment is wholly-owned by Link Best Capital Ltd, a limited company incorporated in the BVI.
- (6) CDC is held as to 66% by CDC Investment Co. Ltd and as to 34% by Earn Concord Ltd, both of which are limited companies incorporated in the BVI.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

STRUCTURE OF OUR GROUP IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme):



Notes:

- (1) Asia Mabtech is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust. The Guo Family Trust was established by Mr. Guo Jianjun as the settlor and the Guo Family Trustee as the trustee. Mr. Guo Jianjun and his family members are the beneficiaries of the Guo Family Trust.
- (2) United Circuit is held as to 68.89% by Asia Mabtech and the remaining 31.11% is held by TransGlobal Real Estate Group Limited, a limited company incorporated in the Cayman Islands that engages in various capital investments and ultimately owned as to 50% by Mr. Yiu Chi Shing and 50% by Ms. Liu Yim Sheung, both being independent from Mr. Guo Jianjun, directors of the Company and their respective associates.
- (3) CDH VC is indirectly held as to 50% by CDH Venture Partners III, L.P., a limited partnership formed under the laws of Cayman Islands, and is indirectly held as to 50% by Shanghai CDH Chuangtai VC Center, L.P. (上海鼎暉創泰創業投資中心有限合夥), a limited partnership formed under the laws of the PRC. The general partners of CDH Venture Partners III, L.P. and Shanghai CDH Chuangtai VC Center, L.P. are CDH Venture GP III Company Limited and Suzhou Dinghui Huahe Venture Investment Management Company Limited (蘇州鼎暉華禾創業投資管理有限公司), respectively.
- (4) CDH PE is wholly-owned by CDH Fund V, L.P., a limited partnership formed under the laws of Cayman Islands, whose general partner is CDH V Holdings Company Limited.
- (5) FH Investment is wholly-owned by Link Best Capital Ltd, a limited company incorporated in the BVI.
- (6) CDC is held as to 66% by CDC Investment Co. Ltd and as to 34% by Earn Concord Ltd, both of which are limited companies incorporated in the BVI.

BUSINESS

OVERVIEW

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience.

Our pipeline of drug candidates currently consists of nine monoclonal antibody drugs, three of which are our Core Products under phase III clinical trials: CMAB007 (omalizumab), CMAB009 (cetuximab) and CMAB008 (infliximab). CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for the treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. It was the only mAb asthma therapy developed in China by a local Chinese company that had reached phase III clinical trial as of the Latest Practicable Date according to Frost & Sullivan, and we believe that, once approved by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate for first-line treatment of metastatic colorectal cancer in combination with FOLFIRI. It is based on cetuximab and produced by CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in currently marketed cetuximab product. CMAB009 is the first NMPA chimeric anti-EGFR antibody approved for clinical trial developed in China by a local Chinese company. According to our clinical results compared with published clinical results of currently marketed cetuximab, CMAB009 significantly reduces immunogenicity and decreases the incidence of adverse reactions. CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate for moderate to severe active rheumatoid arthritis. It is based on infliximab and uses CHO expression system, which is different from that used by the currently marketed infliximab drug. CMAB008 is the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. In addition, two of our other drug candidates, CMAB809 (trastuzumab) and CMAB819 (nivolumab), have obtained approval for clinical trials.

Our advanced R&D systems include antibody engineering and humanization technologies, efficient expression vector construction technologies, efficient clone screening technologies, as well as a proprietary research and development animal model. Our R&D team has more than 16 years of experience in monoclonal antibody research. Some of our core R&D team members had track record of successfully developing two types of humanized antibody targeted therapeutic drugs which have obtained NMPA approval, as well as several awards, including the National Intellectual Property Gold Award, the National Technological Invention Award and the National Science & Technology Advancement Award. Most of the core members of our R&D team have working experience gained from leading Chinese and international pharmaceutical companies and research centers, and as project leaders for major projects in the vaccine and antibody field under the “863” Program. Our R&D team currently consists of 174 personnel, 111 of whom possess a bachelor’s degree or above.

BUSINESS

Our existing production facility, currently with a 3*1,500L stainless steel bioreactor system, is one of the largest antibody drug production facilities in China according to Frost & Sullivan and can satisfy our current clinical and commercialized production needs. We believe our existing production capacity is able to support the demand of clinical research and early stage commercial manufacturing till 2021. We are in the process of procuring three additional workshops, each consisting of a 3*1,500L bioreactor system, which we expect to be operational in 2021, to support the increasing demand after the approval of Core Products to market.

In January 2019, we acquired a parcel of industrial land of approximately 100,746 square meters in Taizhou Hi-tech Zone for construction of large-scale monoclonal antibody drug production workshops. We plan to build there, among others, two monoclonal antibody drug substance production lines and two drug product filling lines.

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

Focus on the Chinese cancer and autoimmune disease monoclonal antibody market with huge clinical demand and growth potential

As a leading biologics company in China, we have developed efficient R&D capabilities, broad and advanced preparation technologies and low-cost drug production capabilities that will allow us to offer high quality and affordable innovative biologics products to patients in China and emerging markets.

According to Frost & Sullivan, the biologics market in China grew by 26.2% from 2013 to 2017, substantially higher than the 7.4% growth rate of the global biologics market over the same period. Monoclonal antibody drugs, a subset of the biologics market, was RMB11.8 billion, accounting for 5.4% of the biologics market in China in 2017; it is expected to increase to RMB69.6 billion in 2022, representing a CAGR of 42.6% from 2017 to 2022, much higher than the growth rate of China's biologics market in general. The primary focus of our research and development of monoclonal antibody drugs targeting cancers and autoimmune diseases, which has substantial untapped clinical demand in China. According to Frost & Sullivan, cancers and autoimmune diseases are among the largest therapeutic areas in the monoclonal antibody segment, with an aggregate market size of RMB10.4 billion in 2017 and an expected aggregate market size of RMB64.6 billion in 2022.

Our R&D team has over 16 years of research and development experience and our portfolio of product candidates covers a majority of common indications in cancer and autoimmune disease therapeutic areas, such as mAbs targeting TNF α , PD1 and HER2. Through our sophisticated R&D capabilities and production technologies, we have achieved milestones for our product candidates and developed new drug candidates with therapeutic advantages in China, allowing us to offer patients affordable and high quality innovative drugs.

BUSINESS

Strong R&D capabilities resulting in a diversified and comprehensive monoclonal antibody pipeline, including three late clinical stage monoclonal antibodies targeting cancers and autoimmune diseases

Within our product pipeline, we currently have three Core Products under the phase III clinical development and two other products approved for clinical research. CMAB007 (omalizumab) is our new humanized monoclonal antibody drug candidate. It is the only mAb asthma therapy developed in China by a local Chinese company that has reached phase III clinical trial. In addition, clinical trials for our other Core Products CMAB008 and CMAB009 have shown comparative curative effect as, and clear advantages in terms of adverse effects over, similar marketed products based on their published clinical results. We expect to submit NDAs for CMAB007, CMAB009 and CMAB008 in 2020, 2021 and 2019, respectively. We also have a pipeline of six other drug candidates that includes our versions of trastuzumab, nivolumab and adalimumab, all of which have the potential to become key products for the treatment of cancers or autoimmune diseases in the future.

CMAB007. CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of the Latest Practicable Date, CMAB007 was the only mAb asthma therapy developed in China by a local Chinese company that has reached phase III clinical trial according to Frost & Sullivan, and we believe that, once approved by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of two completed clinical trials of a total of 665 subjects, which were the largest clinical trials of mAb treating asthma in China as of the Latest Practicable Date according to Frost & Sullivan. The results show that CMAB007 can improve asthma patients' conditions with lower-dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

CMAB009. CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate based on cetuximab for first-line treatment of metastatic colorectal cancer (mCRC) in combination with FOLFIRI. CMAB009 uses CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in the currently marketed cetuximab product. CMAB009 is the first NMPA approved chimeric anti-EGFR antibody for clinical trial developed in China by a local Chinese company. It significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity based on our clinical results compared to published clinical results for marketed cetuximab product. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials of a total of 530 subjects, which were the largest clinical trials of anti-EGFR mAb developed in China by a local Chinese company as of the Latest Practicable Date according to Frost & Sullivan. Based on our clinical results compared to published clinical results for the marketed cetuximab product for treatment of mCRC as of the Latest Practicable Date, we believe that CMAB009 is safer than, and as effective as, such drug for treatment of mCRC.

CMAB008. CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis and is potentially one of the best in class of chimeric anti-TNF-alpha antibody in China. It

BUSINESS

is the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. The safety and efficacy of CMAB008 have been confirmed by the results of three completed clinical trials of a total of 588 subjects, which were the largest clinical trials of infliximab in China as of the Latest Practicable Date according to Frost & Sullivan. CMAB008 uses CHO expression system which reduces immunogenicity, according to our clinical results compared to published results of currently marketed infliximab product. We believe that CMAB008 is safer than, and as effective as, currently marketed infliximab product for treatment of moderate to severe active rheumatoid arthritis as of the Latest Practicable Date, according to our clinical results compared to published clinical results of marketed infliximab product. We are conducting a head-to-head study *versus* currently marketed infliximab product to confirm better safety profile and immunogenicity of CMAB008 and its non-inferior efficacy.

Leading R&D team and technology platform enabling an efficient R&D system

We focus on the research and development of monoclonal antibodies, and our core R&D team members have more than 16 years of experience in this area. We own a number of patents for our core technologies, including antibody engineering and humanization technologies, efficient expression vector construction technologies, efficient clone screening technologies, as well as a proprietary research and development animal model. See “—Intellectual Property” for more information. We consistently optimize and enhance the management of major R&D stages and have established an efficient quality research system, which consist of highly experienced researchers in their respective fields and a leading technology platform. In recognition of our leading R&D team and our technology platform enabling an efficient R&D system, we were awarded the “Technology of China” by the China Association of Productivity Promotion in 2017.

Among our core R&D team members, our executive director and chief scientific officer Dr. Wang Hao has over 20 years of experience researching immuno-oncology and genetic engineering technology. Dr. Wang, as the project leader, has completed two major projects under the “863” Program (namely, Pre-clinical and Clinical Research on New Anti-cancer Antibody Drugs, and Establishment of the Research and Production Platform for Key Raw Materials for Antibody Industrialization Program), one project under the National Foundation for Major Projects of China, two projects under the Key Foundation of the Science Commission of Shanghai and three projects funded by the National Natural Science Foundation of China. In addition, our core R&D team member Dr. Li Jing is currently an executive director and vice president of our Company, and has over 16 years of experience in the research, development and technical evaluation for monoclonal antibody drugs. Dr. Li, as the project leader, has completed one major project under the “863” Program and two projects under the National Major Scientific and Technological Special Project of China for Significant New Drugs Development namely, the Clinical Research on New Monoclonal Antibody Drugs for Treatment of Organ Transplant Rejection and Psoriasis. Dr. Li has participated, as a leading researcher, in the research, development and launch of the first antibody fusion protein product as well as the first humanized antibody product in China. In addition, she participated in drafting the guiding principles of the Drug Evaluation Centre of the National Medical Products Administration, and is a member of the 11th Session of the Chinese Pharmacopoeia Commission.

BUSINESS

Externally, we have built stable relationship with key opinion leaders (the “KOLs”) in China and academic institutions in the industry by leveraging our first-mover advantage in the domestic biopharmaceutical industry. We have engaged certain KOLs as principal investigators in our clinical trials, laying a solid foundation for their smooth implementation and execution.

Highly efficient manufacturing base with leading monoclonal antibody manufacturing technologies resulting in clear cost advantages

We primarily use stainless steel bioreactor systems to produce antibody drug substances that have been successfully scaled up to 1,500L, allowing for optimal implementation of our product designs. The advantages of stainless steel technology are (i) minimization of batch differences, (ii) easy and quick production scale-up, (iii) reduction in commercial production costs, (iv) manageable quality risk, and (v) minimizing the dependency on specific vendors, which is, for the long term, a high risk factor for the commercial manufacturing of antibody drugs for those who use disposable bioreactors. The automatic and continued control of the entire work process through large-scale cultivation and purification processes lead to a more stable production cycle. Our leading engineering team, with core team members having over 10 years of relevant experience, has coordinated the design of a number of leading large-scale stainless steel production lines in China, and is responsible for the overall planning and coordination in building our production facilities, including our stainless steel production lines.

Our Taizhou Pharmaceutical is primarily responsible for coordinating clinical trial, clinical sample production and future industrial production of our own products. Our Taizhou Pharmaceutical production site has two buildings of 15,000 square meters each and houses our mAb production facilities. As of December 31, 2018, we were utilizing our workshops in the first building equipped with (i) a 3*1,500L monoclonal antibody bioreactor system, which is expected to manufacture approximately 52 batches (or 80 kilogram) of drug substance/monoclonal antibody proteins per annum (if producing only one product), one of the largest antibody drug production facilities in China in terms of production capacity according to Frost & Sullivan, (ii) an injection vial filling line, which is capable of manufacturing four million units per annum and (iii) a pre-filled syringes production line capable of manufacturing one million units per annum. The second building at our Taizhou Pharmaceutical site is currently idle, but we expect to establish three cGMP-certified workshops, each with a 3*1,500L stainless steel bioreactor system, and corresponding purification lines. We are in the process of procuring these bioreactor systems, which we expect to be operational in 2021. We anticipate that the production capacity of these three workshops will be able to support the production needs of various of products until 2024.

In January 2019, we acquired a parcel of industrial land of approximately 100,746 square meters in Taizhou Hi-tech Zone for construction of large-scale monoclonal antibody drug production workshops. We plan to construct 120,000 square meters of office, production and ancillary facilities on this land. As of the Latest Practicable date, phase I has started, including an office building, an energy center, a warehouse, two drug substance workshops and a drug product workshop. We plan to build two large-scale monoclonal antibody drug substance production lines (one with a production capacity of 3*7,500L and the other 2*18,000L) and two drug product filling lines in three to five years following the launch of our first drug according to the market demand.

BUSINESS

Our production base is strategically located around the Yangtze River Delta. We are able to leverage this location as a low cost production base coupled with access to highly qualified research talent to support our R&D and drug production in the future. We are confident that our location strongly supports our sales targets in China and beyond.

Highly experienced and visionary management, sales and research teams supported by leading investor

Our management and sales team have deep relevant experience and capabilities, with an average of over a decade of industry experience and diversified experience in pharmaceutical research, development, commercialization and sales of pharmaceuticals. Our core management team has many years of experience gained from leading Chinese and international pharmaceutical companies and research centers as well as extensive experience in commercializing drug candidates. The core members of our management team, Li Yunfeng and Tao Jing, each has 16 years of experience in managing pharmaceutical enterprises. Half of our core sales team members have over a decade of experience in sales and management of antibody drugs, including the first antibody drug produced by a local Chinese company marketed in China. Our experienced clinical research team is currently facilitating clinical trials and supports our sales team to prepare for the launch and academic promotion of our products.

We are supported by strong shareholders. CDH PE, a top-tier investment fund, currently holds 22.22% of our Shares and has provided significant support to our R&D and the operational management.

OUR STRATEGIES

Continue to advance the clinical research and commercialization of our drug candidates

Over the short-term, we intend to focus on completing clinical trials and the eventual commercialization of our current pipeline of drug candidates, particularly our Core Products, CMAB007, CMAB009 and CMAB008. To bring our Core Products to market, we aim to reinforce our R&D teams, particularly the clinical medicine team, through the provision of regular professional training and pushing ahead with the clinical trials for CMAB007, CMAB009 and CMAB008. We are also in the process of establishing a sales team consisting of staff with strong academic promotion experience and capabilities. Our goal is to generate stable revenue and profits in the future by creating our own sales team in China and strengthening our commercialization capabilities by further building our sales team.

Continue to maintain investments in advanced technologies and product development

We believe R&D is the key element to support our future growth and our ability to maintain our competitiveness in a global biopharmaceutical market. We plan to upgrade the development of our integrated technological platforms from molecular design to commercialized production, and focus on the research and development of biologics with huge clinical demand and the potential for sustained and rapid growth in China. In order to capture new opportunities in the biopharmaceutical market, we plan to continue increasing our investment into innovative technologies for the development of drugs

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with improved curative effects and less toxic side effects in order to maintain our industry leading position. We also expect to invest in talent including recruitment of professionals with extensive industry experience in cancers and autoimmune diseases and enhance training of our professional to expand and enhance R&D team.

Expand our production capacity to support our commercialized products

We have already established production facilities and quality assurance systems in compliance with NMPA requirements, and we plan to further improve the verification work and technical processes to build an integrated and comprehensive R&D and production technology platform.

We plan to construct new production facilities in Taizhou, including in the second building of our production facility in Taizhou and on the parcel of industrial land in Taizhou Hi-tech Zone, with the proceeds from the Global Offering to expand our production capacity in order to support future production needs of our drug candidates currently under development. This plan includes the construction of (i) three cGMP-certified workshops, each with a 3*1,500L stainless steel bioreactor system, and corresponding purification lines, (ii) two large-scale monoclonal antibody drug substance production lines with production capacities of 2*18,000L and 3*7,500L, respectively, and (iii) two drug product filling lines. We intend to use these facilities for the production of proteins and monoclonal antibodies.

Continue to attract and nurture high quality talent to support our rapid growth

Recruiting and retaining high quality scientific and technological talent as well as other leaders in research and development technology will be key to our success. We plan to leverage our close cooperation with elite universities in China and internationally to recruit and develop outstanding R&D personnel. We also plan to provide systematic and sophisticate training and development programs to our research teams in order to enhance and optimize their scientific and technical abilities to benefit our Company. Part of this strategy involves the creation of an incentive scheme to retain and motivate high-performing team members.

Establish global brand awareness and foster deeper and more extensive cooperative relationship with domestic and overseas renowned pharmaceutical companies

To build our brand internationally and to support our sustainable growth, we plan to in-license products from global pharmaceutical companies for sales in China and/or to transfer or out-license overseas product rights to certain of our drug candidates to other pharmaceutical companies. We may also consider developing collaborative partnerships with global pharmaceutical companies in order to enter and expand our market share in markets outside of China and to further broaden the geographic coverage of our business. As part of this strategy, we may take advantage of strategic opportunities for merger and acquisition internationally to expand our pipeline of products for R&D development and sales in overseas markets.

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OUR PRODUCT PIPELINE

Overview

We focus on the development of a wide variety of therapeutic monoclonal antibody products that provide medically differentiated therapies in cancers and the treatment of autoimmune diseases, which, according to Frost & Sullivan, are among the largest therapeutic areas in the monoclonal antibody segment, with an aggregate market size of RMB10.4 billion in 2017 and an expected aggregate market size of RMB64.6 billion in 2022.

CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of the Latest Practicable Date, CMAB007 is the only mAb asthma therapy developed in China by a local Chinese company that has reached phase III clinical trial, according to Frost & Sullivan, and we believe once approved by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of two completed clinical trials of a total of 665 subjects which were the largest scale clinical trials of mAb treating asthma in China as of the Latest Practicable Date according to Frost & Sullivan. The results show that CMAB007 can improve asthma patients' conditions with lower dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate, based on cetuximab for the first-line treatment of metastatic colorectal cancer (“mCRC”) in combination with FOLFIRI. CMAB009 uses CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in currently marketed cetuximab products. CMAB009 was the first NMPA approved chimeric anti-EGFR antibody for clinical trial developed in China by a local Chinese company as of the Latest Practicable Date according to Frost & Sullivan. It significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity, according to our clinical results compared to published clinical results for currently marketed cetuximab drug. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials of a total of 530 subjects, which were the largest scale clinical trials of anti-EGFR mAb developed in China by a local Chinese company as of the Latest Practicable Date according to Frost & Sullivan. Based on our clinical results compared to published results of currently marketed cetuximab product, we believe that CMAB009 is safer than, and as effective as, such drug for treatment of mCRC as of the Latest Practicable Date.

CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis and is potentially one of the best in class of chimeric anti-TNF-alpha antibody in China. It is the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. The safety and efficacy of CMAB008 have been confirmed by the results of three completed clinical trials of a total of 588 subjects, which were the largest scale clinical trials of infliximab in China as of the Latest Practicable Date according to Frost & Sullivan. CMAB008 uses CHO expression system which reduces immunogenicity, according to our clinical results compared to

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published results of currently marketed infliximab product. We believe that CMAB008 is safer than, and as effective as, currently marketed infliximab product for treatment of moderate to severe active rheumatoid arthritis as of the Latest Practicable Date, based on our clinical results compared to published results of currently marketed infliximab product. We are conducting a head-to-head study *versus* currently marketed infliximab product to confirm better safety profile and immunogenicity of CMAB008 and its non-inferior efficacy.

In addition to our core product candidates, we also have six drug candidates in earlier stages of development, two of which are currently in phase I clinical trials, one in IND filing stage and three in pre-clinical development. These six drug candidates are intended to treat hepatocellular carcinoma and non-small cell lung cancer (CMAB819), breast cancer and gastric cancer (CMAB809), rheumatoid arthritis (CMAB815), breast cancer (CMAB810), prevention of severe lower respiratory tract disease caused by respiratory syncytial virus (CMAB813), and periodic fever syndromes and systemic juvenile idiopathic arthritis (CMAB816).

Below is an overview of our drug candidates and their status as of the Latest Practicable Date:

Field	Target	Indication	Drug Candidate Code	Classification	Pre-clinical	Phase I	Phase II or Phase II/III	Phase III	Expected time to reach the next regulatory milestone	Anticipated completion of regulatory review	Commercial Rights	Competitive Marketed Drugs*
Respiratory Disease	IgE	Asthma	CMAB007 (INN name: Omalizumab)	New Drug/ Core Product					NDA submission (Quarter 1, 2020)	Quarter 4, 2020	PRC and overseas (excluding Japan, North America and Europe)	Xolair®
Cancer	EGFR	Colorectal Cancer	CMAB009 (INN name: Certuximab)	New Drug/ Core Product					NDA submission (Quarter 4, 2021)	Quarter 2, 2022	PRC and overseas (excluding Japan, North America and Europe)	Erbix®
Autoimmune Disease	TNF- α	Rheumatoid Arthritis	CMAB008 (INN name: Infliximab)	New Drug/ Core Product					NDA submission (Quarter 4, 2019)	Quarter 2, 2020	PRC and overseas (excluding Japan, North America and Europe)	Remicade®, Humira®, Enbrel®, Simponi®, Yisupu® and Anbainuo®
Cancer	PD1	Non-small cell lung cancer and hepatocellular carcinoma	CMAB819 (INN name: Nivolumab)	New Drug					Phase III (Quarter 1, 2020)	Quarter 2, 2026	Global	Ophivo®, Keytruda®, Tyvyt®, JS001
Cancer	HER2	Breast Cancer/Gastric Cancer	CMAB809 (INN name: Trastuzumab)	Biosimilar					Phase III (Quarter 4, 2019)	Quarter 4, 2022	Global	Herceptin®
Autoimmune Disease	TNF α	Rheumatoid Arthritis	CMAB815 (INN name: Adalimumab)	Biosimilar					Phase III (Quarter 2, 2020)	Quarter 2, 2022	Global	Qiangke®
Cancer	HER2	Breast Cancer	CMAB810 (INN name: Pertuzumab)	Biosimilar					Phase III (Quarter 3, 2021)	Quarter 2, 2024	Global	Perjeta®
Respiratory Disease	RSV	Prevention of severe lower respiratory tract disease caused by RSV	CMAB813 (INN name: Palivizumab)	Biosimilar					Phase III (Quarter 3, 2021)	Quarter 4, 2024	Global	Synagis®
Autoimmune Disease	IL- β	Periodic Fever Syndromes/ Systemic Juvenile Idiopathic Arthritis	CMAB816 (INN name: Canakinumab)	Biosimilar					Phase III (Quarter 1, 2021)	Quarter 4, 2023	Global	Ilaris®

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We classified our drug candidates as new drug or biosimilar based on relevant instructions stated in the relevant NMPA clinical trial approvals.

Prior to February 2015, there lacked specific guidelines for registration of biosimilar drugs. Pursuant to the Measures for the Administration of Drug Registration promulgated by the NMPA on July 10, 2007 and effective from October 1, 2007, therapeutic biological products must be registered in accordance with new drug application procedures. Therefore, the applications and NMPA clinical trial approvals of our three Core Products, the clinical trials of which started before February 2015, were conducted pursuant to the relevant regulations on approval of new drugs. Specifically, we are permitted to conduct clinical trials of CMAB007, CMAB008 and CMAB009 in accordance with new drug application procedures pursuant to NMPA clinical trial approvals issued in February 2008, February 2007 and June 2007, respectively. In addition, pursuant to our communication with CDE in March 2017, we are not required to conduct head-to-head clinical trial of CMAB007. In May 2017, CDE approved our decision to conduct a non-inferiority trial of CMAB008. In February 2019, we conducted interim discussion with CDE about previous clinical results, current clinical trial progress and future NDA-related consultation with respect to CMAB009. With respect to amino acid sequence, there is 100% equivalence in amino acid sequence between our Core Products and their respective reference products Xolair, Remicade and Erbitux. However, CMAB008 and CMAB009 are different from their reference products in aspects of expression system and glycosylation modification.

Although CMAB007, CMAB008 and CMAB009 are classified as new drugs under the Measures for the Administration of Drug Registration promulgated by the NMPA on July 10, 2007, these Core Products share the same INN with relevant marketed drugs.

In February 2015, the NMPA promulgated the Guiding Principles Announcement providing for detailed R&D requirements for biosimilar drugs. According to Frost & Sullivan, only applicants that have obtained approvals from the NMPA permitting the clinical trials to follow the requirements for biosimilars under the 2015 Guiding Principles Announcement may register the products as biosimilar drugs. Of our drug candidates that have reached the clinical trial stage, only CMAB809 is permitted to conduct clinical trials in accordance with the requirements for biosimilars pursuant to the NMPA clinical trial approval issued in April 2017.

Our Core Product Candidates

Our humanized monoclonal antibody—CMAB007 (omalizumab)

CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of the Latest Practicable Date, CMAB007 is the only mAb asthma therapy developed in China by a local Chinese company that has reached phase III clinical trial, according to Frost & Sullivan, and we believe once approved by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB007 combines with free IgE to form an anti-IgE complex that inhibits the high affinity IgE receptor and thereby prevents the allergic response. The safety and efficacy of CMAB007 have been confirmed by the results of two completed

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clinical trials of a total of 665 subjects which were the largest scale clinical trials of mAb treating asthma in China as of the Latest Practicable Date according to Frost & Sullivan. The results show that CMAB007 can improve asthma patients' conditions with lower dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

Omalizumab is a recombinant DNA-derived humanized IgG1 κ monoclonal antibody used to reduce sensitivity to allergens. Omalizumab targets the high-affinity receptor binding site on immunoglobulin E (“**IgE**”), which plays a crucial role in the body's reaction to allergens, especially in type I hypersensitivity (or immediate hypersensitivity).

For asthma, omalizumab inhibits the binding of IgE to the high-affinity IgE receptor (Fc ϵ RI) on the surface of mast cells and basophils. Reduction in surface-bound IgE on Fc ϵ RI-bearing cells limits the degree of release of mediators of the allergic response.

For Chronic Idiopathic Urticaria (CIU), omalizumab binds to IgE and lowers free IgE levels. Subsequently, IgE receptors (Fc ϵ RI) on cells down-regulate. The mechanism by which these effects of omalizumab result in an improvement of CIU symptoms is unknown. Omalizumab is not indicated for treatment of other forms of urticaria.

Omalizumab is the first treatment that specifically targets IgE's role in the body's allergen reactions to combat allergic asthma. According to guidelines published by the Global Initiative for Asthma (the “**GINA Guidelines**”), omalizumab is recommended as an additional treatment in patients with very severe allergic asthma (the “**Step 5 Patients**”). In phase II and III clinical trials involving patients with moderate to severe seasonal allergic rhinitis (“**SAR**”), the use of currently marketed omalizumab product reduced the severity of symptoms and the need for rescue medication. Combination use of currently marketed omalizumab product and immunotherapy has also proved similarly effective in trials of patients with perennial allergic rhinitis (“**PAR**”).

CMAB007 has the potential to inhibit the binding of IgE to the high-affinity IgE receptor (Fc ϵ RI) on the surface of mast cells and basophils. Reduction in surface-bound IgE on Fc ϵ RI-bearing cells limits the degree of release of mediators of the allergic response, resulting in control of hypersensitivity. In addition, CMAB007 supports the control of symptoms and asthmatic attacks and subsequently reduces the need for oral corticosteroids. CMAB007 thereby contributes to an improved quality of life for patients by decreasing the number of emergency room visits and admissions to hospitals.

Omalizumab has further proven effective in the treatment of chronic idiopathic urticarial (“**CIU**”), an autoimmune skin condition characterized by allergic reactions to food or drugs and a constant outbreak of hives. The use of high dose antihistamine treatment is only effective in around 50% of patients suffering from CIU. Omalizumab has been shown to be a promising alternative treatment based on results from the randomized trials over the past years.

The pre-clinical, phase I and phase II/III clinical trials for CMAB007 have been completed. The phase III clinical trial is registered under the name of our affiliate Biomabs and has been carried out by certain of our R&D personnel, which we acquired from Biomabs in connection with the Reorganization. In particular, Dr. Li Jing was involved in the pre-clinical and phase I and phase II/III

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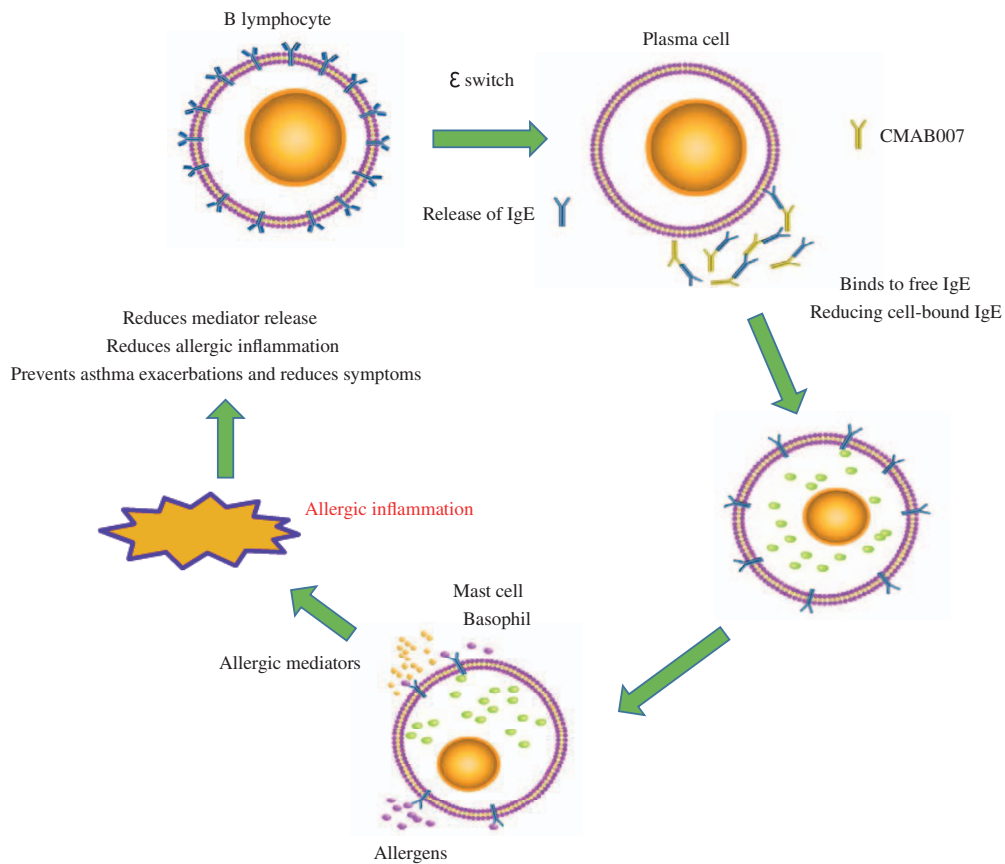
clinical trials of CMAB007. In addition to Dr. Li Jing, certain other members of our R&D team were involved in part of the phase II/III clinical trial and have been responsible for the phase III clinical trial of CMAB007. Please see “—Research and Development—Overview” for more information on the background and experience of our R&D team, including our scientists and clinical personnel, and see “History, Development and Corporate Structure—Reorganization” and “History, Development and Corporate Structure—Research and Development of the Core Products” for a discussion of the R&D activities for CMAB007. In August 2018, we obtained exclusive perpetual license rights at no consideration for the patents, products and technologies related to CAMB007 in the PRC from Sinomab. For more information, see “—Transfer/license of Rights and Interests in Our Drug Candidates.” In August 2018, Sinomab transferred to us all rights and interest related to CMAB007 overseas (excluding Japan, North America, and Europe) at no consideration. Please also refer to “—Intellectual Property” for more information on our intellectual property rights with respect to CMAB007.

According to Frost & Sullivan, only one omalizumab monoclonal antibody is approved for marketing in China, which is owned and distributed by Novartis under the trade name Xolair® and approved by the NMPA in 2017. Xolair® was approved by the FDA in the U.S. to treat asthma in June 2003 and chronic idiopathic urticarial in March 2014. The phase III clinical trial for Xolair® on the indications of nasal polyps and rhinosinusitis in the U.S. began in March 2017 and is still in the process of enrolling patients. The phase II/III clinical trial for Xolair® on the indication of bronchitis in the U.S. was completed in September 2017. Xolair® was not available in China until 2018, when it was officially marketed in China with an estimated sales revenue of RMB0.1 billion at the beginning. Due to large patient pool, increase in affordability and biosimilar launches in the near future, it is believed that the market for omalizumab will reach RMB1.3 billion in 2022, representing a CAGR of 83.7% from 2017 to 2022, according to Frost & Sullivan. For more information on the competition for CMAB007 in China, please see “—Competition” below.

Mechanism of Action

CMAB007 is a humanized monoclonal antibody and has the potential to inhibit the binding of IgE to the high-affinity IgE receptor (FcεRI) on the surface of mast cells and basophils. Reduction in surface-bound IgE on FcεRI-bearing cells limits the degree of release of mediators of the allergic response. The serum free IgE level of patients with allergic asthma can be rapidly decreased after administering CMAB007 and such level can be maintained at a very low level by subsequent administration.

The following diagram illustrates the mechanism of action of CMAB007:



Source: Company

Current Therapies

According to the GINA Guidelines, asthma is divided into three stages based on degree of severity: mild, moderate and severe. Treatment options vary by degree of severity. Regular maintenance inhaled corticosteroid/long acting beta adrenoceptor agonists treatment (“**ICS/LABA**”) is recommended for moderate to severe asthma patients. Oral corticosteroids (“**OCS**”) are used in cases where patients’ asthma symptoms are not controlled by ICS/LABA. Short-term relief options include short-acting beta2-agonists (“**SABA**”), which can be used to relieve sudden and acute asthma attacks, such as an exercise induced asthma attack.

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The graphic below illustrates available asthma treatment options by level of severity:

	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Recommended Drugs for Control Purposes	No medication recommended	Low Dose ICS	Low Dose ICS/LABA**	Med/high Dose ICS/LABA	Oral corticosteroids (OCS) / Anti-IgE mAbs
Alternative	Consider low dose inhaled corticosteroids(ICS)	Leukotriene receptor antagonist (LTRA) Low dose theophylline*	Med/high dose ICS Low dose ICS +LTRA (or + theophylline*)	Add tiotropium*# Med;high dose ICS+LTRA (or + theophylline*)	Add long-acting muscarinic receptor antagonists (LAMA)/SABA #
Relief Drugs	As-needed short-acting beta-agonist (SABA)		As-needed SABA # or low dose ICS/formoterol# #		
	Mild Asthma		Moderate Asthma	Severe Asthma	

*Not for children <12 years

**For children 6-11 years, the preferred step 3 treatment is medium dose ICS

***Low dose ICS/formoterol is the reliever medication for patients prescribed low dose budesonide/formoterol or low dose beclometasone/ formoterol for maintenance and reliever therapy

#SABA includes: Albuterol Sulfate, Albuterol Sulfate HFA.

Tiotropium by mist inhaler is an add-on treatment for patients with a history of exacerbations

Source: GINA Guide, Frost & Sullivan analysis

Oral corticosteroids. Due to severe side-effects, long-term maintenance treatment of asthma with oral corticosteroids such as metacortandracin, is not recommended. Long-term intake of oral corticosteroids may cause osteoporosis, hypertension, diabetes, inhibition of the hypothalamic pituitary adrenal axis, obesity, cataracts, glaucoma, thin skin and muscle weakness, among others. For asthma patients with tuberculosis, diabetes, fungal infections, osteoporosis, glaucoma, severe depression or peptic ulcers, oral corticosteroids are carefully prescribed with close follow-up.

Long-acting beta2-agonists (“LABA”). Existing inhalable LABA products in China include salmeterol, formoterol, and indacaterol. The relief provided by LABA on the bronchial smooth muscle can last for more than twelve hours. LABA products can be administered as an aerosol, dry powder or tablets. The long-term use of LABA on a stand-alone basis may increase the risk of asthma death and is not recommended. In addition, inhaled corticosteroids and long-term inhaled beta 2-adrenergic receptor agonists are unable to effectively control the IgE mediated symptoms in patients with moderate to severe persistent allergic asthma or to effectively reduce the exacerbation of asthma.

Short-acting beta2-agonists (“SABA”). Common drugs in this category include salbutamol, terbutaline and procaterol, among others, which can be administered either via inhalation or orally. Inhalable SABAs include aerosols and solutions, which can quickly relieve bronchospasm within a few minutes and their relieve effects can last for several hours, making SABAs the first choice for relieving mild to moderate acute asthma symptoms, as well as for preventing exercise-induced asthma. Such drugs are used as required and are not suitable for long-term, single or excessive applications. Adverse reactions include skeletal muscle tremors, hypopotassemia, and arrhythmia. If administered orally, salbutamol, terbutaline, and procaterol take effect after 15 to 30 minutes and their effect lasts four to six hours. Side-effects include cardiopalmus, skeletal muscle tremors and other adverse reactions, which can be more pronounced compared to inhalation drugs. A randomized, double-blind, placebo-controlled, multicentric study in China showed that procaterol combined with inhaled

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corticosteroids (“ICS”) has a better curative effect and tolerability in treatment of cough variant asthma, but it is not recommended for long-term maintenance treatment of asthma due to the downregulation of beta-2-receptors as the continuous exposure can lead to diminished response to beta-2 agonists and increased risk of asthma-related deaths.

Anti-IgE monoclonal antibodies. Anti-IgE monoclonal antibodies are suitable for allergic asthma patients with increased IgE levels in serum and in need of step 5 treatment.

Advantages of CMAB007

Numerous clinical and post-marketing studies worldwide have shown that anti-IgE monoclonal antibodies can significantly improve asthma symptoms, lung function and patients’ overall quality of life, as well as decrease the use of OCSs and emergency medications, morbidity of severe acute asthma and hospitalization rates. In addition, guidelines for the prevention and treatment of asthma published by the Chinese Medical Association stipulate that anti-IgE monoclonal antibodies are suitable for patients with allergic asthma with elevated serum IgE levels. Anti-IgE monoclonal antibodies also show favorable safety results and tolerability. A clinical study in China showed that the effectiveness and safety of anti-IgE monoclonal antibodies among the Chinese population are consistent with other studies carried out internationally.

CMAB007 has the potential to inhibit the binding of IgE to the high-affinity IgE receptor (FcεRI) on the surface of mast cells and basophils. Reduction in surface-bound IgE on FcεRI-bearing cells limits the degree of release of mediators of the allergic response, resulting in control of hypersensitivity. Based on our clinical trial results, the decline in the incidence of severe exacerbations of asthma in patients treated with CMAB007 means that CMAB007 can reduce the mortality of asthmatic patients. The hospitalization rate of patients with asthma was significantly decreased after the use of CMAB007. Patients with severe asthma attacks require substantial medical resources and incur significant costs, both of which have the potential to be reduced by CMAB007. In addition, CMAB007 can reduce daytime and nocturnal symptoms of asthma, risk of acute asthma attacks and the use of OCSs. CMAB007 also improved the quality of life and ventilation function of patients.

Summary of Clinical Results

As of the Latest Practicable Date, the pre-clinical, phase I and phase II/III clinical trials for CMAB007 have been completed by Zhangjiang Biotech, a former subsidiary of Sinomab and currently an independent third party. The phase III clinical trial is registered under the name of our affiliate Biomabs and carried out by certain of our R&D personnel, which we acquired from Biomabs as part of the Reorganization. See “History, Development and Corporate Structure—Reorganization.” We have obtained exclusive perpetual licenses for the development of CMAB007 in the PRC from Biomabs in 2018. For more information, see “—Transfer/license of Rights and Interests in Our Drug Candidates.”

The discussion below describes the clinical development plan of phase III clinical trial for CMAB007.

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Ongoing Phase III Clinical Trial

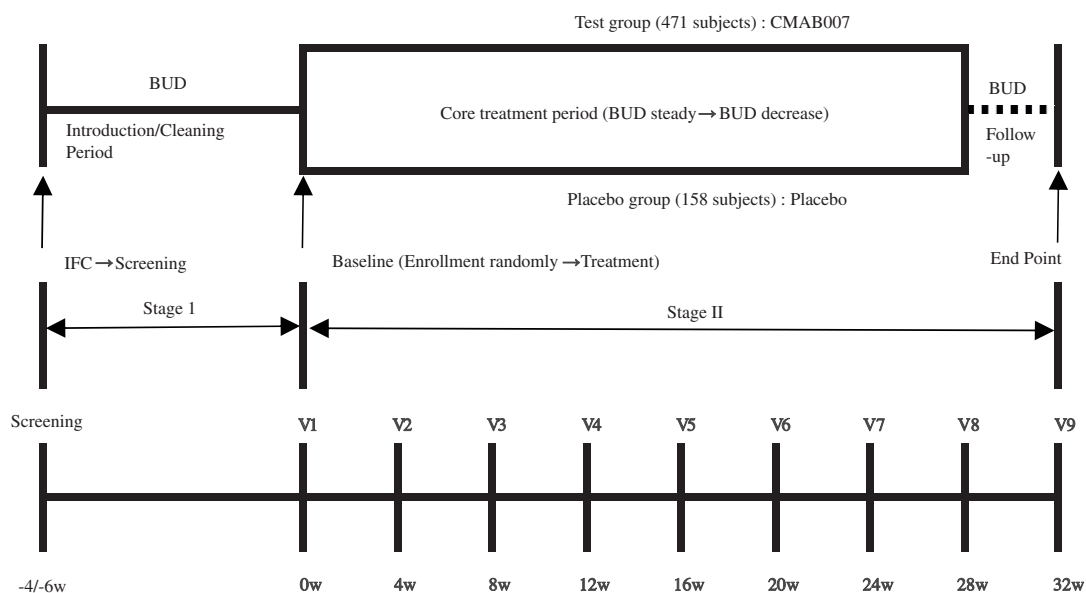
As a result of changes in the production sites for our Core Product CMAB007 and improvements in our production processes, we have engaged in phase III clinical trials to further confirm its efficacy and safety. According to the Global Initiative for Asthma (GINA) guidelines, add-on omalizumab is the preferred step 5 therapy for patients with uncontrolled allergic asthma symptoms despite medium-to-high dose ICS+LABA (GINA step 4) therapy. As the originator drug of omalizumab was not available in China when we started our CMAB007 clinical trials, we communicated with CDE in March 2017 and were permitted to undergo a phase III study as described below.

The ongoing phase III clinical trial of CMAB007 (NCT03468790) is a multi-center, randomized, double-blind, placebo parallel-controlled phase III study to evaluate the efficacy and safety of CMAB007 to treat asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA in China. We are currently enrolling patients for the Phase III clinical trial for CMAB007, which we expect to complete enrollment by the second quarter of 2019.

Based on our experience and positive clinical results from our Phase II/III clinical trials for CMAB007, we believe the Phase III clinical trials for CMAB007 has a high chance of success of NDA approval.

Phase II/III Clinical Trial

- Study Design.* A phase II/III clinical trial for CMAB007 was completed in March 2016. The trial was randomized, double-blind, placebo-controlled, single-dummy, multicenter, parallel-grouped with a superiority design in order to establish the superiority, and inhaled-corticosteroid-based therapy trial to evaluate the effectiveness and safety of CMAB007 in the treatment of allergic asthma on adult and adolescent patients in combination with budesonide (“**BUD**”) *versus* BUD on a stand-alone basis. A total of 629 patients were enrolled in the phase II/III clinical trial, 471 in the test group and 158 in the placebo group.



Source: Company

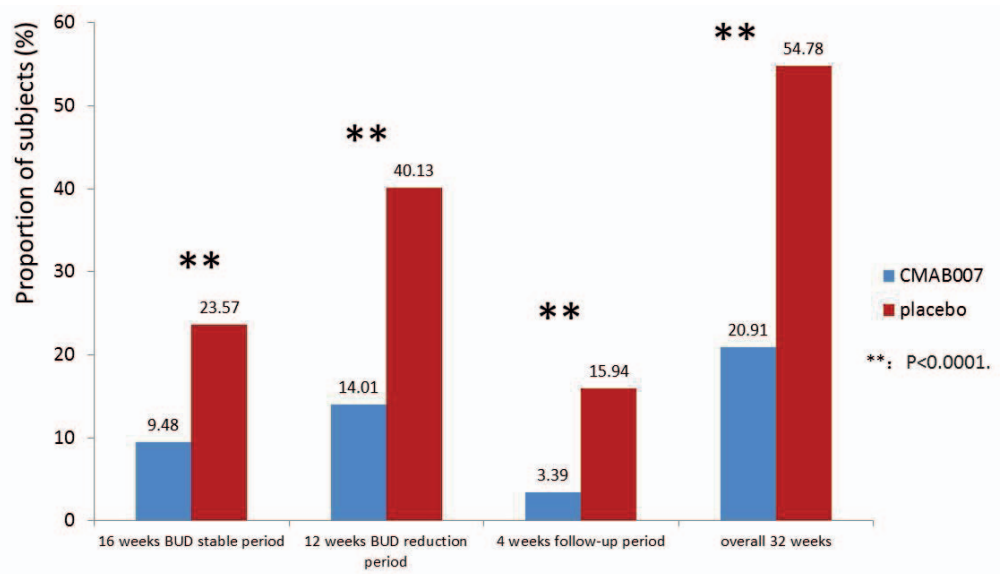
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The trial was divided into two stages: stage one was a screening phase coupled with a four-to-six-week cleaning period (washout phase); stage two was the 32-week baseline/treatment trial period. The 32-week trial period was divided into a 28-week core treatment period and a 4-week follow-up period. The 28-week core treatment period was further divided into a 16-week BUD stable period and a 12-week BUD reduction period. The efficacy evaluation was performed on the 16-week BUD stable period and the 12-week BUD reduction period. The 32-week endpoint evaluation and test summary were completed after the follow-up period.

- *Efficacy.* The primary efficacy endpoints for the phase II/III clinical trial were the proportion of subjects with asthma attacks in the 16-week BUD stable period, 12-week BUD reduction period, and total 32-week trial period. For the 16-week BUD stable period, the proportion of subjects with asthma attacks was approximately 9.48% in the test group and approximately 24.20% in the placebo plus BUD group, with a significant statistical difference between the two groups of $P < 0.0001$. For the 12-week BUD reduction period, the proportion of subjects with asthma attacks was approximately 14.01% in the test group and approximately 40.76% in the placebo plus BUD group, with a significant statistical difference between the two groups of $P < 0.0001$. For the 4-week follow-up period, the proportion of subjects with asthma attacks was approximately 3.39% in the test group and approximately 15.94% in the placebo plus BUD group, with a statistically significant difference between the two groups of $P < 0.0001$. Overall, for the entire 32-week period, the proportion of subjects with asthma attacks was approximately 20.91% in the test group and approximately 54.78% in the placebo plus BUD group, with a statistically significant difference between the two groups of $P < 0.0001$.

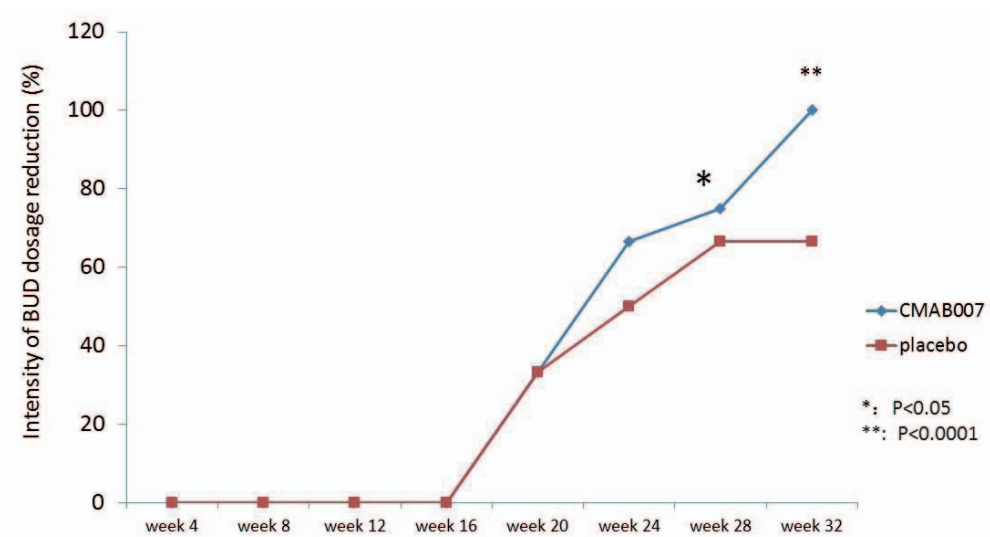
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Overall, there is a statistically significant difference of $P < 0.0001$ in proportion of subjects with asthma attacks between the two groups for the 16-week BUD stable period, 12-week BUD reduction period, 4-week follow-up period and the entire 32-week trial period. This suggests that CMAB007 can effectively reduce asthma attacks. The reduction of asthma attacks with lower dose BUD also shows that CMAB007 can improve asthma conditions and reduce the incidence of acute asthma attacks. The diagram below shows the ratio of asthmatic attacks:



Source: Company

The diagram below shows BUD dosage improvement:



Source: Company

Two key secondary efficacy endpoints for the phase II/III clinical trial were (i) the proportion of subjects with one asthma attack and two or more asthma attacks and (ii) the proportion of subjects with severe or critical asthma attacks. For the 16-week BUD stable period, 12-week BUD reduction period and 4-week follow-up period, there are statistically significant differences between the groups in proportion of subjects with one or more asthma attacks ($P < 0.0001$). For the 16-week BUD stable period and 12-week BUD reduction period, there are significant statistical differences between the groups in proportion of subjects with two or more asthma attacks ($P = 0.0106$ to $P < 0.0001$). There are no statistically significant differences between the two groups in proportions of subjects with severe or critical asthma attacks for both the 16-week BUD stable period, 12-week BUD reduction period, and 4-week follow-up period ($P = 0.0588$ to $P = 0.3062$).

- *Safety.* The incidence of all adverse events was approximately 46.81% in the CMAB007 plus BUD group and 46.84% in the placebo plus BUD group, resulting in no statistically significant difference between the two groups ($P = 1.0000$). The highest incidence of adverse events was upper respiratory tract infection at approximately 16.38% (77/470) in the CMAB007 plus BUD group and 13.29% (21/158) in the placebo plus BUD group, resulting in no statistically significant difference between the two groups ($P = 0.3783$). Only nine out of 470 patients had to discontinue treatment with CMAB007. The incidence of serious adverse events was approximately 2.55% in the CMAB007 plus BUD and approximately 4.43% in the placebo plus BUD group, resulting in no significant statistical difference between the two groups ($P = 0.2808$). Only three subjects had serious adverse events that might be related to the use of CMAB007, including generalized eczema and allergy, allergic granulomatosis with polyangiitis, and acute bronchial asthma. No deaths or malignant symptoms such as tumors or lymphoid hyperplasia occurred among patients.

The incidence of adverse reactions was approximately 4.68% in the CMAB007 plus BUD group and 0.63% in the placebo plus BUD group, resulting in a significant statistical difference between the two groups ($P = 0.0143$). The most common adverse reactions are the injection site reactions (approximately 1.28%) and rash (approximately 0.64%). Overall, the incidence of adverse reaction is far lower than those reported for the currently marketed omalizumab drug. Two cases of serious adverse reactions were reported and relieved with corrective medication.

Adverse events can be relieved spontaneously or treated with medication, and the researchers must follow up with the patients to ensure that their conditions recover to normal status or do not further develop. Where a serious adverse event occurs, the researchers must promptly take correct treatment measures to ensure the patient's safety, including adjusting the dosage or suspending the use of the test drug, and treating the patient in combination with other medicine. Safety results showed no unexpected adverse reactions for CMAB007.

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- *Conclusion.* Based on our clinical results compared to published clinical results for marketed omalizumab, we believe that CMAB007 is a very promising and effective anti-IgE monoclonal antibody. The data show that CMAB007 can improve asthma patients' conditions with lower dose inhaled corticosteroids and reduce the incidence of acute asthma attacks.

Competition

For information on the competitive landscape regarding CMAB007, please see “Industry Overview—Analysis of Company’s Core and Other Pipelines— Competitive Landscape of MABs for Asthma Treatment.”

Next Steps

We expect to submit our Phase III clinical trial results of CMAB007 in March 2020. Furthermore, we target to file an NDA for CMAB007 in the first quarter of 2020. See “Regulatory Overview—Laws and Regulations of the PRC—Pharmaceutical Products Manufacturing Licenses and Approvals” and “Regulatory Overview—Laws and Regulations of the PRC—The Approval and Registration of Pharmaceutical Products” for more information on the regulatory approval process of our drug candidates.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CMAB007 SUCCESSFULLY.

Our chimeric monoclonal antibody—CMAB009 (Cetuximab)

CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate, based on cetuximab, for the first-line treatment of metastatic colorectal cancer (mCRC) in combination with FOLFIRI. CMAB009 uses CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in the currently marketed cetuximab product. CMAB009 is the first NMPA approved chimeric anti-EGFR antibody for clinical trial developed in China by a local Chinese company. It significantly reduces immunogenicity and decreases the incidence of adverse reactions, such as severe hypersensitivity significantly, according to our clinical results compared to published results of currently marketed cetuximab. The safety and efficacy of CMAB009 have been confirmed from the results of two completed clinical trials of a total of 530 subjects, which were the largest clinical trials of anti-EGFR antibody in China as of the Latest Practicable Date according to Frost & Sullivan. We believe that CMAB009 is safer than, and as effective as, currently marketed cetuximab for treatment of mCRC as of the Latest Practicable Date.

CMAB009 is produced by a CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in currently marketed cetuximab product. The posttranslational modification of CHO is closer to that of humans, and there is no NGNA and Gal- α 1,3-Gal terminal glycosylation with immunogenic risk. CMAB009 can reduce the immunogenicity, and significantly reduce the incidence of adverse reactions such as severe hypersensitivity, with improved safety during clinical use.

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Cetuximab is an epidermal growth factor receptor (“EGFR”) antagonist. As of the Latest Practicable Date, cetuximab was approved by the FDA under the trade name of Erbitux® for the treatment of head and neck cancer with the following conditions: (i) locally or regionally advanced squamous cell carcinoma of the head and neck in combination with radiation therapy; (ii) recurrent locoregional disease or metastatic squamous cell carcinoma of the head and neck in combination with platinum-based therapy with fluorouracil as a first-line treatment; and (iii) recurrent or metastatic squamous cell carcinoma of the head and neck progressing after platinum-based therapy. Cetuximab was also approved to treat KRAS wild-type, EGFR-expressing, and metastatic colorectal cancer (i) in combination with FOLFIRI as a first-line treatment; (ii) in combination with irinotecan in patients who are refractory to irinotecan-based chemotherapy; and (iii) as a single agent in patients who have failed oxaliplatin- and irinotecan-based chemotherapy or who are intolerant to irinotecan.

Colorectal cancer is a heterogeneous disease, including two levels—intertumoral and intratumoral heterogeneity—and treatment of colorectal cancer is a complex process. Depending on a patient’s tolerability, period of treatment, genotype, and age, therapeutics can be very different. Surgery currently has the best and most certain curative effect on colorectal cancer and remains the most significant means available for topical treatment. If surgery is difficult or comes with high risks to the patient, many other topical treatments are useful supplements. Monoclonal antibody drugs can be used in the preoperative, systemic chemotherapy/radiotherapy, and maintenance treatments stages.

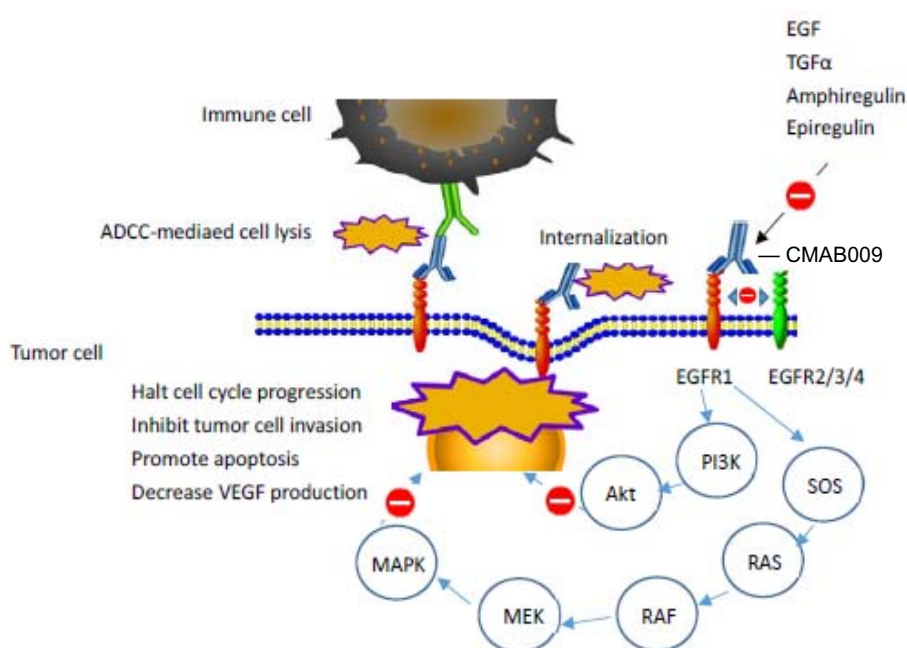
The pre-clinical, phase I and phase II/III clinical trials for CMAB009 have been completed. The phase III clinical trial is registered under the name of our subsidiary, Taizhou Pharmaceutical, and carried out by certain our R&D personnel, which we acquired from Biomabs in connection with the Reorganization. In particular, Dr. Li Jing was involved in the pre-clinical and phase I clinical trials of CMAB009, and in addition to Dr. Li Jing, certain other members of our R&D team have been responsible for the phase III clinical trial of CMAB009. Please see “—Research and Development—Overview” for more information on the background and experience of our R&D team, including our scientists and clinical personnel, and see “History, Development and Corporate Structure—Reorganization” and “History, Development and Corporate Structure—Research and Development of the Core Products” for a discussion of the R&D activities for CMAB009. Biomabs transferred to us all rights and interests related to CMAB009 in China in 2015 and overseas (excluding Japan, North America, and Europe) in August 2018 at no consideration. Please refer to “—Intellectual Property” for more information of our intellectual property with respect CMAB009.

According to Frost & Sullivan, cetuximab is owned and distributed by Merck GaA under the trade name Erbitux® and approved by the NMPA in 2006 for treatment of colorectal cancer. The number of new incidents of CRC in China from 357.2 thousand to 411.1 thousand from 2013 to 2017, representing a CAGR of 3.6%. According to the same source, the sales revenue of cetuximab in China grew at a CAGR of 7.0% from 2013 to approximately RMB0.3 billion in 2017, and is expected to grow at a CAGR of 28.4% from 2017 to 2022. For more information on the competition for CMAB009 in China, please see “—Competition” below.

Mechanism of Action

Cetuximab is a recombinant human/mouse chimeric monoclonal antibody. It is a targeted therapy that blocks EGFR, which is a protein that is abnormally over-expressed in many cancers. Specifically, cetuximab inhibits the tyrosine kinase binding to EGFR on both normal and tumor cells, it blocks the intracellular signal transduction pathway, thus inhibiting the proliferation of cancer cells, inducing the apoptosis and reducing the production of matrix metalloproteinases and vascular endothelial growth factors.

The following diagram illustrates the mechanism of action of CMAB009:



Source: Company

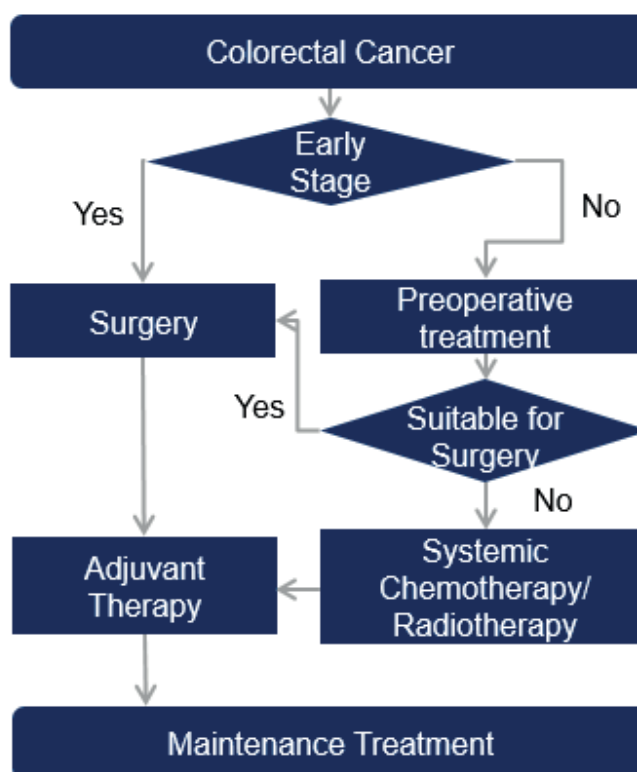
Current Therapies

The treatment of mCRC under application of chemotherapeutic agents such as oxaliplatin, irinotecan or oral fluorouracils with low toxicity and high effectiveness has increased the survival rate of mCRC patients to a certain extent. Initially, the median overall survival (“OS”) under the best supportive therapy was approximately five to six months, which improved to a median OS of approximately eleven to twelve months under treatment with chemotherapy fluorouracils alone. After the introduction (run-in) of an integrated chemotherapy with irinotecan and oxaliplatin, the median OS further improved to 16 to 18 months, however, with limited curative effect.

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The effectiveness of colorectal cancer therapy integrated with molecular targeted drugs has been widely confirmed. Existing clinical studies have shown that cetuximab, a molecular targeted drug on the market and approved by the NMPA for mCRC treatment in China, has a favorable clinical effect in mCRC therapy alone or in combination with chemotherapeutic agents. Currently, chemotherapy solutions used in combination with cetuximab include FOLFOX and FOLFIRI. Chemotherapy combined with molecular-targeted drugs have a median OS of 20 to 24 months, with an OS of more than 30 months for some patients.

The below graphic illustrates the different treatment stages for colorectal cancer:



Source: China Medical Association, Frost & Sullivan analysis

Advantages of CMAB009

Currently marketed cetuximab products are produced by a mouse myeloma cell SP2/0 expression system. Such expression system is limited in terms of its post-translation modification mechanism, especially glycosylation modification. This limitation may result in the occurrence of NGNA and Gal- α 1,3-Gal terminal glycosylation, which do not normally exist in the human body. The potential risk of immunogenicity may cause hypersensitivity and speed up the elimination of the drug from the patient's body and thereby affect the drug's safety and effectiveness. The Gal- α 1,3-Gal terminal glycosylation of the currently marketed cetuximab drug may also cause severe allergic reactions.

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CMAB009 is our new chimeric monoclonal antibody drug based on cetuximab and produced by a CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in currently marketed cetuximab product. The post-translation modification of CHO is closer to that of humans, and reduces immunogenic risk and incidence of other adverse reactions such as severe hypersensitivity. We believe that cetuximab products based on a CHO expression system has an improved safety profile and effectiveness compared to the cetuximab product based on mouse myeloma cell SP2/0 expression system.

Summary of Clinical Results

As of the Latest Practicable Date, the pre-clinical, phase I and phase II/III clinical trials for CMAB009 have been completed by Zhangjiang Biotech. The phase III clinical trial is registered under the name of our subsidiary Taizhou Pharmaceutical and carried out by certain of our R&D personnel, which we acquired from Biomabs in connection with the Reorganization. See “History, Development and Corporate Structure—Reorganization.” In 2015, Biomabs transferred all rights and technology related to CMAB009 in China to our subsidiary, Taizhou Pharmaceutical.

Ongoing Phase III Clinical Trial (NCT03206151)

As a result of changes in the production sites for our Core Product CMAB009 and improvements in our production processes, we have engaged in phase III clinical trials to further confirm its efficacy and safety. With respect to CMAB009, FOLFIRI is a standard-of-care first-line treatment regimen for metastatic colorectal cancer, and cetuximab, in combination with FOLFIRI, can significantly improve the primary end point of progression-free survival time compared with FOLFIRI alone. However, the originator drug of cetuximab has not yet been approved for the first-line treatment of mCRC in China. Therefore, we are undergoing a phase III clinical study as described below.

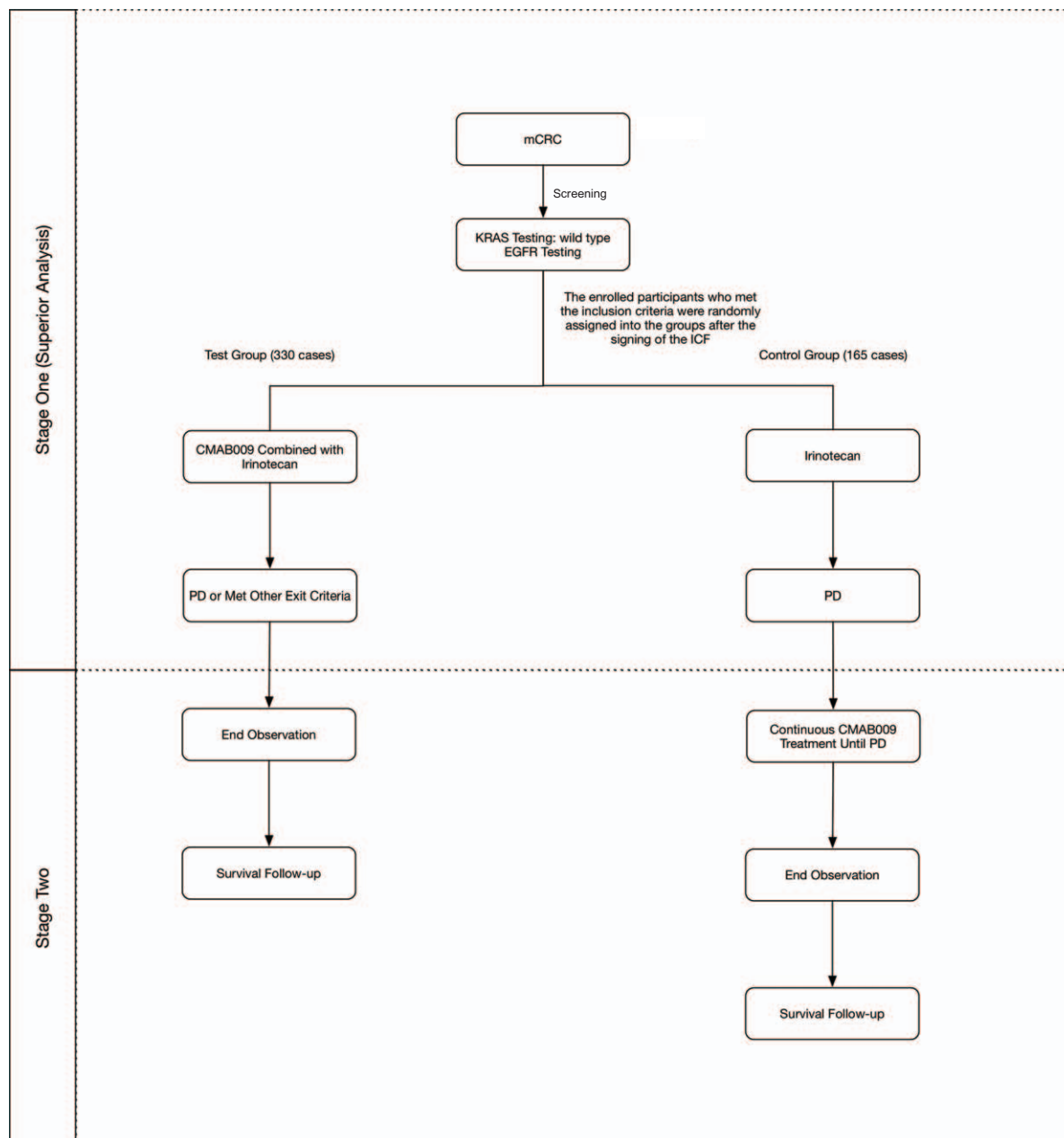
The ongoing clinical trial of CMAB009 is a multicenter, open, randomized, controlled phase III study comparing CMAB009 plus FOLFIRI *versus* FOLFIRI on a stand-alone basis as a first-line treatment for epidermal growth factor receptor-expressing, RAS/BRAF wild-type, metastatic colorectal cancer. The primary end point is progression-free survival, defined as the duration from randomization until the date of first documented progression or date of death from any cause when death occurred within 90 days of randomization or the last tumor assessment, whichever was later. We are currently enrolling patients for phase III clinical trial for CMAB009, which we expect to complete by the fourth quarter of 2020.

Based on our experience and positive clinical results from our phase II/III clinical trials for CMAB009, we believe the phase III clinical trials for CMAB009 has a high chance of success of NDA approval.

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Phase II/III Clinical Trial (NCT01550055)

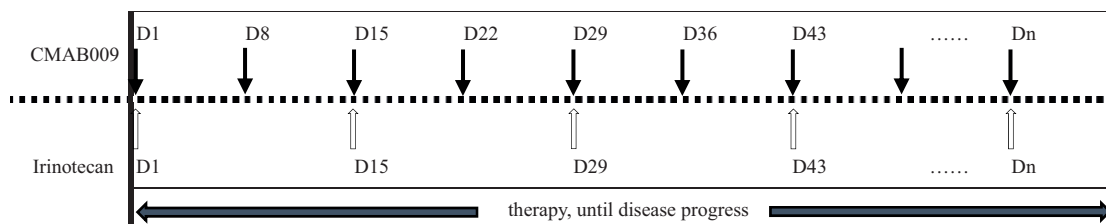
- *Study Design.* A phase II/III clinical trial was completed in December 2012. The trial was designed as a randomized, open-label, multicenter, prospective trial to investigate the efficacy and safety of CMAB009 with synchronous/sequential irinotecan to treat mCRC patients with KRAS wild-type mCRC previously treated with fluropyrimide and oxaliplatin. The number of enrolled patients was 512 subjects, of which 342 were in the test group and 170 in the control group.



Source: Company

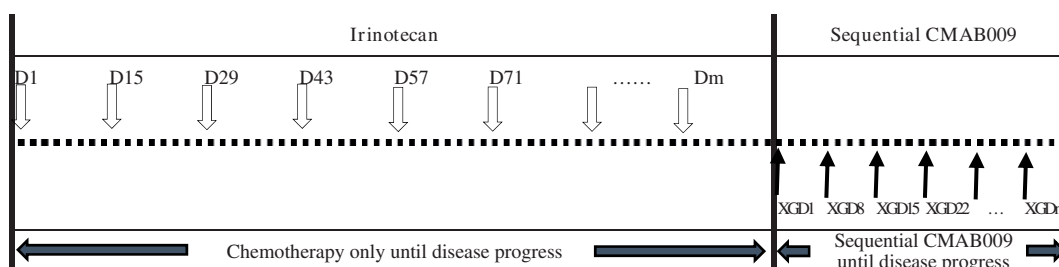
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Schematic diagram of dosing regimen of test group:



Source: Company

Schematic diagram of dosing regimen of control group:



Source: Company

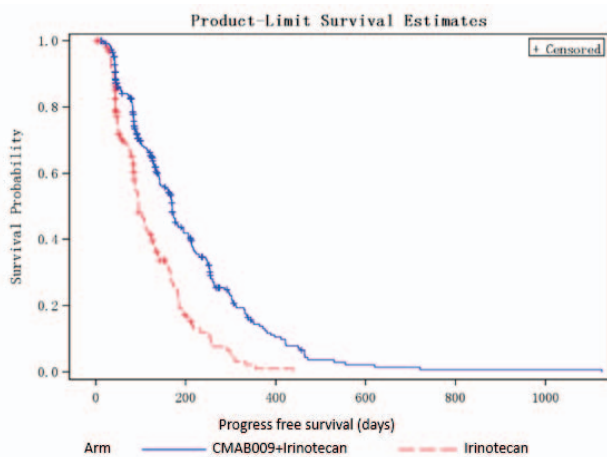
- Efficacy.** The primary efficacy endpoint used for the phase II/III clinical trial was the objective response rate (“**ORR**”). Secondary efficacy endpoints were the progression-free survival (“**PFS**”), one-year survival rate, overall survival (“**OS**”), disease control rate (“**DCR**”), clinical benefit rate (“**CBR**”), duration of remission (“**DOR**”), and time to progression (“**TTP**”).

There was a significant improvement in ORR among patients suffering from mCRC. The group receiving a monoclonal antibody in combination with irinotecan treatment showed an ORR of 33.2% (112/337), compared to 12.8% (21/164) for the group receiving treatment with irinotecan alone, resulting in an effective ORR differential of approximately 20%. In addition, patients in the irinotecan-alone group suffering from post-treatment tumor progression showed improvement after being treated with an anti-EGFR monoclonal antibody alone, with an ORR of 13.9%. These results show that anti-EGFR monoclonal antibody-only treatment can provide a certain degree of relief even as a third-line treatment drug. Analysis results of the per protocol set (“**PPS**”) was consistent with that of the full analysis set (“**FAS**”).

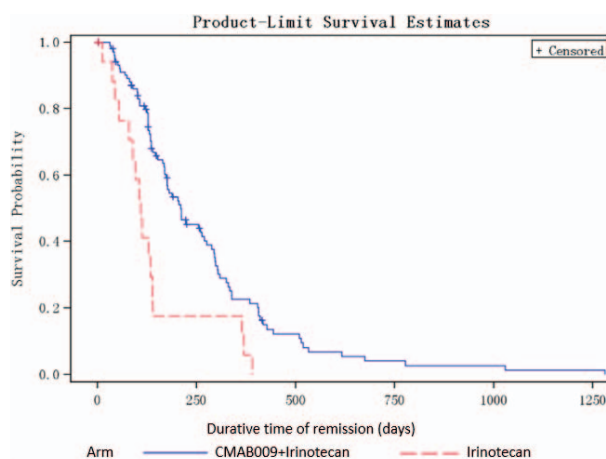
In terms of secondary curative effect indicators, the median PFS was 169 days (95% confidence interval, 153 to 183) in the monoclonal antibody in combination with the irinotecan group, compared to 95 days (95% confidence interval, 85 to 116) in the irinotecan-only group, resulting in a statistically significant difference between the groups

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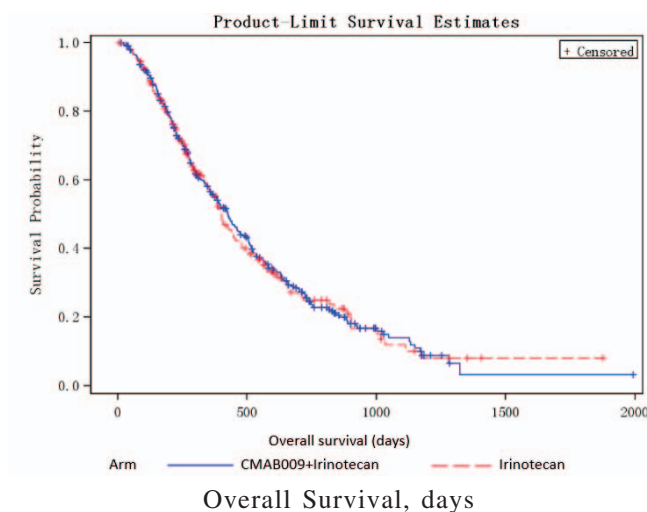
in terms of PFS of $P < 0.0001$, which significantly extends patients' progression-free survival. In addition, patients suffering from tumor progression after treatment among the irinotecan-only group had progression-free survival extended by 84 days after treatment with an anti-EGFR monoclonal antibody. Other secondary indicators such as DCR, CBR, and DOR were all superior in the monoclonal antibody in combination with the irinotecan group compared to the irinotecan-only group. Analysis results of the PPS was consistent with that of the FAS.



Progress Free Survival, days



Duration of Response, days



Source: Company

- Safety.** The incidence of erythra was the highest among all adverse events related to monoclonal antibody drugs, with 66.9% in the monoclonal antibody in combination with the irinotecan group, and 5.5% in the irinotecan-only group. The incidence of erythra for treatment with anti-EGFR monoclonal antibody alone was 49.6%, which is consistent with the reported erythra-related adverse events of the currently marketed cetuximab drug. The severity of erythra was primarily grade I and grade II and could be self-recovered in most of the cases. Five subjects withdrew from the study due to erythra. A subsequent subgroup analysis found that subjects with erythra showed better treatment outcomes, which was consistent with the initial forecast of this study.

The following table sets forth the clinical and grading definition of erythra:

Grading	Clinical Findings
Grade I	macular or popular eruption or erythema without associated symptoms
Grade II	macular or popular eruption or erythema with pruritus or other associated symptoms covering <50% of body surface or localized desquamation or other lesions covering <50%
Grade III	symptomatic generalized erythroderma or macular, papular or vesicular eruption or desquamation covering ≥50% of body surface area
Grade IV	generalized exfoliative dermatitis or ulcerative dermatitis

Source: Common Toxicity Criteria (CTC) Version 2.0

A plausible explanation for the relationship between erythra and clinical benefit is that erythra may relate to EGFR saturation or attainment of relevant concentrations or other

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pharmacologic parameters indicative of an EGFR effect. The severity of erythra has been a stronger indicator of drug activity than other parameters. For example, according to a multicenter phase II and translational study of cetuximab in metastatic colorectal carcinoma, patients with no rash showed no partial response, while over 10% of the patients with rash showed partial response and an increasing percentage of patients with higher grade rash showed partial response.

The incidence of gastrointestinal reactions was 65.7% in the monoclonal antibody in combination with irinotecan group and 66.7% in the irinotecan-only group. Treatment with anti-EGFR monoclonal antibody-only resulted in an incidence of gastrointestinal reactions of 27%, substantially below that of the monoclonal antibody plus irinotecan treatment. This shows that gastrointestinal reactions are mainly caused by a treatment with irinotecan-only, which is consistent with existing research on and known side effects of irinotecan.

Reduction in white blood cell count was 50% and 39.4% in the two groups for the first phase, respectively, while the incidence of leukopenia in the two groups was 5.9% and 4.8%, respectively. The incidence of neutrophil count reduction was 30.5% in the monoclonal antibody plus irinotecan group and 19.4% in the irinotecan-only group. The incidence of neutrophil count reduction in the monoclonal antibody in combination with irinotecan group was slightly higher than in the irinotecan-only group. However, there was no difference in the incidence of neutropenia between the two groups, which was mainly due to irinotecan. When using an anti-EGFR monoclonal antibody alone, there was a slight decrease in white blood cell count with an incidence of 14.8% and the incidence of drug-related adverse events was 7.8%.

The incidence of anti-drug antibodies (“**ADA**”) after medication was approximately 2.26% (7/310), which is much lower than that of the marketed cetuximab based on published data. All individuals detected as positive were from the monoclonal antibody plus irinotecan group. The reason for an ADA after administration may be that CMAB009, as a human-mouse chimeric antibody, contains part of the mouse amino acid sequence and may cause an immune response in the human body.

The incidence of serious adverse events in the first phase was approximately 5.9% in the monoclonal antibody in combination with irinotecan group and 4.2% in the irinotecan-only group, resulting in no statistically significant difference between the two groups. Serious adverse events that were or might be related to the use of the drug in the first and second phases included allergy, interstitial pneumonia, acute infusion reaction, reduction of blood platelet, liver function damage and spontaneous pneumothorax.

Adverse events can be relieved spontaneously or treated with medication, and the researchers must follow up with the patients to ensure that their conditions recover to normal status or do not further develop. Where a serious adverse event occurs, the researchers must promptly take correct treatment measures to ensure the patient’s safety,

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including adjusting the dosage or suspending the use of the test drug, and treating the patient in combination with other medicine. Safety results showed no unexpected adverse reactions or deaths across all groups for CMAB009, regardless of study in the first or second phase.

- *Conclusion.* Based on the clinical trial design and results, CMAB009 was clinically developed according to the new drug route, and the clinical trial results obtained were positive with statistical significance. As for the second-line treatment for KRAS wild-type and advanced colorectal cancer, the current study can show that its safety and efficacy are similar to those of marketed cetuximab drug.

Competition

For information on the competitive landscape regarding CMAB009, please see “Industry Overview—Analysis of Company’s Core and Other Pipelines— Competitive Landscape of Anti-EGFR mAbs for CRC Treatment.”

Next Steps

We expect to submit our Phase III clinical trial results of CMAB009 in October 2021. Furthermore, we target to file an NDA for CMAB009 in the fourth quarter of 2021. See “Regulatory Overview—Laws and Regulations of the PRC—Pharmaceutical Products Manufacturing Licenses and Approvals” and “Regulatory Overview—Laws and Regulations of the PRC—The Approval and Registration of Pharmaceutical Products” for more information on the regulatory approval process of our drug candidates.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CMAB009 SUCCESSFULLY.

Our CHO expression system new drug candidate - CMAB008 (infliximab)

CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate based on infliximab for moderate to severe active rheumatoid arthritis and is potentially one of the best in class of chimeric anti-TNF-alpha antibody in China. As of the Latest Practicable Date, it is the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. The safety and efficacy of CMAB008 have been confirmed by the results of three completed clinical trials of a total of 588 subjects, which were the largest scale clinical trials of infliximab in China as of the Latest Practicable Date according to Frost & Sullivan. CMAB008 uses CHO expression system which reduces immunogenicity, according to our clinical results compared to published results of currently marketed infliximab product. We believe that CMAB008 is safer than, and as effective as, currently marketed infliximab product for treatment of moderate to severe active rheumatoid arthritis as of the Latest Practicable Date. We are conducting a head-to-head study *versus* currently marketed infliximab product to confirm better safety profile and immunogenicity of CMAB008 and its non-inferior efficacy.

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Infliximab is a chimeric IgG1 κ monoclonal antibody (composed of human constant and murine variable regions) specific for human tumor necrosis factor-alpha (TNF α) used for treatment of adult patients with moderately to severely active rheumatoid arthritis and some other autoimmune diseases.

It works by blocking the effects of tumor necrosis factor alpha (“TNF α ”). TNF α is a chemical messenger and a key part of the autoimmune reaction that plays an important role in promoting inflammation. Infliximab neutralizes the biological activity of TNF α by binding with high affinity to the soluble (free floating in the blood) and transmembrane (located on the outer membranes of T cells and similar immune cells) forms of TNF α , and inhibits or prevents the effective binding of TNF α with its receptors. By blocking the action of TNF α , infliximab reduces the signs and symptoms of inflammation.

We believe that the product based on CHO expression system is safer and less immunogenic compared to the mouse myeloma cell SP2/0 which the currently marketed infliximab drug is based. CMAB008 uses CHO expression system and the immunogenicity is reduced significantly.

As of the Latest Practicable Date, Infliximab was approved by the FDA under the trade name of Remicade[®] for the treatment of Crohn’s disease, pediatric Crohn’s disease, ulcerative colitis, pediatric ulcerative colitis, plaque psoriasis, psoriatic arthritis, ankylosing spondylitis, and rheumatoid arthritis (in combination with methotrexate).

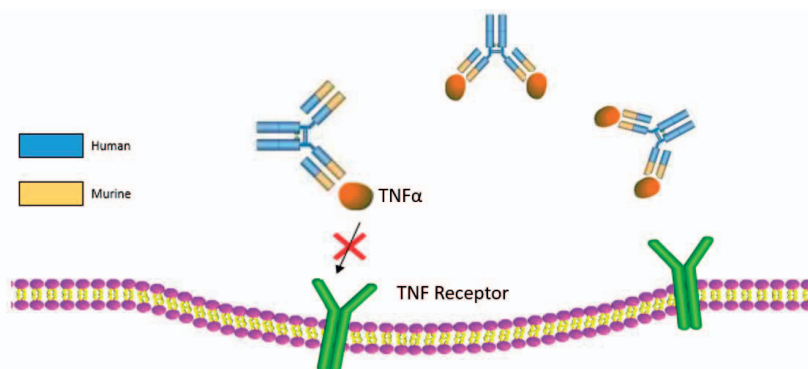
The pre-clinical, phase I and phase II/III clinical trials for CMAB008 have been completed. The phase III clinical trial is registered under the name of our affiliate Biomabs and carried out by certain of our R&D personnel, which we acquired from Biomabs in connection with the Reorganization. In particular, Dr. Li Jing was involved in the pre-clinical and phase I clinical trials of CMAB008, and in addition to Dr. Li Jing, certain other members of our R&D team have been responsible for the phase III clinical trial of CMAB008. Please see “—Research and Development—Overview” for more information on the background and experience of our R&D team, including our scientists and clinical personnel, and see “History, Development and Corporate Structure—Reorganization” and “History, Development and Corporate Structure—Research and Development of the Core Products” for a discussion of the R&D activities for CMAB008. We have obtained exclusive perpetual licenses rights at no consideration for the patents, products and technology related to CMAB008 in the PRC from Sinomab. For more information, see “—Transfer/license of Rights and Interests in Our Drug Candidates.” In August 2018, Sinomab transferred to us all rights and interest related to CMAB008 overseas (excluding Japan, North America, and Europe) at no consideration. Please refer to “—Intellectual Property” for more information our intellectual property with respect to CMAB008.

According to Frost & Sullivan, only one infliximab monoclonal antibody is approved for marketing in China, which is owned and distributed by Johnson & Johnson under the trade name Remicade[®] and was approved by the NMPA in 2006 for RA, ankylosing spondylitis, psoriasis, and Crohn’s disease. According to the same source, the sales revenue of infliximab in China was grew at a CAGR of 7.4% from 2013 to approximately RMB0.2 billion in 2017, and is expected to grow at a CAGR of 48.5% from 2017 to 2022. For more information on the competition for CMAB008 in China, please see “—Competition” below.

Mechanism of Action

CMAB008 inhibits the biological activity of TNF α by binding to the soluble and transmembrane type of TNF α with high affinity and blocking the binding of TNF α with its receptor. CMAB008 kills TNF α expression cells through antibody and complement dependent cytotoxicity. However, CMAB008 does not neutralize TNF β , also known as lymphotoxin- α , which shares the same receptor with TNF α .

The following diagram illustrates the mechanism of action of CMAB008:



Source: Company

Current Therapies

The below overviews shows available treatment options in China for RA.

Treatment Diagram of Rheumatoid Arthritis (RA) in China

• Traditional synthetic DMARDs still play an important role in RA treatment. Biologics like TNF α inhibitor drugs are recommended only after 2 or 3 traditional synthetic DMARDs do not work, and gradual reduction is recommended if the disease is well controlled.

1. Methotrexate is not contraindicated:
Methotrexate alone
2. Methotrexate is contraindicated:
Leflunomide or sulfasalazine
3. Patients with medium/high disease activity: low-dose short-course glucocorticoids and/or NSAIDs

Combination of 2 or 3 traditional synthetic DMARDs

1 traditional synthetic DMARDs + 1 biological DMARDs or a traditional synthetic DMARDs + targeted synthetic DMARDs

Switch to another DMARDs with different mechanisms of action or target synthetic DMARDs.

If efficacy assessment after 1-3 months monitoring shows the disease is under control, maintain current treatment and monitor once every 1-3 months, if not proceed to the next stage.

If efficacy assessment after 3-6 months monitoring shows the disease is under control, maintain current treatment and monitor once every 3-6 months, if not proceed to the next stage.

If efficacy assessment after 1 year monitoring shows the disease is under control, then consider gradual reduction of biologic DMARDs or targeted synthetic DMARDs. If not, proceed to the next stage.

Clinically, traditional synthetic DMARDs combined with tocilizumab are recommended.

Note: DMARDs (disease-modifying anti-rheumatic drugs) include methotrexate, leflunomide, sulfasalazine, hydroxychloroquine, azathioprine, cyclophosphamide and so on. NSAIDs (Nonsteroidal Antiinflammatory Drugs) include aspirin, acetaminophen, indomethacin, naproxen, etc.

Treatment Diagram of Ankylosing Spondylitis (AS) in China

Treatment Diagram of Ankylosing Spondylitis (AS) in China

- NSAIDs treatment is a recommended symptomatic treatment, which can quickly improve the patient's low back pain and morning stiffness, reduce joint swelling and pain, and increase the range of activity for early or late AS patients. NSAIDs have anti-inflammatory, anti-rheumatic, analgesic, antipyretic and anticoagulant effects, which are widely used clinically for the relief of osteoarthritis, rheumatoid arthritis, various fevers and various pain symptoms.
- The principle of treatment is drug therapy first, addressing to relief symptoms, correct malformation and improve function, of which the selection of drugs has no preference.

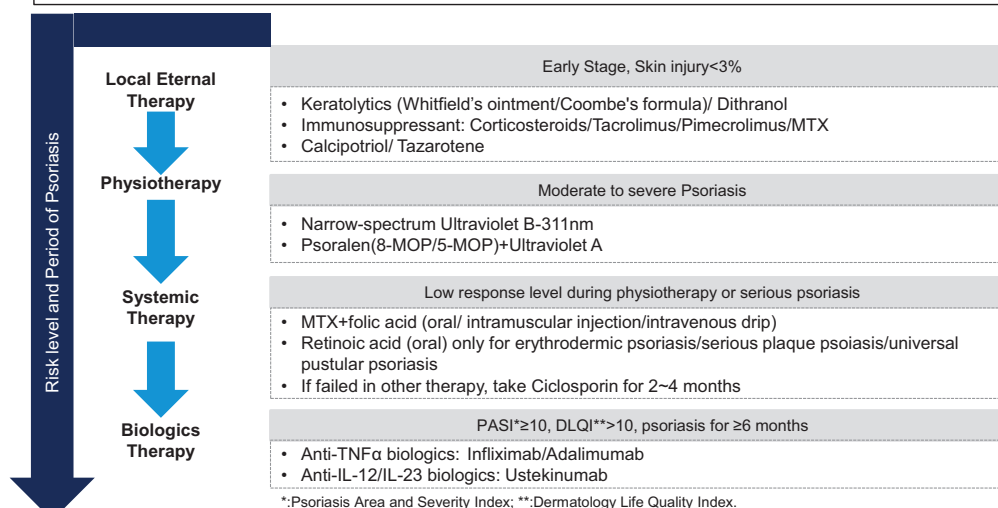
NSAIDs Therapy	Biologics Therapy	DMARDs Therapy	Glucocorticoid Stimulation Therapy
NSAIDs	TNF α Inhibitor	Sulfasalazine	Glucocorticoid Stimulation
<ul style="list-style-type: none"> • Whether NSAIDs are effective, the same dose should continue to be used for at least 2 weeks. • If the effect of a drug treatment is not obvious for 2-4 weeks, other different types of NSAIDs should be used instead. • Adverse drug reactions should be monitored and adjusted in time during drug administration. 	<ul style="list-style-type: none"> • TNFα inhibitor include: etanercept, infliximab, and adalimumab. • The TNFα inhibitor treatment for 6-12 weeks is recommended to continue to be used. Patients with unsatisfactory or intolerant efficacy of a TNFα inhibitor may have a good effect on another TNFα inhibitor. • It can moderate to severe active peripheral arthritis. 	<ul style="list-style-type: none"> • It can improve joint pain, swelling and stiffness in AS, and can reduce serum IgA levels. It is particularly suitable for improving peripheral arthritis in AS patients. • In order to make up for the slow effect of sulfasalazine and its weak anti-inflammatory effect, one NSAIDs with Sulfasalazine usually used together. 	<ul style="list-style-type: none"> • Reliable peripheral arthritis (such as knee) effusion of joint cavity that is not effective for systemic administration, therefore it can use Internal injection of glucocorticoid treatment in the joint cavity. • Repeated injections should be spaced 3-4 weeks, generally not over 2 or 3 times a year. • Furthermore, Glucocorticoid stimulation therapy have corticosteroid treatment for the Intractable tendon-end disease and persistent synovitis.

Note: DMARDs (disease-modifying anti-rheumatic drugs) include methotrexate, leflunomide, sulfasalazine, hydroxychloroquine, azathioprine, cyclophosphamide and so on. NSAIDs (Nonsteroidal Antiinflammatory Drugs) include aspirin, acetaminophen, indomethacin, naproxen, etc.

Treatment Diagram of Psoriasis in China

Treatment Diagram of Psoriasis in China

Most psoriasis drugs have a serious side effect, so the treatment of psoriasis should be based on the consideration of the illness condition and side effects. With the aggravation of the disease, there are four stages of therapy, in which, biologics therapy should be used in the most serious situation.



Source: CMA, Frost & Sullivan analysis

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Advantages of CMAB008

According to Frost & Sullivan, currently marketed infliximab product typically uses the mouse myeloma cell SP2/0 as an expression system. Such expression system is limited in terms of its post-translation modification mechanism, especially glycosylation modification. This limitation may result in the occurrence of NGNA and Gal- α 1,3-Gal terminal glycosylation, which do not normally exist in the human body. The potential risk of immunogenicity may cause hypersensitivity and speed up the elimination of the drug from the patient's body and thereby affect the drug's safety and effectiveness.

CMAB008 is our new monoclonal antibody drug candidate based on the currently marketed infliximab drug produced by CHO expression system, which is different from the currently marketed infliximab drug. The glycosylation of CHO is closer to that of humans, and there is no NGNA and Gal- α 1,3-Gal terminal glycosylation with immunogenic risk.

We believe that the product based on CHO expression system is safer and less immunogenic compared to the mouse myeloma cell SP2/0 used by the currently marketed infliximab drug. CMAB008 uses CHO expression system and the immunogenicity is reduced significantly.

Summary of Clinical Results

As of the Latest Practicable Date, pre-clinical, phase I and phase II/III clinical trials for CMAB008 have been completed through Zhangjiang Biotech. The phase III clinical trial is registered under the name of our affiliate Biomabs and carried out by certain of our R&D personnel, which we acquired from Biomabs in connection with the Reorganization. See "History, Development and Corporate Structure—Reorganization." We have obtained exclusive perpetual licenses for the development of CMAB008 in the PRC from Biomabs in 2018. For more information, see "—Transfer/license of Rights and Interests in Our Drug Candidates."

Ongoing Phase III Clinical trial

As a result of changes in the production sites for our Core Product CMAB008 and improvements in our production processes, we have engaged in phase III clinical trials to further confirm its efficacy and safety. The ongoing clinical trial of CMAB008 (NCT03478111) is a multicenter, randomized, double-blind, methotrexate ("MTX") based, parallel-group, phase III study to evaluate efficacy and safety of CMAB008 in adult patients with moderately to severely active rheumatoid arthritis, compared to Remicade[®]. This is a non-inferiority trial. The primary outcome indicator is the percentage of subjects achieving ACR20. We completed patient enrollment for Phase III clinical trial of CMAB008 in October 2018.

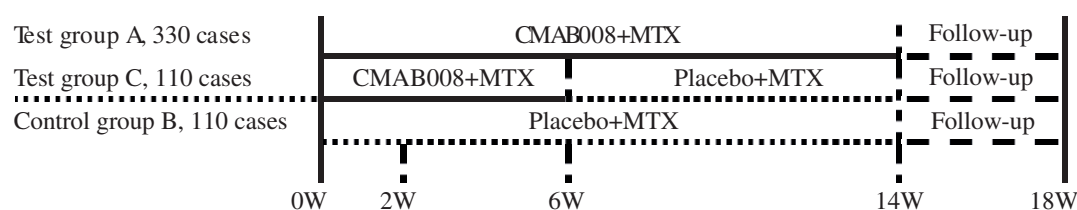
Based on our experience and positive clinical results from our phase II/III clinical trials for CMAB008, we believe the phase III clinical trial for CMAB008 has a high chance of success of NDA approval.

Phase II/III Clinical trial

- Study Design.* A phase II/III clinical trial was completed in December 2009. The trial was designed as a randomized, double-blind, multicenter, placebo-controlled, MTX-based, parallel-group therapy trial to evaluate the effectiveness and safety of CMAB008 in the treatment of moderately to severely, active RA in patients who have failed to treatment with one or more disease-modifying anti-rheumatic drugs (“DMARDs”). A total of 550 subjects were enrolled in the study: 330 subjects and 110 subjects in the two test groups, respectively, and 110 subjects in the control group.

The study design is set out below:

Code	Group	Dosing Schedule	Cases
A	Test	Week 0, 2, 6, 14, CMAB008+MTX, 4 doses	330
B	Control	Week 0, 2, 6, 14, Placebo+MTX, 4 doses	110
C	Test	Week 0, 2, 6, CMAB008+MTX, 3 doses; week 14, placebo+MTX, 1 dose	110



Source: Company

- Efficacy.* The primary efficacy endpoint for the phase II/III clinical trial was the proportion of patients who achieved an ACR20 by week 18 compared with the baseline condition. There was a statistically significant difference across the three groups at each measuring point between the 2nd and 18th week of $P < 0.0001$. At week 18, the proportion of patients achieving ACR20 was approximately 76.67% in test group A, 45.45% in control group B, and 63.64% in test group C. The difference across the three groups was statistically significant at week 18 of $P < 0.0001$. After performing a logistic regression analysis, test group A was compared with control group B, and the difference between the two groups was statistically significant at week 18 at $P < 0.0001$. Test group C was compared with control group B and the difference was statistically significant at week 18 at $P = 0.0040$. Lastly, test group A was compared with test group C, and the difference between the two groups was statistically significant at $P = 0.0053$.

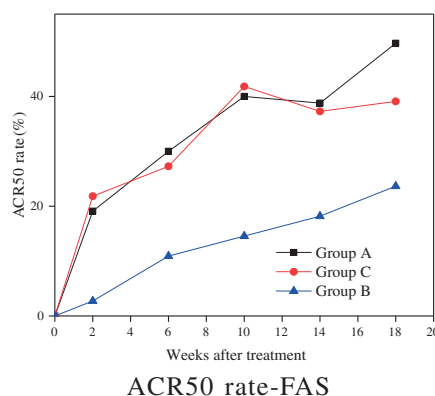
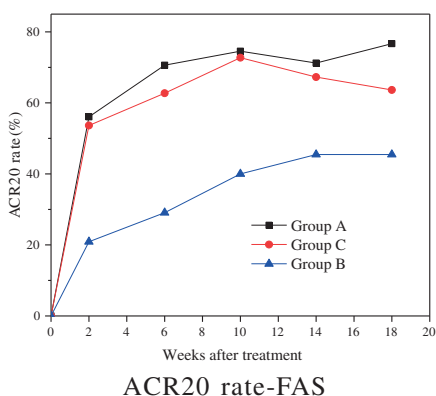
Two key secondary efficacy endpoints for the phase II/III clinical trial were (i) the proportion of subjects achieving ACR50 improvement and (ii) the proportion of subjects achieving ACR70 improvement. For the ACR50 indicator, there was a statistically significant difference across the three groups at each time point between the 2nd and the 18th week ($P = 0.0002$ to $P < 0.0001$). For the ACR70 indicator, except for the second week, the differences across the three groups were statistically significant at each time point between the 6th and the 18th week ($P = 0.0342$ to $P = 0.0092$).

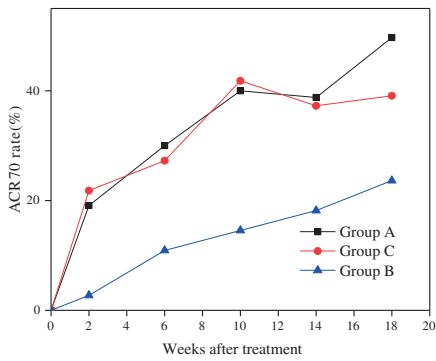
- Safety.* The incidence of all adverse events was approximately 42.12% (139/330) in the test group A, 34.55% (38/110) in the control group B, and 39.09% (43/110) in the test group C. The most common adverse events included infusion reaction, upper respiratory tract infection, leukopenia, and abnormal liver function.

Compared to an MTX-only treatment, CMAB008 in combination with MTX did not increase the incidence of adverse reactions, with the exception for infusion reactions. The incidence of adverse reactions were approximately 34.85% (115/330) in the test group A, 22.73% (25/110) in the control group B, and 34.55% (38/110) in the test group C. The difference across the three groups in respect of these adverse reactions was not statistically significant ($P=0.0543$). The most common adverse reaction was the infusion reaction. The difference across the three groups in respect of the infusion reaction was statistically significant ($P=0.0263$). Most infusion reactions were mild to moderate, and all subjects who developed an infusion reaction were all relieved with or without treatment.

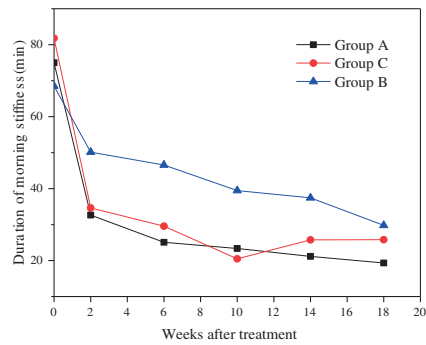
The incidence of serious adverse events was approximately 0.61% (2/330) in the test group A, 0.00% (0/110) in the control group B, and 0.91% (1/110) in the test group C. One of the three serious adverse events was lung infection related to the use of CMAB008, and the other two were unrelated to the use of CMAB008. The difference across the three groups was not statistically significant ($P=0.6401$). Infusion reaction is the most representative adverse event for CMAB008 as a predictor of patient compliance and market acceptance. According to the Remicade® drug label, the incidence rates of infusion reaction and serious infusion reaction in the RA clinical trial (ASPIRE) were approximately 15.0% and 0.4%, respectively. In contrast, our phase II/III clinical trial of CMAB008 demonstrated approximately 9.7% and zero incidence rates of infusion reaction and serious infusion reaction, respectively. No deaths or malignant symptoms such as tumors or lymphatic hyperplasia, demyelination of the central nervous system such as multiple sclerosis, and no cases of drug-induced lupus occurred.

In comparison with the placebo group, CMAB008 may produce anti-CMAB008 antibodies. Among the 328 serum samples of test group A and test group C, eight cases developed anti-CMAB008 antibodies 18 weeks after treatment and the anti-CMAB008 monoclonal antibody production rate was approximately 2.44%, lower than that of the currently marketed infliximab drug (approximately 10% based on publicly available information).

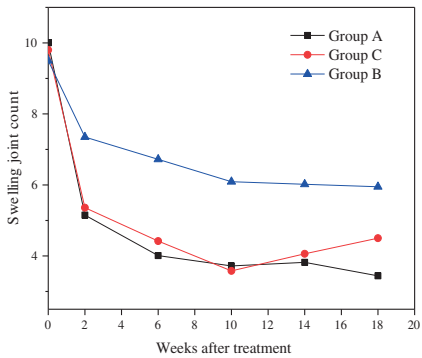




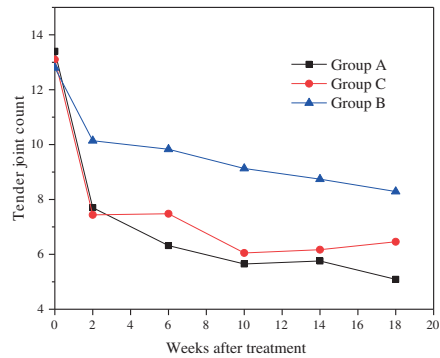
ACR70 rate-FAS



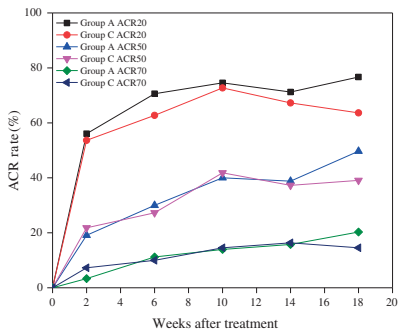
Duration of morning stiffness (average)-FAS



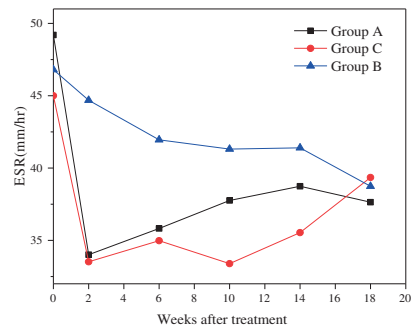
Swelling joint count (average)-FAS



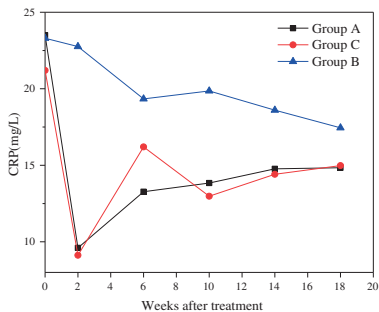
Tender joint count (average)-FAS



ACR rate-FAS



ESR (average)-FAS



CRP (average)-FAS

Source: Company

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Adverse events can be relieved spontaneously or treated with medication, and the researchers must follow up with the patients to ensure that their conditions recover to normal status or do not further develop. Where a serious adverse event occurs, the researchers must promptly take correct treatment measures to ensure the patient's safety, including adjusting the dosage or suspending the use of the test drug, and treating the patient in combination with other medicine. Safety results showed no unexpected adverse reactions for CMAB008.

- *Conclusion.* Based on the clinical trial design and results, CMAB008 is clinically developed according to the new drug route, and compared with the effectiveness and safety of the currently marketed infliximab drug. According to our clinical results compared to published results of currently marketed infliximab drug, we believe CMAB008 is safer than, and as effective as, currently marketed infliximab drug.

Competition

For information on the competitive landscape regarding CMAB008, please see “Industry Overview—Analysis of Company's Core and Other Pipelines —Competitive Landscape of Anti-TNF α mAb for RA Treatment.”

Next Steps

We expect to submit our Phase III clinical trial results of CMAB008 in December 2019. Furthermore, we target to file an NDA for CMAB008 in the fourth quarter of 2019. See “Regulatory Overview—Laws and Regulations of the PRC—Pharmaceutical Products Manufacturing Licenses and Approvals” and “Regulatory Overview—Laws and Regulations of the PRC—The Approval and Registration of Pharmaceutical Products” for more information on the regulatory approval process of our drug candidates.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET CMAB008 SUCCESSFULLY.

Our Other Product Candidates

Phase I clinical trial candidate — CMAB819 (nivolumab)

CMAB819 is a phase I clinical trial new drug candidate. CMAB819 has been approved by NMPA for clinical trial in September 2017. We are preparing clinical samples and initiating phase I clinical trials. CMAB819 is indicated for the treatment of metastatic non-small cell lung cancer and hepatocellular carcinoma.

Nivolumab is a human immunoglobulin G4 (IgG4) monoclonal antibody injection approved by the FDA for use (i) as a first-line treatment for unresectable or metastatic melanoma in combination with ipilimumab; (ii) as a second-line treatment for metastatic squamous non-small cell lung cancer; (iii) as a second-line treatment for metastatic non-squamous non-small cell lung cancer and (iv) as a second-line treatment for advanced renal cell carcinoma in combination with ipilimumab.

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Nivolumab targets the negative immunoregulatory human cell surface receptor programmed death-1 (PD1, PCD1,) with immune checkpoint inhibitory and antineoplastic activities. PD1 is a protein on the surface of activated T cells. If another molecule, called programmed cell death 1 ligand 1 or programmed cell death 1 ligand 2 (PD-L1 or PD-L2), binds to PD1, the T cell becomes inactive. This is one way that the body regulates the immune system to avoid an overreaction. Many cancer cells express PD-L1, which inhibits T-cells from attacking the tumor. Nivolumab binds to and blocks the activation of PD1 and results in the activation of T-cells and cell-mediated immune responses against tumor cells or pathogens.

CMAB819 uses the same host cells as reference drug Opdivo[®], and has the same amino acid sequence, formulation, dosage form and strength as the reference drug. A number of analyses have confirmed CMAB819 is highly similar with the reference drug by the-state-of-the-art techniques. Pre-clinical pharmacodynamics study has confirmed that CMAB819 has similar efficacy profile as the reference drug and pre-clinical toxicology study in cynomolgus has shown that CMAB819 is safe.

As of the Latest Practicable Date, nivolumab received FDA approval under the trade name of Opdivo[®] for the treatment of patients with (i) unresectable or metastatic melanoma; (ii) adjuvant treatment of melanoma; (iii) metastatic non-small cell lung cancer; (iv) advanced renal cell carcinoma; (v) classical Hodgkin lymphoma; (vi) squamous cell carcinoma of the head and neck; (vii) urothelial carcinoma; (viii) microsatellite instability-high or mismatch repair deficient metastatic colorectal cancer; and (ix) hepatocellular carcinoma. Nivolumab also received approval under the trade name of Opdivo[®] in combination with ipilimumab for the treatment of (i) unresectable or metastatic melanoma; (ii) advanced renal cell carcinoma; and (iii) microsatellite instability-high or mismatch repair deficient metastatic colorectal cancer as of the Latest Practicable Date. Nivolumab received NMPA approval in June 2018. According to Frost & Sullivan, the aggregate incidence of the top 10 PD1 responsive tumors in China in 2017 is approximately 3.0 million. Our main competitors in respect of CMAB819 in China are nivolumab under the trade name of Opdivo[®] and pembrolizumab under the trade name of Keytruda[®].

Phase I clinical trial candidate — CMAB809 (trastuzumab)

CMAB809 is a phase I clinical trial biosimilar drug candidate. CMAB809 has been approved by the NMPA for clinical trial in April 2017. We completed the preparation of clinical samples and are preparing the initiation of phase I clinical trial. CMAB809 is indicated for the (adjuvant) treatment of HER2 overexpressing breast cancer or metastatic gastric cancer.

Trastuzumab is a humanized IgG1 kappa monoclonal antibody for injection approved by the FDA for use (i) as first-line treatment of HER2-overexpressing metastatic breast cancer in combination with paclitaxel; and (ii) metastatic gastric cancer in combination with cisplatin and capecitabine or 5-fluorouracil.

Trastuzumab targets the human epidermal growth factor receptor 2 (HER2). The HER2 pathway promotes cell growth and division when it is functioning normally; however, when it is overexpressed, cell growth accelerates beyond its normal limits. After binding to HER2 on the tumor cell surface, trastuzumab blocks the HER2 signaling and induces an antibody-dependent cell-mediated cytotoxicity against tumor cells that overexpress HER2.

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Trastuzumab is listed on the World Health Organization's List of Essential Medicines in August 2017, which lists the most effective and safe medicines needed in healthcare. As of the Latest Practicable Date, trastuzumab received FDA approval under the trade name of Herceptin[®] for the treatment of patients with (i) adjuvant treatment of breast cancer (as part of a treatment regimen (a) consisting of doxorubicin, cyclophosphamide, and either paclitaxel or docetaxel and; or (b) with docetaxel and carboplatin); (ii) metastatic breast cancer. Trastuzumab also received approval under the trade name of Herceptin[®] in combination with (i) paclitaxel for first-line treatment of HER2-overexpressing metastatic; and (ii) cisplatin and capecitabine or 5-fluorouracil, for the treatment of patients with HER2-overexpressing metastatic gastric or gastroesophageal junction adenocarcinoma who have not received prior treatment for metastatic disease. According to Frost & Sullivan, the incidence of breast cancer increased from 271.9 thousand in 2013 to 299.6 thousand in China in 2017, and is expected to increase to 327.4 thousand in 2022. Our main competitors in respect of CMAB809 in China include trastuzumab under the trade name of Herceptin[®].

CMAB809 uses the same host cells as reference drug Herceptin[®], and has the same amino acid sequence, formulation, dosage form and strength as the reference drug. CMAB809 has been evaluated according to NMPA's Technical Guidelines for the Development and Evaluation of Biosimilar Drugs, which confirmed that CMAB809 is highly similar with the reference drug by the-state-of-the-art techniques. Pre-clinical pharmacology and toxicology studies have shown that CMAB809 has similar efficacy and safety profile as the reference drug.

Early stage and pre-clinical trials for CMAB809 were conducted through affiliated entities prior to our Reorganization. For more information, see "History, Development and Corporate Structure."

IND-filing stage drug candidate — CMAB815 (adalimumab)

CMAB815 is an IND-filing-stage biosimilar drug candidate and under evaluation for clinical trial approval by China's Center for Drug Evaluation, which we expect to receive by December 2019. CMAB815 is indicated for the treatment of rheumatoid arthritis.

Adalimumab is a recombinant human IgG1 monoclonal antibody specific for human tumor necrosis factor (TNF) injection approved by the FDA for treatment of rheumatoid arthritis. Adalimumab binds specifically to TNF-alpha and blocks its interaction with the p55 and p75 cell surface TNF receptors. Adalimumab also lyses surface TNF expressing cells in vitro in the presence of a complement. Adalimumab does not bind or inactivate lymphotoxin (TNF-beta). TNF is a naturally occurring cytokine that is involved in normal inflammatory and immune responses. Elevated levels of TNF are found in the synovial fluid of patients with RA, JIA, PsA, and AS and play an important role in both the pathologic inflammation and the joint destruction that are hallmarks of these diseases. Increased levels of TNF are also found in psoriasis plaques. Adalimumab also modulates biological responses that are induced or regulated by TNF, including changes in the levels of adhesion molecules responsible for leukocyte migration (ELAM-1, VCAM-1, and ICAM-1).

CMAB815 uses the same host cells as reference drug Humira[®], and has the same amino acid sequence, dosage form and strength as the reference drug. CMAB815 has been re-evaluated according

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to NMPA's Technical Guidelines for the Development and Evaluation of Biosimilar Drugs which confirmed that CMAB815 is highly similar to the reference drug by the-state-of-the-art techniques. Pre-clinical pharmacology and toxicology studies have shown that CMAB815 has similar efficacy and safety profile as the reference drug.

As of the Latest Practicable Date, adalimumab received FDA approval under the trade name of Humira[®] for the treatment of patients with (i) rheumatoid arthritis; (ii) juvenile idiopathic arthritis; (iii) psoriatic arthritis; (iv) ankylosing spondylitis; (v) adult Crohn's disease; (vi) pediatric Crohn's disease; (vii) ulcerative colitis; (viii) plaque psoriasis; (ix) hidradenitis suppurativa; and (x) uveitis. Adalimumab also received approval under the trade name of Humira[®] in combination with (i) methotrexate or other non-biologic disease-modifying anti-rheumatic drugs for the treatment of patients with rheumatoid arthritis; (ii) methotrexate for the treatment of patients with juvenile idiopathic arthritis; and (iii) non-biologic disease-modifying anti-rheumatic drugs for the treatment of patients with psoriatic arthritis.

Pre-clinical trial stage drug candidate — CMAB810 (pertuzumab)

CMAB810 is a pre-clinical trial biosimilar drug candidate. The related screening processes, establishment of a cell bank and a lab-scale process for CMAB810 have been completed. The pilot processes are being developed. CMAB810 is indicated for the treatment of breast cancer.

CMAB810 targets the extracellular (domain II) of the human epidermal growth factor receptor 2 protein (HER2) and, thereby, blocks heterodimerization of HER2 with other HER family members, including HER1, HER3 and HER4. As a result, pertuzumab inhibits HER2 intracellular signaling through two major signal pathways, mitogen-activated protein ("MAP") kinase pathway and phosphoinositide 3-kinase ("PI3K") pathway. Inhibition of these signaling pathways can result in proliferation inhibition and apoptosis, respectively. In addition, pertuzumab mediates antibody-dependent cell-mediated cytotoxicity ("ADCC"). While pertuzumab alone inhibited the proliferation of human tumor cells, the combination of pertuzumab and trastuzumab significantly augmented anti-tumor effect in HER2-overexpressing xenograft models.

CMAB810 uses the same host cells as reference drug Perjeta[®], and has the same amino acid sequence, formulation, dosage form and strength as the reference drug. In vitro studies have shown that CMAB810 has similar affinity and bioactivity as the reference drug.

As of the Latest Practicable Date, pertuzumab received FDA approval under the trade name of Perjeta[®] in combination with (i) trastuzumab and docetaxel for the treatment of patients with HER2-positive metastatic breast cancer; and (ii) trastuzumab and chemotherapy for the treatment of patients with early stage breast cancer.

Pre-clinical trial stage drug candidate — CMAB813 (palivizumab)

CMAB813 is a pre-clinical biosimilar drug candidate. The related screening processes and establishment of a cell bank have been completed. The pilot processes are being developed. CMAB813 is indicated for the prevention of severe lower respiratory tract disease caused by RSV in pediatric patients.

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Palivizumab is humanized monoclonal antibody (IgG1 κ) produced by recombinant DNA technology and palivizumab acts by binding the RSV envelope fusion protein on the surface of the virus and blocking a critical step in the membrane fusion process. Palivizumab also prevents cell-to-cell fusion of RSV-infected cells.

CMAB813 is different from reference drug Synagis[®], using CHO as host cells. However, CMAB813 has the same amino acid sequence, formulation, dosage form and strength as the reference drug. The recombinant cell line bank has been established. In vitro studies have shown that CMAB813 has similar binding activity as the reference drug.

As of the Latest Practicable Date, palivizumab received FDA approval under the trade name of Synagis[®] for the prevention of severe lower respiratory tract disease caused by RSV in pediatric patients.

Pre-clinical trial stage drug candidate — CMAB816 (canakinumab)

CMAB816 is a pre-clinical trial biosimilar drug candidate. The related screening processes and establishment of a cell bank have been completed. The pilot processes are being developed. CMAB816 is indicated for the treatment of periodic fever syndrome and systemic juvenile idiopathic arthritis.

Canakinumab is a recombinant, human anti-human-IL-1β monoclonal antibody that belongs to the IgG1κ isotype subclass. It binds to human IL1β and neutralizes its activity by blocking its interaction with the IL-1 receptors, but it does not bind IL-1α or IL-1 receptor antagonist (“**IL-1ra**”).

Cryopyrin-associated periodic syndrome (“**CAPS**”) is a group of rare, heterogeneous autoinflammatory disease characterized by interleukin 1β-mediated systemic inflammation and clinical symptoms involving skin, joints, central nervous system, and eyes. It encompasses a spectrum of three clinically overlapping autoinflammatory syndromes including familial cold autoinflammatory syndrome, the Muckle—Wells syndrome, and neonatal-onset multisystem inflammatory disease. CAPS disorders are inherited in an autosomal dominant pattern with male and female offspring equally affected. Features common to all disorders include fever, urticaria-like rash, arthralgia, myalgia, fatigue, and conjunctivitis. The NLRP-3 gene encodes the protein cryopyrin, an important component of the inflammasome. Cryopyrin regulates the protease caspase-1 and controls the activation of IL-1β. Mutations in NLRP-3 result in an overactive inflammasome resulting in excessive release of activated IL-1β that drives inflammation. Active systemic juvenile idiopathic arthritis (“**SJIA**”) is a severe autoinflammatory disease, driven by innate immunity by means of proinflammatory cytokines such as IL-1β.

CMAB816 is different from reference drug Ilaris[®], using CHO as host cells. However, CMAB816 has the same amino acid sequence, formulation, dosage form and strength as the reference drug. The recombinant cell line is under establishing.

As of the Latest Practicable Date, canakinumab received FDA approval under the trade name of Ilaris[®] for the treatment of patients with (i) cryopyrin-associated periodic syndromes; (ii) tumor necrosis factor receptor associated periodic syndrome; (iii) hyperimmunoglobulin D syndrome/ mevalonate kinase deficiency; and (iv) familial Mediterranean fever.

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RESEARCH AND DEVELOPMENT

Overview

We have developed efficient R&D capabilities, broad and advanced preparation technologies and low-cost drug production capabilities that will allow us to offer high quality and affordable innovative biopharmaceutical products to patients in China and emerging markets. Within our product pipeline, we currently have three Core Products under the phase III clinical development and two other products approved for clinical trial. We own a number of patents for our core technologies, including antibody engineering and humanization technologies, efficient expression vector construction technologies, efficient clone screening technologies, as well as a proprietary research and development animal model. See “—Intellectual Property” for more information. We focus on the research and development of monoclonal antibodies, and our core R&D team members have more than 16 years of experience in this area.

We believe research and development is critical to our future growth and our ability to remain competitive in the biologics industry in China. Our research and development activities are mainly focused on:

- pre-clinical and clinical development of new monoclonal antibody drugs;
- developing next generation technologies relating to mAb discovery and manufacturing;
- research and development of biosimilar monoclonal antibody drugs with huge market demand; and
- continuous improvement of the quality and cost efficiency of our products.

Our research and development activities are carried out by three core teams: basic research and development, clinical trials, and industrialized good manufacturing practices (“GMP”). The operations, design, and construction needs of these three core teams are supported by an assisting engineering team. Our research and development teams consist of professionals who have extensive industry experience in biologics research and development and have gained valuable work experience at global pharmaceutical companies. Employees on our research and development teams possess strong academic background from leading institutions in immunology, molecular biology, oncology or monoclonal antibody development. For example, our executive directors Dr. Wang Hao and Dr. Li Jing both have over 20 and 16 years, respectively, of research experience in tumor immunology and genetic engineering technology as well as the research and development and technical evaluation of monoclonal antibody drugs. They have participated in national level key research projects and shaped Chinese drug evaluation policy. For more information, please see “—Competitive Strengths—Leading R&D team and technology platform enabling an efficient R&D system.” Some of our core R&D team members had track record of successfully developing two types of humanized antibody targeted therapeutic drugs approved by NMPA. They also received various awards, including the National Intellectual Property Gold Award, the National Technological Invention Award and the National

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Science & Technology Advancement Award. Most of the core members of our R&D team have working experience gained from leading Chinese and international pharmaceutical companies and research centers. A number of our researchers have independently led national-level scientific research projects under the “863” Program, the National Foundation for Major Projects, the National Natural Science Foundation of China, the National Key Basic Research Program of China (the “973’ Program”) or the National Major Scientific and Technological Special Project of China for Significant New Drugs Development.

Our research and development teams also manages the regulatory submission process for our drug candidates, which require filings to be made to and approved by the relevant authorities before clinical trials and commercialization can be initiated. We prepare and manage regulatory filings by drafting filing dossiers, addressing regulatory questions and conducting GMP readiness assessments for our drug candidates. We possess extensive knowledge and experience with regard to regulatory filings in China. Among key personnel transferred from Biomabs, Dr. Li Jing and Mr. Yan Jun were responsible for the Phase II/III trial activities of our core product candidates, and they have participated in obtaining the regulatory approval of at least one monoclonal antibody drug for cancers and autoimmune diseases in China. In the years ended December 31, 2017 and 2018, the staff costs included in R&D expenses were RMB9.4 million and RMB14.8 million, respectively. The following table sets forth a breakdown of our scientists by position as of the Latest Practicable Date.

Position of Scientists	Number of Scientists
Junior to mid-level scientists	122
Senior scientists	43
Senior principal scientists	4
Total	<u>169</u>

In line with industry practice, we use contract research organizations (“CROs”) and consultants to manage and conduct some of our non-core standardized R&D functions, such as pre-clinical studies on animals and the management of clinical study centers. We select our CROs weighing various factors such as their qualifications, scale and history of operations, academic and professional experience, client base, and industry reputation. We seek to cooperate with CROs that have passed FDA or NMPA on-site inspections and site management organizations (“SMOs,” a type of CROs) that have experience serving large international pharmaceutical companies. The CROs provide us with an array of products and services that are necessary for carrying out our own complex clinical trials. We supervise these CROs to ensure that they perform their duties in a manner that complies with our protocols and applicable laws and that protects the integrity of the data resulting from our trials and studies.

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Specific R&D activities conducted by our in-house R&D and clinical teams and by third-party service providers and respective durations for these activities during the Track Record Period are illustrated in the table below:

Parties	R&D Activities	Duration		
		CMAB007	CMAB008	CMAB009
	Development and verification of large scale process	October 2016 - September 2017	February 2017 - January 2018	June 2016 - July 2017
Our Group	Phase III — Sample preparation and test	October 2016 - August 2017	March 2017 - October 2017	June 2016 - March 2017
	Develop and review the Phase III clinical plan	July 2017	May 2017	March 2017
	Phase III — Data management and statistical analysis	June 2017 - present	May 2017 - present	March 2017 ⁽¹⁾ - present
Cooperation with CRO(s)	Phase III — Hospital ethics review	August 2017 - present	June 2017 - August 2017	June 2017 ⁽²⁾ - present
	Phase III — Enrollment of patients	June 2018 - present	April 2018 - November 2018	January 2018 ⁽³⁾ - present
	Phase III — Patients' medication, record and follow-up	June 2018 - present	April 2018 - present	January 2018 ⁽⁴⁾ - present

(1) Cooperation with two CROs, started in March 2017 and July 2017, respectively. CROs develop the relevant statistical analysis plan based on our clinical trial protocols, conduct clinical data management and statistical analysis, and issue statistical report.

(2) Cooperation with two CROs, started in July 2017 and September 2017, respectively. CROs assist us in the hospital ethics review and relevant communication with hospitals.

(3) Cooperation with three CROs, two started in December 2017 and one started in June 2017. CROs upload patients' information to the electronic data capture system, and we conduct source data verification and quality control.

(4) Cooperation with two CROs, both started in January 2018. CROs assist doctors to record relevant medication and test information, and we solve the academic issues, track and supervise the progress and quality of clinical trials.

BUSINESS

With respect to our Core Products CMAB007 and CMAB008, we have entrusted Biomabs to engage third-party service providers including SMOs, hospitals and analysis laboratories to arrange CRCs and the clinical trial sites for making non-medical judgments to ensure the smooth operation of the clinical trials. Please see “Connected Transactions—Continuing Connected Transactions—Non-Exempt Continuing Connected Transactions—Clinical Trials Agreement” for more information.

Key terms of the CRO agreements for our Core Product CMAB009 are summarized as follows.

- *Clinical research coordinating (“CRC”) services.* We entered into certain site management service agreements with two SMOs in July and September 2017 respectively in connection with our phase III clinical trial of CMAB009. The agreements are effective until the completion of the performance of the services under the respective agreements, which are estimated to be 31 months and four years from the dates of the respective agreements. Pursuant to the agreements, the SMOs provide certain CRC services, including but are not limited to: (1) selection and enrollment of patients, (2) collection of clinical trial documents, (3) management of clinical trial processes, and (4) periodical follow-ups with patients. All clinical results, reports, publication, and related rights and interests, including all intellectual property rights in connection with the performance of the agreements shall be owned by us. The total service fees payable to SMO 1 and SMO 2 under the respective arrangements, which are estimated based on our clinical trial plan and shall be subject to adjustment based the amounts the service providers have actually incurred, are approximately RMB13.5 million and RMB1.3 million, which are to be paid in installments pursuant to the following schedules:

Arrangement with SMO 1: of the RMB13.5 million estimated amount: (1) 30% is payable upfront within thirty days from the execution of the agreement; (2) 10% is payable upon the enrollment of the 100th qualified patient; (3) 10% is payable upon the enrollment of the 200th qualified patient; (4) 5% is payable upon the completion of enrollment; (5) 20% is payable when all the clinical data are locked up; (6) 20% is payable upon the completion of this clinical trial; and (7) the remaining 5% is payable when the relevant government authority conducts the on-site inspection for NDA approval. As of the Latest Practicable Date, we have paid approximately RMB4.0 million to SMO 1.

Arrangement with SMO 2: of the RMB1.3 million estimated amount: (1) 30% is payable upfront within one month from the execution of the agreement; and (2) the remaining 70% of is payable in 20%, 15%, 15%, 15% and 5% installments in the sixth, 12th, 18th, and 24th month after the execution of the agreement and upon the completion of this project, respectively. As of the Latest Practicable Date, we have paid approximately RMB0.6 million to SMO 2.

- *Central laboratory services and management.* We entered into a central laboratory service agreement with a medical technology company in June 2017 in connection with our phase III clinical trial of CMAB009. The agreement is effective through the completion of the performance of the services under the agreement, which is estimated to be 24 months from

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the date of the agreement. These services include primarily: (1) project management, (2) supply of central laboratory materials, and (3) sample testing and other logistics. Pursuant to the agreement, all clinical results and related intellectual property rights in connection with the performance of the agreement will be owned by us. The total estimated service fee is approximately RMB3.3 million, which is estimated based on our clinical trial plan and is subject to adjustment based the amount the service provider has actually incurred. 30% of such amount is payable upfront upon the execution of the agreement; and the remaining amount is payable as the service provider incurs expenses in the course of providing the services contemplated by the agreement. As of the Latest Practicable Date, we have paid approximately RMB1.0 million to the service provider.

- *Electronic data capture (“EDC”) and central randomization system (“CRS”) services.* We entered into an EDC and CRS service agreement with a CRO in connection with our phase III clinical trial of CMAB009. The term of such arrangement is three years. These services include primarily: (1) the management of clinical data and (2) the central randomization and the construction of an EDC system with EDC suppliers. Pursuant to the agreement, all data, research reports, technology improvements, and related intellectual property rights in connection with the performance of the agreement will be owned by us. The total estimated service fees for technical services and the use of the e-trial system, which are estimated based on our clinical trial plan and are subject to adjustment based the amount the service provider has actually incurred, are RMB0.9 million and US\$85.0 thousand, respectively, payable in installments generally linked to the milestones of our clinical trial. As of the Latest Practicable Date, we have paid RMB0.7 million to the service provider.
- *Statistical analysis services.* We entered into a statistical analysis service agreement with a CRO in July 2017 in connection with our phase III clinical trial of CMAB009. These services include primarily: (1) scheme design, (2) randomization, and (3) statistical analysis. The total service fee under this arrangement is RMB86.0 thousand. We are required to pay half of the service fee within five days from the effectiveness of this agreement, and the remaining amount once the CRO delivers the clinical trial statistical analysis report. As of the Latest Practicable Date, we have paid RMB43.0 thousand to the service provider.

With respect to other drug candidates, there had been no material arrangement with CROs. Our in-house R&D and clinical teams have conducted relevant R&D activities since we obtained the ownership in related rights and interests in these drug candidates.

For the years ended December 31, 2017 and 2018, our research and development expenses were RMB21.6 million and RMB89.0 million, respectively. We expect to experience an increase in our research and development expenses generally in line with our revenue growth and our expansion of research facilities and personnel throughout the next three to five years.

Key Research and Development Technology

Antibody engineering and humanization technology. Our expert team, through the comprehensive utilization of bioinformatics, structural biological methods and phage display, cell display techniques, combined with the traditional Kabat, Chothia and IMGT algorithms, accurately identifies the CDRs in the antibody sequence and implants the selected human antibody skeleton to efficiently complete the humanized work. Three dimensional structure prediction can be used to select the appropriate antibody candidate, and 3D modeling software can be used to complete structural prediction. The prediction results can be used for a comparison with the parent antibody and allows selection of the superior antibody candidate.

Efficient expression vector construction technology. By analyzing the transcriptional regulatory sequences of housekeeping genes and luxury genes in CHO, we have constructed a new efficient expression vector. On the basis of traditional construction, gateway technology and one step cloning method, we have established the recombinant fusion PCR method for the construction of the vector containing more restriction sites in the inserted fragment and sequence and ligation-independent cloning (“SLIC”) method for the construction of multiple complex vectors. Efficient expression vectors are the basis for efficient engineering cells.

Efficient cloning and screening technology. The application of high throughput screening technology and homogeneous time resolved fluorescence technology greatly improves the flux and efficiency of our clone screening. We have the ability to screen a large number of cell clones over a short time, improve the probability of stable and efficient expression of candidate clone of engineering cells, shorten the research and development cycle and improve the success rate of our research and development.

Animal model of human diseases. Animal models of human diseases are the objects and materials of animal experiments that have been established in biomedical research. The use of animal models is a very important test method in modern biomedical research, and it is an important means to evaluate the efficacy of new drugs. Our technical team has rich animal model experience, such as animal models of inflammation, autoimmune diseases, animal models of liver metabolic diseases, and tumor models.

Large scale production process. The large-scale and efficient cultivation technology of mammalian cells is the main production mode and key bottleneck technology of biological medicine products. Such technology has developed rapidly and has matured. The production scale of the fed-batch culture, represented by Merck, is up to 10,000L, and the protein titer is 1-3g/L. Our team has achieved a breakthrough by generating 3,000L fed batch culture and reaching 1-5g/L protein titer corresponding to different products.

Research and Development Process

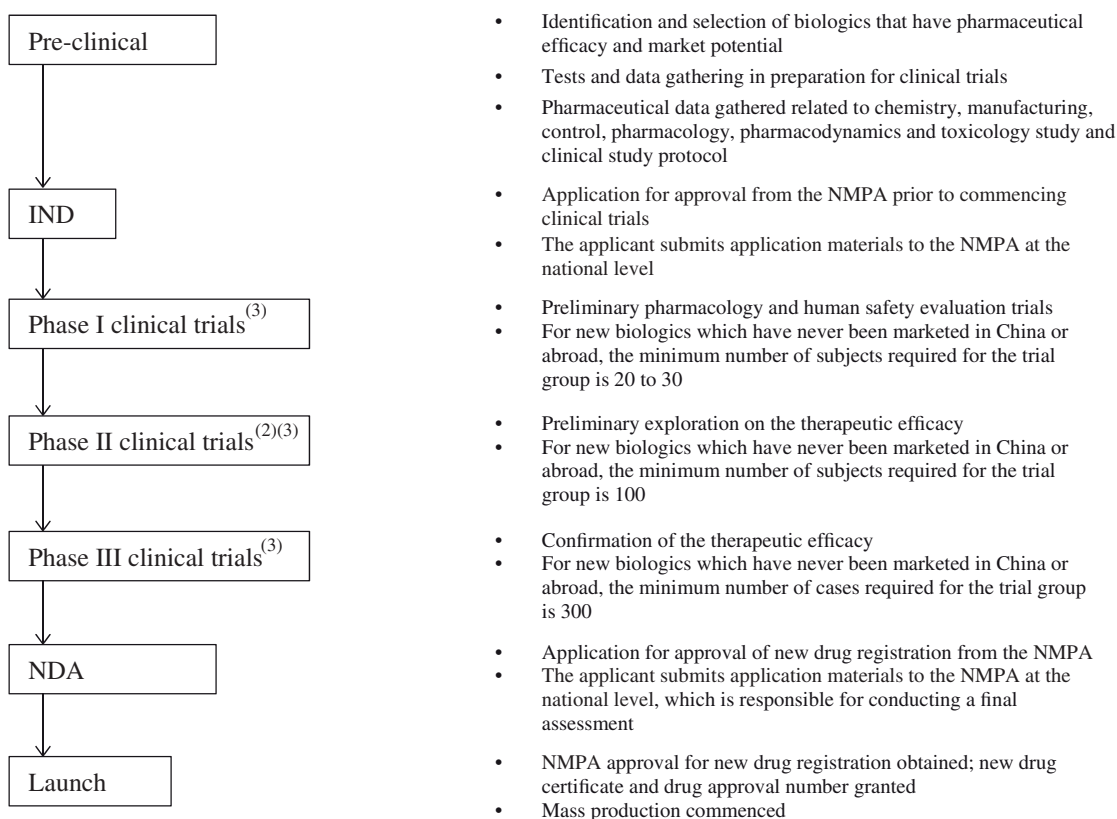
Biologics are a subset of pharmaceuticals and are revolutionizing the treatment of diseases in many major therapeutic areas globally, primarily benefiting from groundbreaking progress in genetics, molecular biology and biochemistry over the past three decades.

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We employ a market-driven approach to our product development. We identify new product candidates with significant market potential, conduct pre-clinical development and clinical trials, and ultimately aim to commercialize these products. We carefully select drug development programs by balancing the commercial potential of the drug and its likelihood of successful development, and its potential competition and market size. Each of our product development projects must be reviewed by our management committee before it is cleared for development. Our management committee consists of senior management. If a development project is approved, a project management team will be appointed to supervise the technical progress and the budget of the project. We also conduct periodic reviews of our on-going drug development programs and may elect to discontinue programs that are not making satisfactory progress.

Our product development process typically involves the following milestone stages:

Production development stage⁽¹⁾



Notes:

(1) Certain generic pharmaceutical product candidates may only be required to undergo bioequivalence studies or clinical validation processes.

(2) Phase II trials can be waived for biosimilars clinical development.

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- (3) Under the 2015 Guiding Principles Announcement, applicants for registration of biosimilars are required to prove the similarities between their drug candidates and the reference drugs through head-to-head clinical trials, so as to support the safety and efficacy of such drugs. In contrast, for clinical trials of new drugs, including therapeutic biological products registered in accordance with the new drug application procedures pursuant to the relevant PRC laws, applicants are not required to conduct head-to-head clinical trials.

TRANSFER/LICENSE OF RIGHTS AND INTERESTS IN OUR DRUG CANDIDATES

We have obtained all the necessary intellectual property rights required for the development and commercialization of our drug candidates.

CMAB007 and CMAB008

In August 2018, we obtained from Sinomab exclusive, perpetual and irrevocable license rights for the patents, products and technologies related to CMAB007 and CMAB008 in the PRC at no consideration. These license rights include the rights to (i) use the licensed products and technologies to continue the development and clinical trials of these Core Products in the PRC, (ii) apply for the approvals for manufacturing and sale of these Core Products in our name in the PRC, (iii) apply for patents and other intellectual property rights on these Core Products in the PRC, and (iv) sub-license, in whole or in part, to any third party our licensed rights and interests on these Core Products in the PRC. In addition, to the extent we apply for and obtain the approval for the sale of these Core Products in the PRC, we will be the holder of the approval and are entitled to manufacture and sell these Core Products ourselves or through a third party in the PRC. See “Connected Transactions—Continuing Connected Transactions—Fully Exempt Continuing Connected Transactions—License Agreement” for more information. In August 2018, Sinomab transferred to us all rights and interests related to CMAB007 and CMAB008 overseas (excluding Japan, North America and Europe) at no consideration. These transferred rights and interests include the rights to all technologies, including those relating to Sinomab’s earlier stage research and development on these Core Products, and information and other materials with respect to the cell banks, current manufacturing techniques, and quality standards on these Core Products overseas (excluding Japan, North America, and Europe). Please see “History, Development and Corporate Structure—Reorganization—Acquisition of overseas rights and interests (CMAB007, CMAB009 and CMAB008)” for more information. On September 29, 2018, Biomabs granted us a perpetual and irrevocable power of attorney on to conduct clinical trials, apply for registration and production approval, and issue or execute any relevant documents in connection with any interaction with the National Medical Products Association or other agencies or third parties on its behalf with respect to the licensed products.

As a result, we believe we have all the necessary intellectual property rights required for the development and commercialization of CMAB007 and CMAB008 in the PRC and overseas (excluding Japan, North America, and Europe).

CMAB009

Biomabs transferred to us all rights and interests related to CMAB009 in the PRC in December 2015 and overseas (excluding Japan, North America and Europe) in August 2018 at no consideration. These transferred rights and interests include the rights to (i) patents, (ii) patent applications, (iii)

BUSINESS

research data, (iv) cell banks, (v) trade secrets and know-how, (vi) preparation process, and (vii) trademarks on CMAB009 in the PRC and overseas (excluding Japan, North America, and Europe). Please see “History, Development and Corporate Structure—Reorganization—Acquisition of overseas rights and interests (CMAB007, CMAB009 and CMAB008)” for more information.

As a result, we believe we have all the necessary intellectual property rights required for the development and commercialization of CMAB009 in the PRC and overseas (excluding Japan, North America, and Europe).

Other drug candidates

In August 2018, we obtained from Sinomab ownership in the rights and interests related to CMAB819, CMAB809, CMAB815, CMAB810, CMAB813, and CMAB816 globally. These transferred rights and interests include the rights to (i) results from earlier research and development, (ii) cell banks, (iii) preparation process, and (iv) quality standards on CMAB809, CMAB810, CMAB813, CMAB815, CMAB816 and CMAB819 in the PRC and overseas. See “History, Development and Corporate Structure—Reorganization—Acquisition of pipeline drugs (CMAB809, CMAB810, CMAB813, CMAB815, CMAB816 and CMAB819)” for more information.

As a result, we believe we have all the necessary intellectual property rights required for the development and commercialization of CMAB809, CMAB810, CMAB813, CMAB815, CMAB816 and CMAB819 in the PRC and overseas.

MANUFACTURING

Facilities

Our production site under our subsidiary, Taizhou Pharmaceutical, can satisfy our current clinical and commercialized production needs, currently with a 3*1,500L bioreactor system, which is one of the largest antibody drug production facilities in China in terms of production capacity, according to Frost & Sullivan.

We primarily use stainless steel bioreactors to produce. The advantages of stainless steel technology are (i) minimization of batch differences, (ii) easy and quick production scale-up, (iii) reduction in commercial production costs, (iv) manageable quality risk, and (v) minimizing the dependency on specific vendors, which is, for the long term, a high risk factor for the commercial manufacturing of antibody drugs for those who use disposable bioreactors. Our leading engineering team, which has over 10 years of relevant experience and has coordinated the design of a number of leading large-scale stainless steel production lines in China, was responsible for the overall planning and coordination in building our production facilities, including our stainless steel production lines.

We have one production facility located in our subsidiary, Taizhou Pharmaceutical, which commenced operation in February 2015. Taizhou Pharmaceutical is primarily responsible for coordinating clinical trial, clinical sample production and future industrial production of our own products. Our Taizhou Pharmaceutical production site has two buildings of 15,000 square meters each and houses our mAb production facilities.

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- *The First Manufacturing Building:* As of December 31, 2018, we were utilizing our workshops in the first building at our Taizhou production site equipped with (i) a 3*1,500L monoclonal antibody bioreactor system and corresponding purification lines, which can manufacture approximately 52 batches (or 80 kilogram) of drug substance/monoclonal antibody proteins per annum, (ii) an injection vial filling line, which is capable of manufacturing four million units per annum and (iii) a pre-filled syringes production line capable of manufacturing one million units per annum.

This production facility is also equipped with a quality control laboratory that is in conformity with GMP standard. Our key equipment and machinery consists of ultra-performance liquid chromatography (“UPLC”) systems, capillary electrophoresis systems, real-time polymerase chain reaction (“PCR”) systems and microplate reader systems and are sourced from Waters Corporation, AB Sciex LLC and Molecular Devices.

In the future, we intend to use our production facilities to (i) support our R&D activities through trial productions and (ii) prepare for the industrialized production upon commercialization of our drug candidates.

We expect this production facility to be able to support the demand of our clinical research and early stage commercial manufacturing until 2021.

- *The Second Manufacturing Building:* The second building at our Taizhou production site is currently idle, and we expect to establish three cGMP-certified workshops, each with a 3*1,500L stainless steel bioreactor system, and corresponding purification lines. We are in the process of procuring these bioreactor systems, which we expect to be operational in 2021. We anticipate that the production capacity of these three workshops will be able to support the production needs of various of products until 2024. These new workshops are expected to be utilized to manufacture monoclonal antibody drugs. Our total production capacity is expected to increase three-fold as a result. We also expect the utilization rate of our production lines to increase, as a single production line can be devoted to manufacturing fewer kinds of drugs.

In addition, in January 2019, we acquired a parcel of industrial land of approximately 100,746 square meters in Taizhou Hi-tech Zone for the construction of large-scale monoclonal antibody drug production workshops. We plan to construct 120,000 square meters of office, production and ancillary facilities on this land. As of the Latest Practicable date, phase I has started, including an office building, an energy center, a warehouse, two drug substance workshops and a drug product workshop. We also plan to build two large-scale monoclonal antibody drug substance production lines (one with a production capacity of 3*7,500L and the other 2*18,000L) and two drug product filling lines on this land in three to five years following the launch of our first drug according to market demand.

Future Expansion

As of December 31, 2018, we were developing nine products, three of which are undergoing phase III clinical development. Most of these drug candidates are biologic drugs that have validated targets and structures which have already been approved for commercial manufacturing or pending such approval, and have a higher chance of being successfully commercialized compared to novel biologics as a result. We estimate that each of these products will ramp up gradually within five years subsequent to its commercialization and each alone will potentially take up 5,000L to 50,000L of commercial manufacturing capacity once it reaches peak sales. Please also refer to “— Manufacturing Capacity” for more information.

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We plan to construct new production facilities in Taizhou with the proceeds from the Global Offering to expand our production capacity in order to support future production needs of our drug candidates currently under development. This plan includes the construction of (1) on the second manufacturing building under Taizhou Pharmaceutical, (i) three cGMP-certified workshops, each with a 3*1500L stainless steel bioreactor system, and corresponding purification lines; and (2) on the land that we acquired in January 2019 under Taizhou Biotech, (i) two large-scale monoclonal antibody drug substance production lines with production capacities of 2*18,000L and 3*7,500L, respectively, (ii) two drug product filling lines, and (iii) an ancillary R&D building.

These new facilities are expected to support the production of protein and monoclonal antibodies. Based on our estimate of the future demand from our self-owned products, we are of the view that there will be sufficient demand for our expanded capacity.

Below is a summary of our estimated future capital expenditures and timeline for the constructions of the new production facilities:

*Three 3*1500L stainless steel bioreactor systems*

- (1) The estimated capital expenditures: approximately RMB253.1 million in total, including RMB204.7 million in expenses for equipment procurement and installation and RMB48.4 million in design, construction, renovation, installation, and other expenses.
- (2) Timeline: expected from first quarter 2019 to end of 2020.

*2*18,000L and 3*7,500L large-scale monoclonal antibody drug substance production lines and two drug product filling lines*

- (1) The estimated capital expenditures: approximately RMB779.7 million in total, including RMB502.7 million in expenses for equipment procurement and installation and RMB277.0 million in design, construction, renovation, installation, and other expenses.
- (2) Timeline: expected from third quarter 2018 to end of 2023.

Ancillary R&D building

- (1) The estimated capital expenditures: approximately RMB389.6 million in total, including RMB254.1 million in expenses for equipment procurement and installation and RMB135.5 million in design, construction, renovation, installation, and other expenses.
- (2) Timeline: expected from third quarter 2018 to end of 2024.

Our estimated aggregate capital expenditures (including expenditures for plant construction and equipment procurement and installation, among others) for our currently contemplated expansion plan are expected to amount to approximately RMB192.3 million, including RMB102.0 million for construction and RMB90.3 million for equipment procurement and installation in 2019. We expect to finance these capital expenditures through our bank balances and cash at hand. We estimate the future

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R&D related expenses and capital expenditures for the development of our Core Products up to commercialization to be approximately HK\$565.9 million, based on the current status of development and the planned R&D activities and clinical trials for these Core Products. See “Future Plans and Use of Proceeds—Use of Proceeds” for more information.

The above capital expenditures and timeline for the constructions of our new production facilities and R&D related expenses and capital expenditures for our Core Products represent only our current best estimates and are subject to change based on market conditions, future demand for our products, our product development progress (including clinical trial and NMPA approval progress), our ability to obtain the necessary construction and operating licenses and permits, the feasibility of our design, construction and product development plans, the availability of funds to finance the expansion and R&D, as the case may be, and other factors, including factors beyond our control.

Manufacturing Capacity

To make our manufacturing facilities as versatile and cost-effective as possible, our facility design will incorporate energy conservation and multi-product manufacturing. Specifically, for Core Products with greater production demand, such as CMAB007, we expect to have one to three production lines with greater manufacturing capacity dedicated to this product. We will also make efforts to obtain GMP requirements for multiple products for each production line. Production lines designed to be used interchangeably for manufacturing of multiple products may increase our flexibility in manufacturing arrangement.

The ratios of the estimated annual capacity demand *versus* the capacity of production lines (the “Ratios”) are set forth in the table below:

	2020E	2021E	2022E	2023E	2024E	2025E
Production-related (L):						
CMAB007	484 - 592	3,452 - 4,219	6,057 - 7,403	15,050 - 18,394	27,578 - 33,706	44,414 - 54,283
CMAB008	706 - 862	2,299 - 2,810	4,017 - 4,909	6,032 - 7,372	7,600 - 9,289	9,046 - 11,056
CMAB009	n/a	n/a	3,165 - 3,896	7,728 - 9,445	11,121 - 13,592	12,941 - 15,816
Other products	n/a	n/a	n/a	13,303 - 16,259	22,036 - 26,933	34,393 - 42,036
Maintenance- and test-related (L):	1,500	1,500	1,500	1,500	1,500	1,500
Total annual capacity demand (L)	<u>2,690 - 2,954</u>	<u>7,251 - 8,529</u>	<u>14,739 - 17,681</u>	<u>43,612 - 52,970</u>	<u>69,835 - 85,020</u>	<u>102,294 - 124,692</u>
Capacity of production lines (L):						
3*1,500L [*]	4,500	n/a	n/a	n/a	n/a	n/a
three 3*1,500L	n/a	13,500	13,500	13,500	13,500	13,500
3*7,500L	n/a	n/a	n/a	22,500	22,500	22,500
2*18,000L	n/a	n/a	n/a	n/a	36,000	36,000
Total capacity	<u>4,500</u>	<u>13,500</u>	<u>13,500</u>	<u>36,000</u>	<u>72,000</u>	<u>72,000</u>
Ratios	<u>60% - 66%</u>	<u>54% - 63%</u>	<u>109% - 131%</u>	<u>121% - 147%</u>	<u>97% - 118%</u>	<u>142% - 173%</u>

Note:

* Our existing production line with the production capacity of 3*1,500L will be dedicated to pilot studies by the time the three 3*1,500L production lines are put into use.

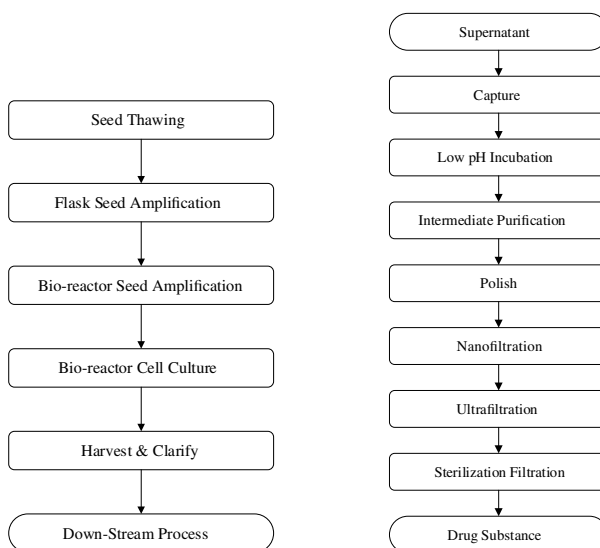
BUSINESS

We will continue to assess our commercial manufacturing capacity from time to time based on the projects in our pipeline and the utilization rate of our commercial production facilities in operation. Should the need arise, we will plan and build additional commercial production facilities ahead of time, and we plan to fund such future expansion with banking facilities available to us and cash from our operations.

Manufacturing Process

Production Processes for Drug Substance

The following diagram summarizes the production processes for drug substance for our Core Products.

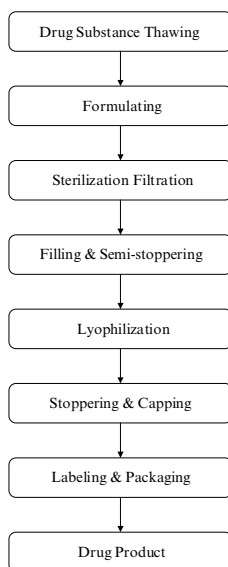


Source: Company

BUSINESS

Production process for Freeze-dried Powder Injectables

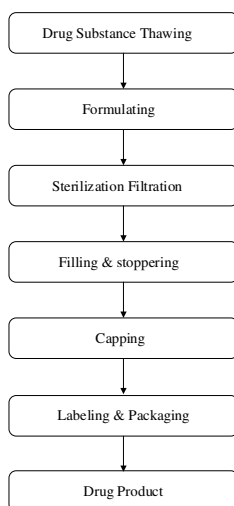
The following diagram summarizes the production process for freeze-dried powder injectables. Our Core Products manufactured pursuant to the process below are CMAB007 and CMAB008. To date, we have not commenced the commercial manufacturing of our products.



Source: Company

Production process for Liquid Injectables

The following diagram summarizes the production process for liquid injectables. Our core product manufactured pursuant to the process below is CMAB009. To date, we have not commenced the commercial manufacturing of our products.



Source: Company

BUSINESS

Raw Materials and Suppliers

The raw materials and equipment required for manufacturing our products are generally readily available in the market through a number of suppliers. We typically select reputable suppliers in countries and regions such as the United States, Europe, China and Japan. The primary raw materials used to manufacture our Core Products include chromatography resin and cell culture media. In addition, a large portfolio of our drug candidates also requires recombinant insulin and filtration membrane. During the Track Record Period, we did not manufacture self-owned or licensed products in bulk and obtained raw materials for our trial production from third parties and certain related parties and we believe these suppliers have sufficient capacity to meet our commercial demands. Our procurement team manages the raw materials' inventory level by monitoring the status of our ongoing projects and incoming new projects and places orders with suppliers for any inventory that is expected to decline below targeted levels. Our procurement team procures raw materials and equipment in accordance with our business expansion plan or to replace obsolete equipment on an as-needed basis.

For equipment, we typically send a separate purchase order with equipment specifications, quantity, purchase price and delivery requirements for each purchase. The supplier is typically responsible for installing and debugging the equipment and providing training to our equipment operators. We also enter into one-off supply contracts with some suppliers.

For the years ended December 31, 2017 and 2018, our five largest suppliers together accounted for 70.4% and 51.7%, respectively, of our total purchases, and our largest supplier accounted for 33.3% and 22.1%, respectively, of our total purchases. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material dispute with our suppliers or any material breach of our supply contracts or agreements. To the best of our knowledge, as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to termination of our relationships with any of our major suppliers. Except for MTJA and Zhangjiang Biotech, none of our Directors, their respective associates, or Shareholders who own 5% or more of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period. During the Track Record Period, except for MTJA and Zhangjiang Biotech, none of our major suppliers was also our customer. For more information on the transaction with MTJA, please refer to "Connected Transactions".

Inventory Management

Our inventory consists of raw materials for our own products. We generally maintain an inventory level for raw materials to support a minimum of four batches of production needs, depending on, among others, the relevant raw material size and purchase and inspection cycle. We have established an inventory management system that monitors each stage of the warehousing process. We have a warehouse at our production facility. Warehouse personnel are responsible for the inspection arrangement, storage and distribution of raw materials. Raw materials are separately stored in different areas of the warehouse according to their storage condition requirement, properties, usage and batch number.

BUSINESS

Quality Assurance

We believe that an effective quality management system for our raw materials, equipment and finished products is critical to ensure the quality of our services and maintain our reputation and success. Our subsidiary, Taizhou Pharmaceutical, is equipped with high-functioning quality assurance departments that are responsible for the approval, organization and coordination of quality control and quality assurance procedures within each subsidiary. Facilities and equipment are subject to inspection measures such as united registrar systems, factory acceptance testing, site acceptance testing, installation qualification, operator qualification, performance qualification, and regular maintenance throughout their entire life cycles. To ensure that our products and services consistently meet high industry standards and requirements, we have also established a company-level quality assurance department to inspect the quality of our products and services. Our manufacturing business lines are inspected in accordance with the PRC national laboratory quality control standard and the GMP management requirements; our research and development business lines are also inspected in accordance with GMP management requirements.

As of the Latest Practicable Date, our quality assurance department consisted of 11 dedicated employees with biology or related educational backgrounds. Our quality assurance department also organizes regular training programs to provide updates to its members regarding new quality assurance measures and policies.

Raw Material Quality Control

For each of our research projects, our procurement team compiles a list of required raw materials. We assess the material risks associated with such raw materials and determine their specifications. We carefully select raw material suppliers and conduct background checks on supplier candidates in the form of questionnaires and/or on-site audits. For each supply of key raw materials, we request accompanying quality reports from the supplier, which usually contains various qualitative and quantitative analyses. Each step of our raw material procurement is documented for our internal records as well as customer audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issues relating to our raw materials.

Equipment Quality Control

We purchase equipment and spare parts only from selected reputable suppliers. We also communicate with the technical and customer support staff of our equipment suppliers regularly for the maintenance and upgrade of our equipment. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material quality issue relating to our equipment.

MARKETING AND DISTRIBUTION

Marketing

We are in the process of building our sales and marketing strategy. We expect our marketing strategies to focus on precision marketing through academic promotion and center around increasing knowledge and awareness of the clinical benefits of our pharmaceuticals among medical professionals.

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We intend to focus on hospitals with potential clinical demand for our products as our primary customer base. We intend to continue to communicate frequently with major hospitals in China to understand the hospitals and their doctors' academic views on antibody drugs and patient demands. We also intend to continue to meet industry experts regularly to understand industry trends. We will continue to participate in academic conferences, seminars and symposia, which include large-scale national and provincial conferences organized by the Chinese Medical Association or its local chapters, as well as smaller events tailored to specific cities and hospital departments to promote our brand awareness.

Half of our current core sales team members have over a decade of experience in sales and management of antibody drugs, including the first antibody drug produced by a local Chinese company marketed in China. Our sales team has maintained direct relationships with hospitals through its participation in and support of our clinical trials. In anticipation of the launch of our products, we have been expanding our sales and marketing force and expect to establish a fully developed sales and marketing team with a size of approximately 300 members by the end of 2019, consisting of approximately 30 academic promotion personnel, 30 members for market access, 40 sales managers, 170 sales representatives and 30 supporting staff.

As we get closer to the launch of our first Core Product, we plan to increase the size of our sales and marketing team to approximately 400 members prior to the commercial launch of our first drug candidate in China. In line with our sales and marketing strategy, we will focus on the recruitment of sales and marketing personnel who has notable academic profile in medicine and pharmacy, and who has over three years' clinical experience in therapeutic areas of cancers and autoimmune diseases.

We expect to implement certain procedures to ensure that our academic promotion and general marketing efforts are in compliance with applicable laws and regulations. In addition, we expect to establish a series of protocols for review and approval. We do not pay any remuneration to medical professionals for their activities relating to our academic promotion, except for reimbursement of conference-related expenses, to the extent permitted under applicable laws and regulations and our internal policies.

Distribution

We expect to sell our products to (i) distributors that sell our products to hospitals and (ii) direct-to-patient (“DTP”) pharmacies and others. We plan to build our network of distributors future when our products are approved to be marketed by NMPA. We anticipate that our distribution model will be consistent with customary industry practice and serves to ensure efficient coverage of our sales network while controlling our cost of distribution and account receivables.

We intend to select our distributors based on their qualifications, reputation, market coverage and sales experience. To distribute our products in the future, a distributor must maintain its business license and other requisite licenses and permits. A distributor must also maintain extensive hospital coverage in the designated region. A distributor must be capable of delivering our products to covered hospitals in a safe and timely manner. We plan to actively monitor the inventory levels of our distributors to increase the efficiency of our distribution network. To date, we have not entered into any distribution agreement with distributors.

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INTELLECTUAL PROPERTY

We rely on intellectual property rights to protect our technologies, inventions and improvements that we believe are critical to ensure the competitiveness of our products. We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-hows and other intellectual property during the conduct of our business. As of the Latest Practicable Date, we had 22 registered trademarks and 25 trademark applications in the PRC, eight registered trademarks in Hong Kong, 13 registered patents and 11 patent applications in the PRC, two registered PCT patent in Australia, and 15 registered domain names that we consider to be material to our business. Below is a summary of the patents, patent applications and license rights we have related to our product candidates:

- CMAB009: Biomabs transferred to us all rights and interests related to CMAB009 in China in 2015 and overseas (excluding Japan, North America, and Europe) in August 2018. In addition, we had one patent application in the PRC and one registered PCT patent in Australia for CMAB009.
- CMAB007 and CMAB008: We have obtained from Sinomab in August 2018 exclusive perpetual licenses for the patents, products and technology related to CMAB007 and CMAB008 in the PRC. In addition, in August 2018 Sinomab transferred to us all rights and interests related to CMAB007 and CMAB008 overseas (excluding Japan, North America, and Europe) to us at no consideration. See “Connected Transactions—Continuing Connected Transactions—Fully Exempt Continuing Connected Transactions—License Agreement” for more information. We did not have any patent or patent application for CMAB007 as of the Latest Practicable Date. We had one patent application in the PRC and one PCT patent in Australia for CMAB008 as of the Latest Practicable Date.
- Other product candidates: We have obtained from Sinomab in August 2018 all rights and interests related to CMAB819, CMAB809, CMAB815, CMAB810, CMAB813, and CMAB816 globally. See “History, Development and Corporate Structure—Reorganization—Acquisition of pipeline drugs (CMAB809, CMAB810, CMAB813, CMAB815, CMAB816 and CMAB819)” for more information.

For details of our intellectual property rights, see “Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of Our Group.”

In order to protect our intellectual property rights, we enter into employment contracts which include confidentiality and invention assignment clauses with our research employees that provide that all intellectual property developed by our research staff during their employment with us becomes our intellectual property and are treated as trade secrets. Our employees are required to refrain from disclosing trade secrets to any third party. We strictly separate the work space and document access for our projects. Each project has a dedicated laboratory space equipped with key-card access control systems. Most laboratory computers are not connected to the internet and have restricted data-transfer capabilities. Additionally, we aim to ensure that we do not infringe on the intellectual property rights of others and we are not engaged in the sale of counterfeit pharmaceutical products.

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We have not been sued on the basis of and have not undergone arbitration in respect of, nor have we received any notification from third parties claiming infringement of any intellectual property or sales of counterfeit pharmaceutical products that had a material adverse effect on our business. Further, to date, other than described in this prospectus, we have not been the subject of any adverse finding in an investigation or audit by any governmental authorities in respect of infringement of any intellectual property of third parties or sales of counterfeit pharmaceutical products that had a material adverse effect on our business. However, despite our internal control procedures, we are still subject to risks relating to intellectual property rights.

CERTIFICATES, PERMITS AND LICENSES

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See “Regulatory Overview” for more information about the material certificates, permits and licenses required for our business operations in the PRC. During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite certificates, permits and licenses that are material for our operation, and all of such certificates, permits and licenses are within their respective effective periods. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. During the Track Record Period and up to the Latest Practicable Date, we have not been penalized by the relevant government authorities for any non-compliance relating to maintenance and renewal of our material certificates, permits and licenses.

The following table sets forth a summary of the key licenses, permits and certificates that we hold.

<u>Certificate/License</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Issue Date</u>	<u>Expiry Date</u>
Business License	Taizhou Pharmaceutical	Market Supervision Bureau of Taizhou Medical New & Hi-Tech Industrial Development Zone	December 14, 2018	February 2, 2065
PRC Pharmaceutical Production License	Taizhou Pharmaceutical	Jiangsu Food and Drug Administration	April 27, 2018	December 31, 2020
Registration Certificate of the Customs of the PRC for the Declaration Entities	Taizhou Pharmaceutical	Taizhou Customs	August 24, 2016	Long-term basis
Business License	Taizhou Biotech	Management Committee of Taizhou Medical New & Hi-Tech Industrial Development Zone	August 9, 2018	November 23, 2066

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<u>Certificate/License</u>	<u>Holder</u>	<u>Issuing Authority</u>	<u>Issue Date</u>	<u>Expiry Date</u>
Business License	Shengheng Biotech	Market Supervision Bureau of China (Shanghai) Pilot Free Trade Zone	August 28, 2018	Long-term basis

COMPETITION

Our products face, and will continue to face, significant competition both from similar imported drugs and other existing therapies, as well as other biologics products that are currently commercialized or are under development. We face competition from other biologics producers active in the Chinese market. We compete primarily based on our product pipeline, biotechnology platform, ability to commercialize products, brand recognition and disease awareness of the public.

Our key competitors vary by drug. For any of our drug candidates, our competitors may compete with products that are better recognized for certain indications or more accepted in the medical profession. For further details of our majors competitors in respect of our Core Products, see “—Our Product Pipeline—Our Core Product Candidates.”

EMPLOYEES

As of the Latest Practicable Date, we have a total of 260 employees, of which 107 are located in Shanghai and 153 are located in Taizhou.

The table below sets forth a breakdown of our employees by function as of the date of this prospectus.

<u>Function</u>	<u>Number of Employees</u>
Business units	34
R&D personnel ⁽¹⁾	153
Sales and marketing ⁽²⁾	10
Administration	22
Management	41
Total	<u>260</u>

Notes:

- (1) The number of R&D personnel here excludes 21 R&D team members who have been included in our management.
- (2) The number of sales and marketing personnel here excludes our seven core sales and marketing team members, who have been included in our management.

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Our success depends on our ability to attract, recruit and retain qualified employees. We provide our employees with opportunities to work on cutting-edge biologics projects with world-class scientists. We aim to attract qualified employees with overseas educational backgrounds and relevant experience gained from global pharmaceutical or biotechnology companies. As of the Latest Practicable Date, 94, 12 and 5 of our scientists hold a bachelor's degree or equivalent, a master's degree or equivalent, and a Ph.D. degree or equivalent in fields that are highly relevant to our business. In addition, as of the same date, 111 out of our 174 R&D personnel (including those who are our management) hold a bachelor's degree or above.

Our employment agreements typically cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees generally includes salary and bonus elements. In general, we determine the remuneration package based on the qualifications, position and performance of our employees. We also make contributions to the social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund. In addition, we have adopted an employee share option plan to provide an additional means to attract, motivate, retain and reward our employees. See "Appendix IV—Statutory and General Information—D. Pre-IPO Share Option Scheme."

We have established a labor union at Taizhou that represents employees with respect to the promulgation of bylaws and internal protocols. As of December 31, 2018, all of our employees at Taizhou were members of the labor union. We believe that we maintain a good working relationship with our employees. We had not experienced any material labor disputes or any material difficulty in recruiting employees for our operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

Our headquarters are located at Block G79, Lujia Road East, Koutai Road West, China Medical City Taizhou, the PRC. In March 2018, we had entered into the contract for State-Owned Construction Use Right Assignment and fully paid land transfer fees and deed tax for a parcel of industrial land of approximately 100,746 square meters in Taizhou High-Tech Zone. We plan to use this land for the construction of production facilities of our subsidiary, Taizhou Biotech. This property will be used for non-property activities under Rule 5.01(2) of the Listing Rules. As of the Latest Practicable Date, we had started relevant constructions. As of the Latest Practicable Date, we did not own any other property. The following table sets forth a summary of this land as of the Latest Practicable Date.

<u>Location</u>	<u>Subsidiary Occupying the Property</u>	<u>Gross Floor Area (sq.m.)</u>	<u>Designated Land Usage</u>
Taizhou, Jiangsu province	Taizhou Biotech	100,746	Industrial use

According to 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

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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 of our Group’s interests in land or buildings. This is because none of our properties has a carrying amount that is at least 15% of our combined total assets.

As of the Latest Practicable Date, we also had leased five properties with a total gross floor area of approximately 33,758.38 square meters. The following table sets forth a summary of the properties leased by us as of the Latest Practicable Date:

Location	Subsidiary Occupying the Property	Gross Floor Area (sq.m.)	Current Land Usage	Lease Expiry Date
Taizhou, Jiangsu province	Taizhou Pharmaceutical	14,641.5	Production facility	May 3, 2035
Taizhou, Jiangsu province	Taizhou Pharmaceutical	176	Office premises	May 31, 2019
Taizhou, Jiangsu province	Taizhou Pharmaceutical	15,678.2	Production facility	May 3, 2028
Pudong New District, Shanghai	Shengheng Biotech	44.68	Office premises	August 14, 2019
Pudong New District, Shanghai	Shengheng Biotech	3,218	Production facility	December 31, 2021

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS

Our operations and facilities are subject to extensive environmental protection and health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. These laws and regulations generally impose liability regardless of the negligence or fault of a responsible party, unless it has legally defined immunities. These laws and regulations also require us to obtain permits from governmental authorities for certain operations. See “Regulatory Overview” for more details.

To ensure our compliance with applicable environmental protection and health and safety laws and regulations, we have established a set of measures and procedures, which include (i) adopting protective measures at our facilities, (ii) promulgating safety operation procedures relating to various aspects of our integrated services, such as the use and storage of chemicals and operation of equipment, (iii) inspecting our equipment and facilities regularly to identify and eliminate safety hazards, (iv) promulgating specific rules about the purchase, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities, (v) engaging professional waste-disposal companies to manage the disposal of hazardous and biohazardous waste, (vi) providing regular safety awareness training to our employees, (vii) keeping health records for all employees and conducting health examinations before, during and after their time at the company, and (viii) conducting regular fire safety inspections, maintenance of fire-fighting equipment and regular emergency drills. We specifically appoint EHS (environment, health and safety) management personnel to oversee the drafting, implementation, management and evaluation of these measures and procedures.

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For the years ended December 31, 2017 and 2018, our total cost of compliance with environmental protection and health and safety laws and regulations was approximately RMB0.8 million and RMB0.6 million, respectively. These costs did not include historical capital expenditures for plants and equipment that may be attributable to such compliance. We do not expect our costs of complying with current and future environmental protection and health and safety laws to increase significantly going forwards. However, because the requirements imposed by these laws and regulations may change, we may be unable to accurately predict the cost of complying with these laws and regulations. See “Risk Factors—Risks Related to Governmental Regulation—We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological hazards or personal injury” for more information.

There has not been any material accidents in the course of our operation or any material claims for personal or property damages in connection with environmental protection, health or work safety against us during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

Under the Chinese law, a company is required to purchase clinical trial liability insurance if it conducts clinical trials. Our subsidiary Taizhou Pharmaceutical has purchased clinical trial liability insurance for the phase III clinical trial of CMAB009, and Biomabs has purchased clinical trial liability insurance for the phase III clinical trials of CMAB007 and CMAB008. In addition, Taizhou Pharmaceutical has purchased property insurance, equipment insurance, employer liability insurance and public liability insurance. Taizhou Biotech did not have any significant business operation as of the Latest Applicable Date and it therefore has not purchased any kind of insurance. While we believe that our insurance coverage is adequate and in line with Chinese industry standards, it may be insufficient to cover all claims for product liability or damage to our fixed assets. See “Risk Factors—Other Risks Related to Our Industry and Business—We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources” for more information.

INTERNAL CONTROL AND RISK MANAGEMENT

We have engaged an internal control consultant to perform certain agreed-upon procedures in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our controls and internal controls of various processes, including financial reporting and disclosure controls, sales, accounts receivable and collection, procurement, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, research and development and intangible assets. The internal control consultant performed procedures on our system of internal control. During the Track Record Period and up to the Latest Practicable Date, there was no material issue remaining in relation to the internal controls of our Group.

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We have adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- Our Board of Directors, as the highest internal control authority, is responsible for promulgating and revising internal control policies, measures and procedures to ensure that we maintain sound and effective internal controls and compliance with applicable laws and regulations. Our CEO implements supervision and management of our internal control policies and decides on certain material matters relating to management and operation. We conduct regular and *ad hoc* internal audits on the CEO level, and also intend to set up an audit committee of our Board of Directors.
- We have established a sound system to monitor our accounting and budgeting policies. During the first season of each year, our CFO works with our finance department to prepare a preliminary yearly budget plan, which includes estimates on cash flows and major expenditures. The budget plan is submitted to our CEO, who may review and approve within the scope of his authority. The budget items that are beyond the authority of our CEO are submitted to our Board of Directors for approval. Our finance department also submits quarterly financial statements to our senior management and annual financial statements to our senior management and Board of Directors.
- The general manager for each of our operation sites is responsible for implementing the relevant internal control policies, measures and procedures on the site and making regular inspections about the on-site implementation of such policies, measures and procedures.
- We have set up an independent quality assurance department, which is responsible for implementing the relevant internal control policies, measures and procedures relating to the relevant biologics discovery, development or manufacturing stage, educating the relevant employees about such policies, measures and procedures and addressing their questions and making regular inspections about the implementation of such policies, measures and procedures.
- We have adopted various measures and procedures regarding each aspect of our business operation, such as project management, quality assurance, protection of intellectual property, environmental protection and occupational health and safety. For more information, see “—Manufacturing—Quality Assurance,” “—Intellectual Property” and “—Health, Safety and Environmental Matters.” We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our labor security, insurance, fire services and environmental protection departments and our compliance team for each stage of the biologics development process.

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- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the Listing. We will continue to arrange various trainings to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the global biologics outsourcing services market, our ability to offer quality biologics discovery, development and manufacturing services, our ability to manage our anticipated growth and to execute on our growth strategies, and our ability to compete with other biologics outsourcing services providers. See “Risk Factors” for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See “Financial Information” for a discussion of these market risks.

In order to meet these challenges, we have developed a risk management framework, which is broken down into the following components:

- Our general property and financial safety risk management system ensures that (i) the comprehensive accounting policies we adopted in connection with our financial reporting risk management are well-observed and effectively implemented and (ii) the regular trainings are well-conducted and attended by our finance staff.
- Our technology risk management system ensures that the research and development is conducted in compliance with the requirement of relevant laws and regulations and industry customs and norms, and our drug manufacturing complies with GMP. The system comprises a confidentiality risk management structure as well as the marketing department’s regular issuance of national and global field reports analyzing external product risks.
- Our audit committee oversees and manages the overall risks associated with our business operations. Our audit committee is responsible for (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operation and our management’s handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.
- Our chief executive officer, Dr. Qian Weizhu, is responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments’ reporting on key risks and providing

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feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our audit committee on our material risks.

- The relevant departments in our Company, including the finance department, the human resources department, the administration department, the customer support department, the procurement department and the business units, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.
- Furthermore, we implement a screening process for potential customers, in order to screen out prospective customers with high risk of third party claims.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time be involved in contractual disputes or legal proceedings arising out of the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, none of us or any of our subsidiaries was subject to any material claims, damages or losses. As of the Latest Practicable Date, no material litigation, arbitration or administrative proceedings had been threatened against us or any of our subsidiaries.

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our directors believe would, individually or in the aggregate, have a material operational or financial impact on our Group as a whole.

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You should read the following discussion and analysis in conjunction with our audited consolidated financial information included in “Appendix I—Accountants’ Report” to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. 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 reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see “Forward-looking Statements” and “Risk Factors.”

OVERVIEW

We are a leading biopharmaceutical company in China, focusing on the research, development and production of new drugs and biosimilar for cancers and autoimmune diseases. We strive to bring to market high quality and affordable innovative biologics through our efficient R&D system and low-cost pharmaceutical production capability, and develop differentiated therapeutic products by fully utilizing our extensive R&D experience.

Our pipeline of drug candidates currently consists of nine monoclonal antibody drugs, three of which are our Core Products under phase III clinical trials: CMAB007 (omalizumab), CMAB009 (cetuximab) and CMAB008 (infliximab). CMAB007 (omalizumab), a recombinant humanized anti-IgE monoclonal antibody, is our new drug candidate for the treatment of asthma patients who remain inadequately controlled despite med/high dose of ICS plus LABA. As of the Latest Practicable Date, CMAB007 was the only mAb asthma therapy developed in China by a local Chinese company that had reached phase III clinical trial according to Frost & Sullivan, and we believe that, once approved by the NMPA, it will be the first mAb asthma therapy developed by a local Chinese company marketed in China. CMAB009 (cetuximab), a recombinant anti-EGFR chimeric monoclonal antibody, is our new drug candidate for first-line treatment of metastatic colorectal cancer in combination with FOLFIRI. CMAB009 is based on cetuximab and produced by CHO expression system, which is different from the mouse myeloma cell SP2/0 expression system used in currently marketed cetuximab products. CMAB009 is the first chimeric anti-EGFR antibody approved by the NMPA for clinical trial developed in China by a local Chinese company. According to our clinical results compared with published clinical results of currently marketed cetuximab, CMAB009 reduces immunogenicity and decreases the incidence of adverse reactions significantly. CMAB008 (infliximab), a recombinant anti-TNF-alpha chimeric monoclonal antibody, is our new drug candidate for moderate to severe active rheumatoid arthritis. CMAB008 is based on infliximab and uses CHO expression system, which is different from that used by the currently marketed infliximab drug. CMAB008 is the first NMPA approved chimeric anti-TNF-alpha antibody for clinical trial developed in China by a local Chinese company. In addition, two of our other drug candidates, CMAB809 (trastuzumab) and CMAB819 (nivolumab), have obtained approval for clinical trials.

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We have not commercialized any products and therefore did not recognize any revenue during the Track Record Period.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the key factors affecting our results of operations, financial position and cash flows include the following:

Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates. We have a rich pipeline of drug candidates including three core biologic monoclonal antibody drug candidates in phase III clinical trials and another six product candidates in earlier stages of development. Although we currently have no products approved for commercial sales and have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years as they move toward the final stages of development. There are, however, uncertainties in our ability to obtain regulatory approval and commercialize our product candidates. See “Business — Our Product Pipeline” for more information on the development status of our various drug candidates and “Risk Factors—Risks Related to Product Development and Commercialization” for a description related to the development and commercialization of our drug candidates.

Research and Development Expenses

Research and development activities are central to our business model. Our current research and development activities mainly relate to the clinical advancement of our nine drug candidates, including five drug candidates in clinical development, one in IND filing stage and three in pre-clinical development. See “Business—Research and Development” for more information on the development status of our drug candidates. For the years ended December 31, 2017 and 2018, our research and development expenses were RMB21.6 million and RMB89.0 million, respectively. Our research and development expenses primarily consist of:

- employee salaries and related benefit costs for research and development personnel;
- costs associated with purchasing raw materials and consumables for research and development of our drug candidates;
- third party contracting costs; and
- expenses associated with depreciation and amortization, travel, insurance, utilities and other supplies used in our research and development activities.

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During the Track Record Period, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred. We expect our research and development expenses to increase for the foreseeable future, as we move these drug candidates into additional clinical trials, including expenses related to raw material and consumable purchases and third party contracting costs.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development expenses, administrative expenses, and finance costs.

Our administrative expenses consist of salaries and benefits for administrative personnel, depreciation, rental, and other expenses. We expect our administrative expenses to increase in future periods to support our drug and development efforts and support any commercialization activities with respect to our product candidates, if approved. These cost increases will likely be due to (i) increases in our share-based compensation in relation to our Pre-IPO Share Option Scheme, and (ii) increases in employee salaries and benefits resulting from our increased headcount. We also anticipate increased legal, compliance, accounting, insurance, offering and public relations expenses associated with being a public company in Hong Kong.

During the Track Record Period, we did not incur any sales and marketing costs. We are in the process of building our sales and marketing strategy and expect to establish a fully developed sales and marketing team by the end of 2019.

Our finance costs during the Track Record Period were attributable to interests on loans from related parties. We may borrow bank loans from time to time, which could increase our finance costs.

While we receive grants and subsidies from the government related to our research and development activities, rental subsidies and interest subsidies by way of compensation for expenses or losses incurred, the availability and amount of these subsidies are at the discretion of the government.

Funding for Our Operations

For the years ended December 31, 2017 and 2018, we funded our operations primarily through capital contribution from our shareholders and loans from related parties. Any change in our ability to generate revenue from sales of our products, transfer or license of our IP rights or otherwise may have an impact on our cash flow plan. Going forward, in the event of successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with cash flows generated from sale of our commercialized drug products. However, with the continuing expansion of our business we may require further funding through public or private equity offerings, debt financing, collaborations and licensing arrangements, strategic alliances and marketing or distribution arrangements.

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BASIS OF PRESENTATION

We were incorporated in the Cayman Islands on June 1, 2018 as an exempted company with limited liability. The immediate holding company of our Company is Asia Mabtech Limited, a limited liability company incorporated in the British Virgin Islands, which is ultimately controlled by Mr. Guo Jianjun. In anticipation of the Global Offering, the companies comprising our Group underwent a group reorganization pursuant to the Reorganization. For details of the Reorganization, see “History, Development and Corporate Structure—Reorganization” and Note 1 to “Appendix I—Accountants’ Report.” The combined entities and the clinical research and development activities carried out by Biomabs (the “**Clinical Business**”) have been under common control of Mr. Guo Jianjun before and after the Reorganization. Therefore, our acquisition of the relevant combined entities and the Clinical Business is accounted for as a business combination under common control by applying the principles of merger accounting.

Our consolidated statement of financial position as of December 31, 2017 has been prepared to present the assets and liabilities of the entities comprising our Group and of the Clinical Business, as if Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business had been operated by us at the beginning of the Track Record Period.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the Track Record Period include the results, changes in equity and cash flows of the entities comprising our Group and of the Clinical Business, as if Taizhou Pharmaceutical, Taizhou Biotech and Clinical Business had been operated by us since the beginning of the Track Record Period.

To the extent the assets, liabilities, income and expenses are specifically identified to the Clinical Business, these items are included in our historical financial information throughout the Track Record Period. To the extent the assets, liabilities, income and expenses are impracticable to identify specifically, these items are allocated to the Clinical Business (these items including certain administrative expenses). Items that do not meet the criteria above are not included in our historical financial information.

Expenses that are impracticable to identify specifically to the Clinical Business are determined on the following basis: (1) included in the administrative expenses are administrative and support department staff salaries and staff welfare which were allocated based on the percentage of average headcount of the Clinical Business to the total headcount of Biomabs; and (2) income tax expense was calculated based on the tax rate of Biomabs as if the Clinical Business is a separate tax reporting entity. Our Directors believe that the method of allocation of the above expense items presents a reasonable basis of estimating what the Clinical Business’s operating results would have been on a stand-alone basis for the Track Record Period. All other items of assets and liabilities, income and expenses of the Clinical Business are specifically identified.

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SIGNIFICANT ACCOUNTING POLICIES, CRITICAL ACCOUNTING JUDGMENTS, AND ESTIMATES

Our significant accounting policies, critical accounting judgements, and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 3 and 4 to “Appendix I—Accountants’ Report.” Critical accounting judgements and estimates are those that are most important to the portrayal of our financial condition and results of operations and require our management 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Our actual results may differ from these estimates. We believe the following significant accounting policies involve the most critical estimates and judgments used in the preparation of our financial statements.

Significant Accounting Policies

Basis of Consolidation

Our historical financial information incorporates the financial statements of the companies comprising our Group. Control is achieved when we:

- have power over the investee;
- are exposed, or have rights, to variable returns from our involvement with the investee; and
- have the ability to use our power to affect our returns.

We reassess whether or not we control 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 we obtain control over the subsidiary and ceases when we lose control of the subsidiary. When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with our accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of our Group are eliminated in full on consolidation.

Merger Accounting for Business Combination Involving Entities and Businesses Under Common Control

Our historical financial information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party’s perspective. No amount is recognized in respect of goodwill or excess of acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party’s interest.

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The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control combination, where this is a shorter period, regardless of the date of the common control combination.

Revenue Recognition

We recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration, to which we expect to be entitled, in exchange for those goods or services. Specifically, we use a 5-step approach to revenue recognition:

- Step 1: Identify contract(s) with a customer;
- Step 2: Identify the performance obligations underlying the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations underlying the contract; and
- Step 5: Recognize revenue when (or as) the entity satisfies such performance obligation.

We recognize revenue when (or as) a performance obligation is satisfied, that is, when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of an asset may be transferred over time or at a point in time. Control of an asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates and enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the asset is transferred over time, we recognize revenue over the period of the contract by reference to the progress towards completion of that performance obligation. Otherwise, we recognize revenue at a point in time when the customer obtains control of the asset.

Upfront payment received by us is initially recognized as contract liabilities. We recognize revenue from intellectual property transfers at a point in time upon delivery and acceptance of the intellectual property by the customer.

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A contract liability represents our obligation to transfer services to a customer for which we received consideration (or an amount of consideration is due) from the customer.

We incur costs to fulfill a contract from arrangement to transfer intellectual property. We first assesses whether these contract costs qualify for recognition as an asset in terms of other relevant IFRSs, failing which we recognize 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 we can specifically identify;
- (b) the costs generate or enhance our resources 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 recognized is subsequently amortized 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 also subject to impairment review.

Government Grants

We do not recognize government grants until there is reasonable assurance that we will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which we recognize as expenses the related costs for which the grants are intended to compensate. Some of the grants related to income have future related costs expected to be incurred, and require us to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss when related costs are subsequently incurred and we received government acknowledge of compliance.

Other government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to us with no future related costs are recognized in profit or loss in the period in which they become receivable.

Research and Development Expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

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We recognize an internally-generated intangible asset arising from development activities if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset 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 asset;
- how 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 recognized 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 recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, we report internally-generated intangible assets at cost less accumulated amortization and accumulated impairment losses (if any).

Plant and Equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of 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 plant and equipment is derecognized 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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Equity-settled Share-based Payment Transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

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The fair value of the equity-settled share-based payments is determined at the grant date without taking into consideration any non-market vesting conditions. Market vesting conditions are taken into consideration in estimating the grant date fair value of the equity-settled share-based payments, and the grant date fair value is not subsequently revised. The equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on our estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, we revise our estimate of the number of equity instruments expected to vest and the length of expected vesting period. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognized 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 recognized in share option reserve will be transferred to accumulated losses.

Inventories

Raw materials are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Critical Judgments in Applying Accounting Policies

Early Application of IFRS 9 and IFRS 15

IFRS 9 “Financial Instruments”

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 throughout 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 our financial position and performance as compared to the requirements of IAS 39, specifically because:

- (1) all our financial assets and financial liabilities would be measured on the same bases under IFRS 9 and IAS 39; and
- (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

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IFRS 15 “Revenue from contracts with customers”

IFRS 15 “Revenue from contracts with customers” replaces the previous revenue standards IAS 18 “Revenue” and IAS 11 “Construction Contracts” and related interpretations. The standard is effective for the first interim period within annual reporting periods beginning on or after January 1, 2018 and we have early applied IFRS 15 to our financial statements, which has been applied consistently throughout the Track Record Period.

We have assessed the effects of early adoption of IFRS15 on the financial statements and concluded that there is no significant impact on our financial position and financial performance as compared to the application of IAS18, except that under IFRS15, contract costs are recognized for the costs to fulfil a contract from arrangement to transfer intellectual property and contract liabilities are recognized for our obligations to intellectual property to a customer for which we have received consideration from the customer under IFRS15.

Research and Development Expenditure

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. Determining the amounts to be capitalized requires us to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Track Record Period, all expenses incurred for research and development activities were regarded as research expenses and therefore were expensed when incurred.

Key Sources of Estimation Uncertainty

Useful Lives of Plant and Equipment

We determine the estimated useful lives and the depreciation method in determining the related depreciation charges for our plant and equipment. To make this estimate, we refer to useful lives of plant and equipment of similar nature and functions in the industry. We 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 of December 31, 2017 and 2018, the carrying amounts of plant and equipment are approximately RMB113 million and RMB123 million, respectively.

INTELLECTUAL PROPERTY TRANSFER AGREEMENT

In December 2016, we entered into an agreement with a third party customer, which is a pharmaceutical company focusing on manufacturing animal vaccine, to transfer an intellectual property in relation to CMAB806, a product unrelated to our product candidates, at a consideration of RMB65.2 million (the “**Intellectual Property Transfer Agreement**”). Upon the transfer of the

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control of rights to the intellectual property to the customer, we will recognize revenue. We did not recognize revenue from this agreement during the Track Record Period since the control of rights of the intellectual property had not been transferred to the customer. In December 2017 and December 2018, we entered into two supplemental agreements with this customer, pursuant to which we expect that 100% of the RMB65.2 million consideration will be recognized as revenue within two years from December 31, 2018. For more information on the impact of the Intellectual Property Transfer Agreement on our historical financials, please refer to note 5 of “Appendix I—Accountant’s Report.” We disposed of CMAB806 because (i) we were not satisfied with the research and development progress of CMAB806; (ii) the Directors considered that CMAB806 did not form part of our Core Products; and (iii) the disposal of CMAB806 would allow us to focus on developing our Core Products and other product candidates and ensure that our management and internal resources are best allocated to serve the development of our business.

DESCRIPTION OF CERTAIN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB’000</i>	<i>RMB’000</i>
Other income	4,798	24,059
Other expenses	(307)	(12,507)
Other gains and losses	(2,337)	(2,427)
Research and development expenses	(21,632)	(88,983)
Administrative expenses	(24,900)	(42,128)
Finance cost	(3,328)	(4,481)
Listing expenses	—	(26,126)
Loss before tax	(47,706)	(152,593)
Income tax credit	—	2,834
Loss and total comprehensive expense for the year	(47,706)	(149,759)

Other Income

During the Track Record Period, other income consisted of: (i) government grants and subsidies related to income, including grants and subsidies we received for our research and development activities, rental subsidies and interest subsidies as compensation for our expenses or losses incurred; (ii) bank interest income arising from our bank deposits; and (iii) income from the Preparation Process services we provided primarily to MTJA, a related party, and a third party, which we have historically conducted as part of our production facilities’ trial operation. For the years ended December 31, 2017 and 2018, we had other income of RMB4.8 million and RMB24.1 million, respectively.

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The following table sets forth the components of other income by nature for the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	108	132
Government grants and subsidies related to income	4,057	9,694
Income from Preparation Process service		
- related parties	557	13,968
- third party	76	265
Total	<u>4,798</u>	<u>24,059</u>

Other Expenses

Our other expenses comprise costs related to the Preparation Process services that we provided primarily to MTJA, a related party, and a third party. For the years ended December 31, 2017 and 2018, we recorded other expenses of RMB0.3 million and RMB12.5 million, respectively.

Other Gains and Losses

Our other gains and losses reflect our net foreign exchange gains (losses) on our cash and deposits denominated in the U.S. dollar, Euro and Singapore dollars due to fluctuations in the exchange rates between Renminbi and the U.S. dollar, Euro or Singapore dollar. For the year ended December 31, 2017 and 2018, we recorded other losses of RMB2.3 million and RMB2.4 million, respectively.

Research and Development Expenses

Our research and development expenses primarily consist of third-party contracting costs for the services that hospitals and other R&D service providers provided for our clinical trials, costs associated with purchasing raw materials and consumables (such as chromatography resin, cell culture media, recombinant insulin and filtration membrane) for research and development of our drug candidates, employee salaries and related benefit costs for our research and development personnel, and depreciation of research and development related equipment. For the years ended December 31, 2017 and 2018, we recorded research and development expenses of RMB21.6 million and RMB89.0 million, respectively.

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The following table sets forth the components of our research and development expenses by nature for the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Contracting costs	5,298	32,897
Raw materials and consumables	2,539	32,959
Staff costs	9,383	14,805
Depreciation	926	2,907
Others	3,486	5,415
Total	21,632	88,983

Administrative Expenses

Our administrative expenses primarily comprise staff salary and benefit costs for our administrative personnel, rental, depreciation of plant and equipment, and general office expenses. For the years ended December 31, 2017 and 2018, we recorded administrative expenses of RMB24.9 million and RMB42.1 million, respectively.

The following table sets forth the components of our administrative expenses by nature for the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs	10,316	22,878
Rental	636	2,944
Depreciation	9,081	8,067
Others	4,867	8,239
Total	24,900	42,128

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Finance Cost

Our finance cost reflects our interest on related party loans. For the years ended December 31, 2017 and 2018, we recorded finance cost of RMB3.3 million and RMB4.5 million, respectively.

Listing Expenses

Our listing expenses are professional parties' expenses in relation to the Global Offering. For the year ended December 31, 2018, we had listing expenses of RMB26.1 million. We did not have any listing expenses in prior period during the Track Record Period.

Income Tax Credit

Our income tax credit in 2018 was from Clinical Business contributed by Biomabs. For the year ended December 31, 2018, we had income tax credit of RMB2.8 million. We did not have any income tax credit in 2017. See note 10 to "Appendix I—Accountants' Report." As of December 31, 2018, our unrecognized tax losses of RMB117.3 million would be carried forward and expire from 2021 through 2028.

Cayman Islands and British Virgin Islands

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, we are not subject to any income tax in the Cayman Islands or the British Virgin Islands.

People's Republic of China

Our subsidiaries incorporated in the PRC are subject to the standard enterprise income tax rate of 25% according to the EIT Law. Pursuant to the Circular on Improving the Policy on Extra Pre-tax Deduction of Research and Development Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) and the Circular on Raising the Proportion of Pre-tax Super Deduction of Research and Development Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》), our subsidiary, Taizhou Pharmaceutical, enjoyed the super deduction of 150% and 175% on qualifying research and development expenditures during the years ended December 31, 2017 and 2018, respectively. See "Regulatory Overview—Laws and Regulations of the PRC—Taxation—Income Tax" for more information. In addition, Taizhou Pharmaceutical was recognized as a high-tech enterprise in 2018 and therefore, we enjoyed a corporate income tax rate of 15%. See "Regulatory Overview" for more information.

RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Other Income

Our other income increased significantly from RMB4.8 million in 2017 to RMB24.1 million in 2018, primarily due to an RMB13.4 million increase in income from the Preparation Process services that we provided primarily to MTJA, a related party, as well as an RMB5.6 million increase in government grants and subsidies related to income, which were at the discretion of relevant government authorities.

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Other Expenses

Our other expenses increased significantly from approximately RMB0.3 million in 2017 to RMB12.5 million in 2018, primarily because we provided more Preparation Process services to a related party.

Other Gains and Losses

We had other losses of RMB2.3 million in 2017 and other losses of RMB2.4 million in 2018. These other losses were attributable to foreign exchange losses in connection with our cash and deposits denominated in the U.S. dollar, Euro and Singapore dollars, as a result of the depreciation of the U.S. dollar, Euro and Singapore dollar against RMB.

Research and Development Expenses

Our research and development expenses increased significantly from RMB21.6 million in 2017 to RMB89.0 million in 2018. This increase was primarily due to our higher contracting costs and raw materials and consumables, primarily because we commenced phase III clinical trials for our core product candidates in late 2017 and the patients enrolled for these trials (particularly for CMAB008 and CMAB009) increased significantly in 2018 and because of the progress of clinical trials for certain of our other products in 2018, all of which required significant R&D services and raw materials and consumables.

Administrative Expenses

Our administrative expenses increased by 69.2% from RMB24.9 million in 2017 to RMB42.1 million in 2018, primarily due to an increase in staff costs as a result of the increases in headcount and average remuneration and expenses related to our Pre-IPO Share Option Scheme that we adopted in August 2018.

Finance Cost

Our finance cost increased by 34.6% from RMB3.3 million in 2017 to RMB4.5 million in 2018, primarily related to the interest associated with our loans from Biomabs, a related party.

Loss Before Tax

For the reasons described above, our loss before tax increased significantly from RMB47.7 million in 2017 to RMB152.6 million in 2018.

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DESCRIPTION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories include raw materials and consumables for our product candidates. The following table sets forth the components of our inventory balance as of the dates indicated.

	As of December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	36,319	27,551

Our inventory balance decreased from RMB36.3 million as of December 31, 2017 to RMB27.6 million as of December 31, 2018, primarily because we used more raw materials and consumables for the phase III clinical trials of our core product candidates (particularly CMAB008 and CMAB009).

As of March 31, 2019, RMB1.8 million, or 6.4%, of our inventories as of December 31, 2018 had been subsequently consumed.

Prepayments and Other Receivables

Our prepayments and other receivables consist of prepayments for research and development services, which we paid to hospitals and other R&D service providers for the services that they provided for our clinical trials; other receivables, which mainly consist of rental subsidies; VAT recoverable in relation to the purchase of plant, equipment and raw materials; deferred issue costs related to the issue of new shares in anticipation of the Global Offering; and other deposits and prepayments. The following table sets forth the components of our prepayments and other receivables as of the dates indicated.

	As of December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	775	1,604
Prepayments for research and development services	10,409	12,924
VAT recoverable	2,891	—
Deferred issue costs	—	4,453
Other deposits and prepayments	1,113	1,845
Total	15,188	20,826

Pursuant to the agreements entered into between us and various R&D service providers, including hospitals and site management organizations, the related R&D service providers began providing R&D services for our phase III clinical trials in May 2017. Accordingly, we recorded R&D service prepayments of approximately RMB3.2 million and RMB19.7 million in our profit or loss for the years ended December 31, 2017 and 2018, respectively.

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Our prepayments and other receivables increased by 37.1% from RMB15.2 million as of December 31, 2017 to RMB20.8 million as of December 31, 2018, primarily due to RMB4.5 million in deferred issue costs that we incurred in the year ended December 31, 2018 in anticipation of the Global Offering, offset in part by the fact that we did not have any current VAT recoverable as of December 31, 2018 while we had RMB2.9 million in current VAT recoverable as of December 31, 2017.

Contract Costs

Our contract costs refer to our costs to fulfil contracts in relation to our transfer of an intellectual property to a third party in accordance with the Intellectual Property Transfer Agreement and our costs to fulfil contracts in relation to the Preparation Process services that we provided to a related party and a third party.

Our contract costs decreased by 25.0% from RMB17.3 million as of December 31, 2017 to RMB13.0 million as of December 31, 2018, primarily because as of December 31, 2018 we had completed the rendering of Preparation Process services to a related party.

Trade and Other Payables

Our trade and other payables mainly included trade payables for our purchases of raw materials and consumables and for the services that hospitals and other R&D service providers provided for our clinical trials, other payables for our purchase of property, plant and equipment, salary and bonus payables, other tax payables, and accrued listing expenses and issue costs in relation to the Global Offering. The following table sets forth the components of our trade and other payables as of the dates indicated:

	As of December 31,	
	2017	2018
	RMB'000	RMB'000
Trade payables	1,092	11,677
Other Payables	7,356	5,669
Salary and bonus payables	4,448	9,046
Other taxes payable	718	1,755
Accrued listing expenses and issue costs	—	10,115
Total	<u>13,614</u>	<u>38,262</u>

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The payment terms we have with our suppliers mainly extend us 30 to 60 days of credit from the time we receive the goods and/or services from the suppliers. The following table sets forth the ageing analysis of our trade and bills payables as of the dates indicated:

	As of December 31,	
	2017	2018
	RMB'000	RMB'000
Within 60 days	625	10,939
Over 60 days but within 1 year	422	668
Over 1 year	45	70
Total	<u>1,092</u>	<u>11,677</u>

Our trade and other payables increased significantly from RMB13.6 million as of December 31, 2017 to RMB38.3 million as of December 31, 2018, mainly as a result of (i) an RMB10.6 million increase in trade payables, primarily in relation to the services that hospitals and other R&D service providers provided for the clinical trials of our Core Products (particularly CMAB008 and CMAB009), and (ii) RMB10.1 million in accrued listing expenses and issue costs that we incurred in the year ended December 31, 2018 in relation to the Global Offering.

As of March 31, 2019, RMB2.1 million, or 17.6%, of our trade payables as of December 31, 2018 had been subsequently settled.

Contract Liabilities

Our contract liabilities represent the amounts we received in advance for our intellectual property transfer to a third party pursuant to an Intellectual Property Transfer Agreement. See “Business—Intellectual Property” for more information on this agreement. We recorded contract liabilities of RMB42.4 million and RMB58.7 million as of each of the dates of December 31, 2017 and December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash are to fund our research and development (including clinical trials), purchase of property, plant and equipment, purchase of raw materials and consumables, and other recurring expenses. During the Track Record Period and as of the Latest Practicable Date, we had funded our working capital requirements primarily through capital contribution from our shareholders and loans from our related parties. We monitor our cash position on a regular basis and strive to maintain an optimal liquidity that can meet our working capital needs.

We believe our liquidity requirements will be satisfied mainly by using funds from a combination of our bank balances and cash, pledged bank deposits, capital contribution from our shareholders, borrowings, as well as net proceeds from the Global Offering. We had an aggregate of bank balances and cash and pledged bank deposits of RMB153.1 million as of March 31, 2019. As of the Latest

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Practicable Date, we had unutilized credit facility of RMB9.3 million from a commercial bank, which was secured by our 100,746-square-meter land in Taizhou Hi-tech Zone. As of the same date, we did not have any plans for material external debt financing, except that we may borrow bank loans from time to time. Taking into account our available financial resources including bank balances and cash, loans from related parties, non-trade amount due to a related party, internally generated funds, available facilities and net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below HK\$1.50, being the low end of the Offer Price range), our Directors believe that we have sufficient working capital to cover at least 125% of our costs, including general and administrative and operating costs, as well as research and development costs, for at least 12 months from the date of publication of this prospectus. Based on the written confirmation from us in respect of working capital sufficiency, the review of the accountants' report and discussion with our Directors, taking into account the working capital statement and memorandum on working capital forecast as well as our bank balances and cash, pledged bank deposits, capital contribution from our shareholders, borrowings, and net proceeds from the Global Offering, the Sole Sponsor concurs with our Directors' view.

Net Current Assets/Liabilities

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

	As of December 31,		As of
	2017	2018	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current assets			
Prepayments and other receivables	15,188	20,826	24,691
Amounts due from related parties	9,671	668	—
Inventories	36,319	27,551	27,670
Contract costs	17,314	12,991	12,991
Pledged bank deposits	—	522	503
Bank balances and cash	<u>76,443</u>	<u>198,195</u>	<u>152,551</u>
Total Current assets	<u>154,935</u>	<u>260,753</u>	<u>218,406</u>
Current liabilities			
Trade and other payables	13,614	38,262	42,905
Amounts due to related parties	4,872	19,526	20,686
Lease liabilities	—	—	7,572
Contract liabilities	42,367	58,662	58,662
Loans from a related party	<u>10,000</u>	<u>40,000</u>	<u>40,000</u>
Total Current liabilities	<u>70,853</u>	<u>156,450</u>	<u>169,825</u>
Net Current Assets	<u><u>84,082</u></u>	<u><u>104,303</u></u>	<u><u>48,581</u></u>

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Our net current assets increased by 24.0% from RMB84.1 million as of December 31, 2017 to RMB104.3 million as of December 31, 2018. This increase was primarily due to an RMB121.8 million increase in bank balances and cash, primarily from capital injection from our shareholders. This factor was offset in part by an RMB30.0 million increase in loans from a related party and an RMB24.6 million increase in trade and other payables, resulting from increases in trade payables and accrued listing expenses and issue costs.

Our net current assets decreased by 53.4% from RMB104.3 million as of December 31, 2018 to RMB48.6 million as of March 31, 2019 (the “**Indebtedness Date**”). This decrease was primarily due to an RMB45.6 million decrease in bank balances and cash, which we primarily used to undergo clinical trials of our Core Products and certain other drug candidates.

Cash Operating Costs

The following table sets forth a breakdown of our cash operating costs during the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Research and Development Costs of Our Core Products:</i>		
Contracting costs	26,742	9,018
Raw materials and consumables	35,463	23,798
Staff costs	8,490	9,976
Depreciation & amortization	—	—
Others	3,486	4,817
<i>Total:</i>		
Research and development	74,181	47,609
Workforce employment ⁽¹⁾	19,666	27,238
Direct production ⁽²⁾	—	—
Commercialization ⁽²⁾	—	—
Contingency allowance	—	—

Notes:

(1) Workforce employment costs represent total staff costs.

(2) We had not commenced product sales as of the Latest Practicable Dates.

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Cash Flows

The following table sets forth a summary of our consolidated statements of cash flows for the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Operating cash flows before movements in working capital	(32,069)	(127,817)
Net cash used in operating activities	(65,122)	(61,874)
Net cash used in investing activities	(13,597)	(82,706)
Net cash from financing activities	16,897	256,819
Net (decrease) increase in cash and cash equivalents	(61,822)	112,239
Cash injected for the Clinical Business by Biomabs	30,929	11,940
Cash and cash equivalents at beginning of the year	109,673	76,443
Effects of exchange rate changes on the balances of cash held in foreign currencies	(2,337)	(2,427)
Cash and cash equivalents at end of the year, represented by bank balances and cash	76,443	198,195

Operating Activities

For the year ended December 31, 2018, we had net cash used in operating activities of RMB61.9 million, primarily as a result of operating loss before movements in working capital of RMB127.8 million, offset in part by the effect of the positive changes in working capital of RMB65.9 million. Our operating loss before movements in working capital was primarily attributable to our loss before tax of RMB152.6 million, adjusted to add back RMB11.7 million in depreciation of plant and equipment. The positive changes in working capital mainly consisted of: (i) an RMB26.7 million increase in trade and other payables, which resulted primarily from an increase in the services that hospitals and other R&D service providers provided for our clinical trials and from the accrued listing expenses and issue costs we incurred, (ii) an RMB16.3 million increase in contract liabilities in relation to our transfer of intellectual property rights to a third party, and (iii) an RMB12.5 million increase in amounts due to related parties.

For the year ended December 31, 2017, we had net cash used in operating activities of RMB65.1 million, primarily as a result of operating loss before movements in working capital of RMB32.0 million and the effect of the negative changes in working capital of RMB33.1 million. Our operating loss before movements in working capital was primarily attributable to our loss before tax of RMB47.7 million, adjusted to add back RMB10.1 million in depreciation of plant and equipment. The

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negative changes in working capital mainly consisted of: (i) an RMB33.4 million increase in inventories as we purchased more raw materials for our clinical trials, (ii) an RMB14.8 million increase in contract costs in relation to our transfer of intellectual property rights to a third party and the Preparation Process services that we provided to a related party, (iii) an RMB11.6 million increase in prepayments to hospitals and R&D service providers for clinical trial services they provided to us, and (iv) an RMB11.3 million decrease in amounts due to related parties related to our repayment for raw material and consumable purchases from them. These factors were partially offset by an RMB42.4 million increase in contract liability in relation to our transfer of intellectual property rights to a third party.

Investing Activities

For the year ended December 31, 2018, our net cash used in investing activities was RMB82.7 million, primarily attributable to an RMB38.1 million payment for our acquisition of land use rights in Taizhou and the related deposit of RMB3.0 million for construction and operation of production facilities on this land, and an RMB49.8 million purchase of plant and equipment for our production facilities in Taizhou.

For the year ended December 31, 2017, our net cash used in investing activities was RMB13.6 million, primarily attributable to an RMB13.1 million purchase of plant and equipment for our production facilities in Taizhou.

Financing Activities

For the year ended December 31, 2018, our net cash from financing activities was RMB256.8 million, primarily attributable to RMB410.5 million in proceeds from our issuance of ordinary shares to our existing shareholders, offset in part by RMB195.0 million in payment for our acquisition of equity interests in Taizhou Pharmaceutical and Taizhou Biotech.

For the year ended December 31, 2017, our net cash from financing activities was RMB16.9 million, primarily attributable to an RMB10.0 million loan from a related party and an RMB10.0 million contribution from a related party, partially offset by an RMB2.8 million interest paid on loans from a related party.

INDEBTEDNESS

As of the Indebtedness Date, we had total borrowings (comprising loans from related parties) of RMB105.0 million, amount due to a related party of RMB15.7 million, and lease liabilities of RMB42.8 million. As of the same date, none of our existing indebtedness included any material covenants or covenants that could potentially limit our ability to incur new indebtedness. Our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of our borrowings and lease liability.

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The following table sets forth a breakdown of our outstanding borrowings, non-trade amount due to a related party, and lease liabilities as of the dates indicated:

	As of December 31,		As of March 31,
	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Unsecured and unguaranteed loans from Biomabs	10,000	40,000	40,000*
Unsecured and unguaranteed loan from Ms. Guo Xiaoxin	65,000	65,000	65,000*
Unsecured and unguaranteed amount due to Biomabs	—	13,051	15,709
Lease liabilities	—	—	42,785

* As of the Latest Practicable Date, we had repaid RMB40.0 million and RMB49.6 million to Biomabs and Ms. Guo Xiaoxin, respectively, with the proceeds from our drawdowns in April 2019 and May 2019 of an aggregate amount of RMB 89.6 million under an RMB100.0 million bank facility, which we entered into in January 2019. We had repaid the outstanding balance of the loans from Ms. Guo Xiaoxin as of the date of this prospectus with our own cash.

Our loans from Biomabs were unsecured, unguaranteed and repayable on demand, which bears an interest at the benchmark interest rate published by the People's Bank of China. Our loan from Ms. Guo was an unsecured and unguaranteed five-year syndicated term loan facility dated October 27, 2016, which bears an interest at the benchmark interest rate published by the People's Bank of China. We have used these loans to fund our business operations. Our amount due to Biomabs was unsecured, unguaranteed and repayable on demand. See “—Related Party Transactions” for more information.

Upon application of IFRS 16 since January 1, 2019, we recognized right-of-use assets and corresponding lease liabilities in respect of all leases, except for short-term leases and leases of low value assets. As at March 31, 2019, we, as a lessee, had outstanding lease liabilities for the remaining terms of relevant lease agreements (excluding our contingent rental agreements) in an aggregate amount of RMB42.8 million. The lease liabilities represent payment for right of using underlying assets, of which RMB8.2 million is secured with the rental deposits and unguaranteed, and the remaining is unsecured and unguaranteed.

On December 17, 2015, Taizhou Pharmaceutical entered into an agreement with Biomabs, pursuant to which, Taizhou Pharmaceutical acquired the domestic interests in CMAB009 and is only obligated to make RMB95.0 million payments upon the achievement of new drug approval by the NMPA on CMAB009. Such obligation of Taizhou Pharmaceutical was subsequently waived by Biomabs on August 10, 2018.

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As of the Indebtedness Date, other than as disclosed in this prospectus, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are guaranteed, unguaranteed, secured or unsecured, any guarantees or other material contingent liabilities. Our Directors confirm that there has been no material adverse change in our indebtedness and contingent liabilities since the Indebtedness Date.

CAPITAL EXPENDITURES

Our capital expenditures consisted of expenditures for purchase of plant and equipment, payment for acquisition of a land use right for our production facilities in Taizhou and the relevant deposit. The following table sets forth the payment for our capital expenditures for the periods indicated.

	For the year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of plant and equipment	13,129	49,787
Payment for acquisition of a land use right	—	38,110
Deposit paid for construction and operation	—	3,000
Total	<u>13,129</u>	<u>90,897</u>

In 2019, our estimated aggregate capital expenditures for our currently contemplated expansion plan are expected to amount to RMB178.3 million and primarily consist of property construction and purchase of equipment for the construction and expansion of our production facilities in Taizhou. See “Business—Manufacturing” and “Future Plans and Use of Proceeds—Use of Proceeds” for more information. We intend to fund our capital expenditures with our bank balances and cash, pledged bank deposits, capital contribution from our shareholders, borrowings and net proceeds from the Global Offering.

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CONTRACTUAL COMMITMENTS

Operating Lease Commitments

We lease certain office premises under non-cancellable operating lease arrangements. Leases for office premises are negotiated from terms ranging mainly from 1 to 20 years and the majority of these lease agreements are renewable at the end of the lease period at market rate. The following table sets forth our commitments for future minimum lease payments under the non-cancellable operating leases falling due as of the dates indicated.

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,196	9,505
In the second to fifth years, inclusive	8,785	23,125
After the fifth year	<u>27,087</u>	<u>35,081</u>
Total	<u><u>38,068</u></u>	<u><u>67,711</u></u>

Capital Commitments

In addition to the operating lease commitments above, we had the following capital commitments for equipment purchase and building construction under contracts as of the dates indicated.

	<u>As of December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted, but not provided for	<u>13,483</u>	<u>239,017</u>

We intend to fund our capital commitments with our bank balances and cash, pledged bank deposits, capital contribution from our shareholders, borrowings and net proceeds from the Global Offering.

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RELATED PARTY TRANSACTIONS

We had the following balances with related parties as of the dates indicated.

	As of December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due from related parties		
Trade receivables:		
- MTJA ⁽¹⁾	484	—
Non-trade receivables:		
- Ms. Guo Xiaoxin ⁽²⁾	564	626
- MTJA	8,623	42
	9,187	668
Total	9,671	668
Rental deposit to a related party		
- Biomabs ⁽¹⁾	—	411
Amounts due to related parties		
Trade payables:		
- MTJA	3,807	2,938
- Biomabs	2	1,123
	3,809	4,061
Non-trade payables:		
- Biomabs	—	13,051
Interest payables:		
- Ms. Guo Xiaoxin	875	875
- Biomabs	188	1,539
	1,063	2,414
Total	4,872	19,526
Short-term loans from a related party		
- Biomabs	10,000	40,000
Long-term loan from a related party		
- Ms. Guo Xiaoxin	65,000	65,000

Notes:

(1) Controlled by Mr. Guo Jianjun.

(2) Appointed as a director of Taizhou Pharmaceutical in March 2016 and appointed as a director of Taizhou Biotech in November 2016, respectively.

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Our trade receivables from a related party were primarily related to our Preparation Process services provided to MTJA. Our non-trade receivables from related parties were our payment on behalf of our related parties. Our trade payables to related parties were primarily related to our purchases of raw materials and research and development services from them. Our non-trade payables to Biomabs were Biomabs' payment on behalf of us. Our interest payables to related parties were related to the short-term and long-term loans we obtained from them. See “—Description of Certain Consolidated Statements of Profit or Loss—Finance Cost” and “—Indebtedness” for more information.

Our amounts due from related parties decreased significantly from RMB9.7 million as of December 31, 2017 to RMB0.7 million as of December 31, 2018, primarily due to our collection of non-trade receivables from related parties.

Our amounts due to related parties increased significantly from RMB4.9 million as of December 31, 2017 to RMB19.5 million as of December 31, 2018, primarily due to our incurrence of RMB13.1 million in non-trade payables to Biomabs in connection with operating the Clinical Business and listing expenses, both of which Biomabs had paid on behalf of us.

It is the view of our Directors that each of the related party transactions set out in Note 31 to “Appendix I—Accountants’ Report” (i) were conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) did not distort our Track Record Period results or make our historical results not reflective of our future performance.

We have settled all of the balances of our non-trade receivables. We plan to settle all of the balances of our non-trade payables, interest payables, and loans from related parties before the Listing using our own funds and bank financing.

KEY FINANCIAL RATIOS

The following table set forth our key financial ratios as of the dates indicated.

	As of December 31,	
	2017	2018
Current ratio ⁽¹⁾	2.2	1.7
Quick ratio ⁽²⁾	1.7	1.5
Gearing ratio ⁽³⁾	48.9%	42.1%

Notes:

- (1) Current ratio represents current assets divided by current liabilities as of the same date.
- (2) Quick ratio represents current assets less inventories and divided by current liabilities as of the same date.
- (3) Gearing ratio represents loans from related parties divided by total equity as of the same date, multiplied by 100%.

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Our current ratio decreased from 2.2 as of December 31, 2017 to 1.7 as of December 31, 2018 mainly due to an increase in amounts due to related parties and an increase in trade and other payables, primarily in relation to our research and development activities.

Our quick ratio remained relatively stable at 1.7 as of December 31, 2017 and 1.5 as of December 31, 2018.

Our gearing ratio decreased from 48.9% as of December 31, 2017 to 42.1% as of December 31, 2018, primarily due to an increase in our total equity as a result of capital contribution from our shareholders in the year ended December 31, 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of market and other financial risks, including currency, interest rate risk, credit risk and liquidity risk. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. See Note 26 to “Appendix I—Accountants’ Report” for more information. The discussion below provides a summary of our market and other financial risks.

Market Risk

Currency Risk

Certain bank balances and cash are denominated in foreign currencies, which are exposed to foreign currency risk. 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 when needed.

The following tables sets forth the carrying amounts of our foreign currency denominated monetary assets as of the dates indicated.

	As of December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
US\$	62,011	173,102
Euro	—	522
SGD\$	—	9

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If the RMB had strengthened or weakened against the U.S. dollar by 5%, all other variables held constant, our loss for the year would have increased or decreased by RMB3.1 million and RMB8.7 million for the years ended December 31, 2017 and 2018, respectively. In the opinion of our Directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year. Euro and Singapore dollar are excluded from sensitivity analysis as our Directors consider that the exposure of the currency risk arising from Euro and Singapore dollar is insignificant.

Interest Rate Risk

We are also exposed to fair value interest rate risk in relation to our pledged bank deposits and cash flow interest rate risk in relation to our variable-rate loans from related parties and bank balances. We currently have not entered into any hedging instrument for cash flow interest rate risk.

If the interest rate had been 50 basis points higher/lower for variable-rate loans from related parties, with all other variables held constant, our loss for the year would have increased/decreased by RMB0.4 million and RMB0.5 million for the years ended December 31, 2017 and 2018, respectively. Bank balances and pledged bank deposits are excluded from sensitivity analysis as our Directors consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant, because the current market interest rates are relatively low and stable.

Credit Risk

Our credit risk is primarily attributable to pledged bank deposits, bank balances and amounts due from related parties. However, the expected credit loss rate on pledged bank deposits, bank balances and amounts due from related parties is insignificant because the counterparties are mainly related parties, our subsidiary and banks with good reputation.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. All our amounts due to related parties, trade and other payables and loans from a related party at variable interest rate as of December 31, 2017 and 2018 were due within five years.

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DIVIDENDS

We have never declared or paid any dividend on our ordinary shares or any other securities. We have not generated any revenue or profit. We currently intend to retain all available funds and earnings, if any, to fund the growth of our business. We do not have any dividend policy or intention to declare or pay any dividends in the near future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and may be based on a number of factors, including our financial condition, future earnings, capital requirements and surplus, contractual and legal restrictions, our ability to receive dividend payments from our subsidiaries, and other factors that our Directors deem relevant. In view of our accumulated loss as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future.

DISTRIBUTABLE RESERVES

As of December 31, 2018, our Group had no retained profits under IFRSs as reserves available for distribution to our equity shareholders.

LISTING EXPENSES

We incurred RMB30.6 million of listing expenses and issue costs during the Track Record Period, of which RMB26.1 million was recognized as expenses and RMB4.5 million was deferred. We expect to incur approximately RMB62.3 million of listing expenses (including underwriting commissions) after the Track Record Period, of which approximately RMB40.3 million will be capitalized and RMB22.0 million will be recognized as expenses. The listing expenses above are the latest practicable estimate for your reference only, and the actual amount may differ from this estimate.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this prospectus, other than the subsequent events as described in Note 36 to the Accountants' Report set out in Appendix I to this prospectus, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2018, and there is no event since December 31, 2018 which would materially affect the audited financial information shown in the Accountants' Report set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on our consolidated net tangible assets at December 31, 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our

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Group attributable to owners of our Company at December 31, 2018 following the Global Offering or at any subsequent dates. It is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company at December 31, 2018 as derived from the Accountants' Report set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to owners of our Company at December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company at December 31, 2018	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share at December 31, 2018	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$1.35 per Offer Share after a Downward Offer Price Adjustment of 10%	249,572	852,300	1,101,872	0.27	0.31
Based on an Offer Price of HK\$1.50 per Offer Share	249,572	950,448	1,200,020	0.29	0.34
Based on an Offer Price of HK\$1.95 per Offer Share	249,572	1,244,894	1,494,466	0.36	0.42

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to owners of our Company at December 31, 2018 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 783,580,000 Offer Shares at the indicative Offer Price of HK\$1.50 (equivalent to RMB1.30), HK\$1.95 (equivalent to RMB1.69) per Offer Share, and also based on an Offer Price of HK\$1.35 (equivalent to RMB1.17) after making a Downward Offer Price Adjustment of 10%, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding listing expenses charged to profit or loss prior to December 31, 2018), and without taking into account any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under the Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of our Company. For the purposes of the estimated net proceeds from the Global Offering, the amounts denominated in Hong Kong dollars have been converted into RMB at the rate of HK\$1 to RMB0.8654, which was the exchange rate prevailing on May 10, 2019 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.

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- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at on the basis that 4,124,080,000 Shares were in issue assuming that the Capitalization Issue and the Global Offering had been completed on December 31, 2018 and without taking into account any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in RMB are converted into Hong Kong dollars at the rate of RMB0.8654 to HK\$1, which was the exchange rate prevailing on May 10, 2019 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 dollar, 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 at December 31, 2018 to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2018.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board is responsible and has general powers for the management and conduct of our business. The following table sets forth information regarding our Directors:

Name	Age	Position/Title	Roles and Responsibility	Date of Appointment	Time of Joining our Group
Dr. Qian Weizhu (錢衛珠)	43	Executive Director and Chief Executive Officer	Overseeing operation and management of our Group	July 20, 2018	February 2015
Dr. Wang Hao (王皓)	50	Executive Director and Chief Scientist	Overseeing R&D activities and construction of R&D facilities of our Group	July 20, 2018	January 2017 ⁽²⁾
Mr. Li Yunfeng (李雲峰)	42	Executive Director and Chief Financial Officer	Overseeing the management of finance, investment and legal work of our Group	July 20, 2018	March 2016
Dr. Li Jing (李晶)	52	Executive Director and Vice President	Supervising clinical trials and registration affairs of our Group	July 20, 2018	February 2015
Mr. Guo Jianjun (郭建軍)	67	Non-executive Director	Participating in decision-making of important matters of our Group	June 1, 2018	February 2015
Mr. Jiao Shuge (焦樹閣)	53	Chairman and non-executive Director	Participating in formulating business and corporate strategies of our Group	July 20, 2018	February 2015
Mr. Guo Liangzhong (郭良忠)	54	Independent non-executive Director	Supervising and providing independent judgment to our Board	August 10, 2018 ⁽¹⁾	August 10, 2018
Dr. Zhang Yanyun (張雁雲)	63	Independent non-executive Director	Supervising and providing independent judgment to our Board	August 10, 2018 ⁽¹⁾	August 10, 2018
Dr. Liu Linqing (劉林青)	44	Independent non-executive Director	Supervising and providing independent judgment to our Board	August 10, 2018 ⁽¹⁾	August 10, 2018

Notes:

(1) Appointment effective upon the Listing Date.

(2) Before Dr. Wang Hao was appointed as the Chief Scientist of the Group in July 2018, Dr. Qian Weizhu, Dr. Li Jing and Mr. Tao Jing were jointly responsible for overseeing the Company's scientific and clinical, regulatory and commercial suitability and sustainability.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Qian Weizhu (錢衛珠), aged 43, is the chief executive officer of our Company and was appointed as an executive Director on July 20, 2018. Dr. Qian is primarily responsible for overseeing operation and management of our Group. Dr. Qian joined our Group and served as a deputy general manager of Taizhou Pharmaceutical since February 2015 and was promoted as a general manager since January 2016. Dr. Qian also served as a manager of Taizhou Biotech since October 2016.

Dr. Qian has more than 24 years of experience in the oncology and biology. Prior to joining our Group, Dr. Qian worked at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所) from 1994 to 2013, primarily responsible for Biotechnology research and development. Dr. Qian consecutively served as a deputy general manager and general manager of Zhangjiang Biotech from January 2014 to July 2017. Dr. Qian also worked as a general manager in Biomabs from October 2015 to August 2018 and MTJA from February 2016 to August 2018. Dr. Qian has been a legal representative (法定代表人) of Shanghai Guojian Biotechnology Research Institute (上海國健生物技術研究院) since February 2015.

Dr. Qian obtained a Ph.D. in oncology from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)) in June 2011 following a master degree in biochemistry and molecular biology in June 2003.

Dr. Wang Hao (王皓), aged 50, is the chief scientist of our Company and was appointed as an executive Director on July 20, 2018, and is primarily responsible for overseeing R&D activities and construction of R&D facilities of our Group. Dr. Wang joined our Group and served as a deputy general manager of Taizhou Biotech and Taizhou Pharmaceutical since January 2017 and resigned on March 2017. Dr. Wang was appointed as general manager of Taizhou Biotech in August 2018.

Dr. Wang has over 20 years of experience in the medical and pharmaceutical technology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From 1998 to 2016, Dr. Wang consecutively served as an assistant researcher, associate researcher and researcher at the Cancer Institute of the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學腫瘤研究所). Dr. Wang also served as a member of the Second Immuno-Oncology Committee of Shanghai Immunology Association (上海市免疫學會第二屆腫瘤免疫專業委員會) since June 2015. He also worked as a deputy general manager of Zhangjiang Biotech from March 2017 to May 2018. Dr. Wang was also a manager of Jiangsu Maitai Shouchuang Biotechnology Co., Ltd. (江蘇邁太首創生物技術有限公司) from September 2017 to June 2018.

Dr. Wang obtained a bachelor degree in medicine in July 1991 and a master degree in medicine in July 1994 from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)). Following which, he received a Ph.D. in medicine in June 1997 from the same institution.

Dr. Wang was awarded twice with the National Award for Science and Technology Progress (國家技術發明獎) in December 2011 and December 2007, respectively, the Shanghai Oriental Scholar Professorship in June 2008 (上海高校特聘教授(東方學者)), and the Shanghai Award for Science and Technology Progress (上海市科學技術進步獎) in December 2003.

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Mr. Li Yunfeng (李雲峰), aged 42, is the chief financial officer of our Company and was appointed as an executive Director on July 20, 2018. He is primarily responsible for overseeing the management of finance, investment and legal work of our Group. Mr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech respectively since March 2016.

Mr. Li has over 16 years of experience in the biotechnology industry, which in the Directors' view, enables him to competently carry out responsibilities in our Group. From January 2002 to June 2009, and from July 2010 to November 2012, Mr. Li was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)) as a deputy general manager. Mr. Li worked as a deputy general manager at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from July 2009 to June 2010 and a general manager of Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from December 2012 to March 2016. Mr. Li served as a deputy general manager of Zhangjiang Biotech from March 2016 to July 2017. He also worked as a deputy general manager of Biomabs and MTJA respectively from March 2016 to August 2018.

Mr. Li obtained a bachelor degree in international economics from Nanjing Normal University (南京師範大學) in July 1998.

Mr. Li was a legal representative of the following dissolved company, which was incorporated in PRC, prior to its dissolution:

<u>Name of company</u>	<u>Place of Incorporation</u>	<u>Nature of business</u>	<u>Means of dissolution</u>	<u>Date of dissolution</u>	<u>Reasons of dissolution</u>
Jiangsu Guojian Biotechnology Co., Ltd (江蘇國健生物技術有限公司)	PRC	Pharmaceutical manufacturing industry	Deregistration	September 29, 2011	Cessation of business

Mr. Li confirmed that the above company was solvent at the time when it was dissolved by way of deregistration. Mr. Li confirmed that there was no wrongful act on his part leading to the dissolution of Jiangsu Guojian Biotechnology Co., Ltd, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Dr. Li Jing (李晶), aged 52, is a vice president of our Company and was appointed as an executive Director on July 20, 2018. Dr. Li is primarily responsible for supervising clinical trials, and registration affairs of our Group. Dr. Li joined our Group and served as a deputy general manager of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016 respectively.

Dr. Li has more than 16 years of experience in the biotechnology industry. Prior to joining our Company, Dr. Li was a medical director at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)) from March 2002 to August 2004. Dr. Li was a deputy general manager at Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)) from September 2004 to February 2006. From March 2006 to June 2009, Dr. Li was employed by

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Zhangjiang Biotech as a researcher. From May 2009 to July 2012, Dr. Li was a medical director at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司). From August 2012 to July 2017, Dr. Li served as a deputy general manager at Zhangjiang Biotech. Dr. Li also worked as a deputy general manager of MTJA and Biomabs from August 2012 and November 2015, respectively, and resigned in August 2018.

Dr. Li was accredited as a senior pharmaceutical engineer by Guangdong Medical and Pharmaceutical Advanced Professional Qualification Advisory Committee (廣東省醫藥專業技術高級專業技術資格評審委員會) in February 2001. In May 2007, Dr. Li was appointed by Shanghai Municipal Science and Technology Commission (上海市科學技術委員會) as a technology foresights expert in key areas of science and technology development for the year of 2007 to 2008. Dr. Li received Shanghai Municipality's Excellent Discipline Leaders Program (Category B) Scholarship (上海市優秀學科帶頭人計劃(B類)資助) in November 2007. She was also appointed as a member of the Committee of Quality Expert of China Protein Drug Quality Alliance (中國蛋白藥物質量聯盟質量專家委員會) in March 2016, serving from March 2016 to March 2019. In August 2017, Dr. Li was appointed as a member of Chinese Pharmacopoeia Commission (中華人民共和國藥典委員會).

Dr. Li received a bachelor degree in microbiology from Fudan University (復旦大學) in July 1989, and a Ph.D. in oncology from the Second Military Medical University (第二軍醫大學) (currently known as the People's Liberation Army Navy Medical University (中國人民解放軍海軍軍醫大學)) in June 2009.

Dr. Li was a supervisor of the following dissolved company, which was incorporated in PRC, prior to its dissolution:

Name of company	Place of Incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Shanghai Jitu Biotech Co., Ltd (上海基途生物科技有限公司)	PRC	biotechnology industry	Deregistration	August 2, 2018	Cessation of business

Dr. Li confirmed that the above company was solvent at the time when it was dissolved by way of deregistration. Dr. Li confirmed that there was no wrongful act on her part leading to the dissolution of Shanghai Jitu Biotech Co., Ltd and she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution.

NON EXECUTIVE DIRECTORS

Mr. Guo Jianjun (郭建軍), aged 67, was appointed as a non-executive Director on June 1, 2018, and is mainly responsible for participating in decision-making of important matters of our Group. Prior to joining our Group, Mr. Guo consecutively worked as an organizational officer, office manager and technical manager of labour and human resources department in Luoyang Mining Machinery Factory (洛陽礦山機器廠) (currently known as Citic Heavy Industries Co., Ltd. (中信重工機械股份有限公司) (stock code: 601608), a listed company in Shanghai Stock Exchange) from July 1982 to December 2000. Mr. Guo was an engineer and procurement manager of China Overseas Property (Guangzhou) Co. Ltd (中海物業管理廣州有限公司) from January 2001 to May 2011.

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Mr. Guo received education in Mining Machinery at Luoyang Mining Machinery Factory Workers College (洛陽礦山機器廠職工大學) and obtained a tertiary degree in mining machine in June 1982.

Mr. Jiao Shuge (焦樹閣), aged 53, was appointed as the chairman and a non-executive Director of our Company on July 20, 2018, and is responsible for participating in formulating business and corporate strategies of our Group. Mr. Jiao joined our Group and served as a director of Taizhou Pharmaceutical and Taizhou Biotech since February 2015 and November 2016, respectively.

Mr. Jiao is currently a director and CEO of CDH China Management Company Limited. Mr. Jiao also serves as an independent non-executive director of China Mengniu Dairy Company Limited (stock code: 2319), a non-executive director of WH Group Limited (stock code: 0288) and an independent non-executive director of China Southern Airlines Company Limited (stock code: 1055), all of which are listed on the Hong Kong Stock Exchange, a director of Joyoung Company Limited (九陽股份有限公司) (stock code: 002242), Henan Shuanghui Investment & Development Co., Ltd. (河南雙匯投資發展股份有限公司) (stock code: 000895) and Hainan Poly Pharm Co. Ltd. (海南普利制藥股份有限公司) (stock code: 300630), all of which are listed on the Shenzhen Stock Exchange.

Mr. Jiao received a master degree in engineering from the No. 2 Research Institute of Ministry of Aeronautics and Astronautics (航空航天工業部第二研究院) in October 1989.

Mr. Jiao was a director of the following dissolved companies prior to their respective dissolution:

Name of company	Place of Incorporation	Nature of business	Means of dissolution	Date of dissolution	Reasons of dissolution
Dinghui Solar Energy (Hong Kong) Limited	Hong Kong	Investment holding	Deregistration	November 11, 2016	Cessation of business
Beijing Yuanbo Hengrui Investment Advisory Co., Ltd (北京元博恒瑞投資顧問有限公司)	PRC	Investment advisory	Deregistration	January 10, 2018	Cessation of business
Beijing Jingcheng Century Venture Capital Management Co., Ltd (北京景澄世紀創業投資管理有限公司)	PRC	Venture Capital Management	Deregistration	August 14, 2017	Cessation of business
Tianjin Shenghe Investment Advisory Co., Ltd (天津盛合投資諮詢有限公司)	PRC	Investment advisory	Deregistration	December 5, 2014	Cessation of business
Yangpu Weihua Investment Co., Ltd (洋浦偉華投資有限公司)	PRC	Investment	Deregistration	March 18, 2014	Cessation of business

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Mr. Jiao confirmed that the above companies were solvent at the time when they were dissolved by way of deregistration. Mr. Jiao confirmed that there was no wrongful act on his part leading to the dissolution of above companies, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Guo Liangzhong (郭良忠), aged 54, is an independent non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. Mr. Guo worked as an officer in the accusation department at the Supreme People's Procuratorate of the People's Republic (中華人民共和國最高人民檢察院控申廳) from March 1991 to July 1993. Mr. Guo was a lawyer at Guangxi Far East Commercial Law firm (廣西遠東商務律師事務所) (currently known as Dentons (Nanning) (北京大成(南寧)律師事務所) from July 1993 to December 1994, and has been a partner at Beijing Huamao Guigu Law Firm (北京華貿矽谷律師事務所) since March 1995.

Mr. Guo graduated from China University of Political Science and Law (中國政法大學), with a bachelor degree in law and a master degree in criminal jurisprudence in July 1985 and January 1991, respectively. He obtained People's Republic of China Lawyer's Certificate (中華人民共和國律師資格證書) in July 1993.

Dr. Zhang Yanyun (張雁雲), aged 63, is an independent non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. From 1997 to 1998, Dr. Zhang was a visiting researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2003, Dr. Zhang was a researcher at the Faculty of Medicine, University of Tokyo (東京大學醫學部). From 2002 to 2017, Dr. Zhang consecutively served as a researcher and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究院). From 2008 to 2014, Dr. Zhang was the vice director at the Institute of Health Sciences, Shanghai Institute for Biological Sciences, Chinese Academy of Sciences and Shanghai Jiao Tong University School of Medicine (中國科學院上海生命科學研究院上海交通大學醫學院健康科學研究所). From 2012 to 2015, Dr. Zhang was the editor-in-chief of a professional journal named *Current Immunology* (《現代免疫學》). Dr. Zhang has been the non-resident research fellow and principal investigator at Shanghai Institute for Biological Sciences, Chinese Academy of Sciences (中國科學院上海生命科學研究所) since 2017.

Dr. Zhang received a bachelor degree in medicine in August 1983 and a master degree in medicine in December 1996 from Suzhou Medical College (蘇州醫學院) (currently known as Medical College of Soochow University) (蘇州大學醫學部). Following which, Dr. Zhang obtained a Ph.D. in social medicine from Graduate School of Medicine, University of Tokyo (東京大學醫學部) in March 2002.

Dr. Liu Linqing (劉林青), aged 44, is an independent non-executive Director of our Company and was appointed as a Director on August 10, 2018 to be effective upon the Listing. Dr. Liu has been a teacher at the Economics and Management School of Wuhan University (武漢大學經濟與管理學院) since July 2002 and now serves as a professor and doctoral supervisor. He is also the director of the Department of Business Administration of Wuhan University (武漢大學工商管理系) and the director of the Institute of Business Strategic Management of Wuhan University (武漢大學企業戰略管理研究

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所). His research areas focus on corporate strategic management, business administration and management education. Dr. Liu was an independent non-executive director of Aotecar New Energy Technology Co., Ltd (奧特佳新能源科技股份有限公司) (formerly known as Jiangsu Kingfield Garments Co., Ltd. (江蘇金飛達服裝股份有限公司)) (stock code: 002239), a listed company on the Shenzhen Stock Exchange. Dr. Liu was an independent non-executive director of Wuhan Humanwell Hi-tech Ind. Co., Ltd. (人福醫藥集團股份有限公司) (stock code: 600079), a listed company on the Shanghai Stock Exchange from 2009 to 2015. He is currently an independent director of HuBei SanFeng Intelligent Convey Co., Ltd. (湖北三豐智能輸送裝備股份有限公司) (stock code: 300276) and Wuhan P&S Information Co., Ltd. (武漢力源信息技術股份有限公司) (stock code: 300184), both listed on the Shenzhen Stock Exchange.

Dr. Liu graduated from Wuhan University (武漢大學), with a double bachelor degree in science and economics and a master degree in management in July 1995 and June 1999, respectively. Following which, Dr. Liu obtained a Ph.D. in management from Wuhan University (武漢大學) in June 2002. Dr. Liu was accredited as a certified public accountant by the Hubei Institute of Certified Public Accountants (湖北註冊會計師協會) in December 2009.

Save as disclosed above, each of our Directors has confirmed that:

- (i) he or she does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus;
- (ii) there is no other information in respect of such Director to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and
- (iii) there is no other matter that needs to be brought to the attention of our Shareholders.

Save as Mr. Guo Jianjun's interests in the Excluded Businesses as described in the section headed "Relationship with the Controlling Shareholders—Excluded Business" of this prospectus, none of the Directors has any interests in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table sets forth information regarding our senior management:

Name	Age	Position/Title	Roles and Responsibility	Date of Appointment	Time of Joining our Group
Mr. Tao Jing (陶靜)	46	Vice President	Overseeing production of drugs of the Group	August 3, 2018	February 2015
Mr. Zhuge Wenhui (諸葛文輝)	52	Vice President of Sales	Marketing and sales channels management of the Group in Northern China	August 10, 2018	February 2016
Mr. Chen Lin (陳林)	53	Vice President of Sales	Marketing and sales channels management of the Group in Southern China	August 10, 2018	March 2015

Mr. Tao Jing (陶靜), aged 46, joined Taizhou Pharmaceutical in February 2015 as its deputy general manager and was appointed as the vice president of the Company in August 2018. He is primarily responsible for overseeing production of drugs of the Group. Prior to joining our Group, Mr. Tao was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)) as a deputy manager and manager in pronucleus department and an operation manager and deputy chief engineer from May 2002 to May 2012. Mr. Tao served as a deputy chief engineer at Shanghai National Engineering Research Center of Antibody Medicine Co., Ltd. (上海抗體藥物國家工程研究中心有限公司) from June 2012 to July 2012. Mr. Tao served as a director of research and development department at MTJA and Zhangjiang Biotech respectively from August 2012 to March 2015, primarily responsible for pharmaceutical research and development. Mr. Tao received a bachelor degree in Biochemistry from Anhui University (安徽大學) in July 1994. He also obtained an advanced certificate in biochemistry from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

Mr. Zhuge Wenhui (諸葛文輝), aged 52, is a vice president of sales of the Company since August 2018, primarily responsible for marketing and sales channels management of the Group in Northern China. Mr. Zhuge joined our Group in February 2016 and served as a deputy general manager of Taizhou Pharmaceutical till January 2017. From February 2017 to March 2018, Mr. Zhuge transferred to Taizhou Biotech and served as a deputy general manager. Prior to joining our Group, Mr. Zhuge served as a doctor at Shanghai Haiyuan Hospital (上海海員醫院) from October 1994 to December 2000. From October 2005 to January 2013, Mr. Zhuge served as a sales manager at Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)). From February 2013 to February 2016, Mr. Zhuge served as a deputy general manager at Shanghai Celgen

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Biopharmaceutical Co., Ltd (上海賽金生物醫藥有限公司), mainly responsible for the national sales management in China. Mr. Zhuge also worked as a deputy general manager of Biomabs since April 2018. Mr. Zhuge received a bachelor degree in medicine from Anhui College of Chinese Medicine (安徽中醫學院) (currently known as Anhui University of Chinese Medicine (安徽中醫藥大學)) in July 1987. He also obtained a master degree in Chinese medicine from Shanghai College of Traditional Chinese Medicine (上海中醫學院) (currently known as Shanghai University of Traditional Chinese Medicine (上海中醫藥大學)) in July 1992.

Mr. Chen Lin (陳林), aged 53, is a vice president of sales of the Company since August 2018, primarily responsible for marketing and sales channels management of the Group in Southern China. Mr. Chen joined our Group in March 2015 and served as a deputy general manager of Taizhou Pharmaceutical till March 2018. Prior to joining our Group, Mr. Chen was employed by Shanghai CP Guojian Pharmaceutical Co., Ltd. (上海中信國健藥業股份有限公司) (currently known as Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業(上海)股份有限公司)) as a director of domestic commerce and chief business officer from January 2006 to December 2013. From January 2014 to March 2015, Mr. Chen served as a vice president of sales at Shanghai Lansheng Guojian Pharmaceutical Co., Ltd. (上海蘭生國健藥業有限公司) (currently known as Shanghai Xingsheng Pharmaceutical Co., Ltd. (上海興生藥業有限公司)). Mr. Chen also worked as a deputy general manager of Biomab since April 2018. Mr. Chen received a bachelor degree in medicine from North Sichuan Medical College (川北醫學院) in July 1990.

None of our senior management has been a director of any listed company in the past three years.

JOINT COMPANY SECRETARIES

Mr. Li Yunfeng (李雲峰) has been appointed as a joint company secretary of our Company. For details of his background, please refer to “Executive Directors” under this section.

Mr. Tsang Ho Yin (曾浩賢), aged 33, has been appointed as a joint company secretary of our Company. Mr. Tsang was admitted to practice as a solicitor in Australia in 2012 and in Hong Kong in 2013. He obtained the master degree in laws from University of Melbourne, Australia in August 2010, following a bachelor degree in laws and a bachelor degree in commerce (major in accounting) from University of Melbourne, Australia in August 2008. Mr. Tsang obtained the Postgraduate Certificate in Laws from City University of Hong Kong in July 2011 and the Graduate Diploma of Legal Practice from College of Law (Victoria), Australia in January 2012. Mr. Tsang joined Stevenson, Wong & Co, in September 2015 and specializes in corporate finance law. He handled a wide range of IPO projects and compliance for listed companies since then. Mr. Tsang has been appointed as the company secretary and authorised representative of Sino Energy International Holdings Group Limited (stock code: 1096), a company listed on the Hong Kong Stock Exchange, with effect from November 1, 2018. Mr. Tsang has also been appointed as the company secretary of Moody Technology Holdings Limited (stock code: 1400), a company listed on the Hong Kong Stock Exchange, with effect from January 29, 2019.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' INTEREST

Save as disclosed in “History, Development and Corporate Structure”, “Directors and Senior Management” and “Relationship with the Controlling Shareholders” sections of this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years prior to the Latest Practicable Date.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional 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.

KEY TERMS OF EMPLOYMENT CONTRACTS

Below sets forth the key terms of the employment contracts our Group enters into with our senior management and other key personnel:

Confidentiality

- i. *Confidential information in relation to our Group.* An employee shall keep confidential the Confidential Information (as defined below) during the term of his/her employment and shall not directly or indirectly use or disclose it to other personnel or institutions without the prior written authorization or consent of the Company. The confidential information includes any form of proprietary information, technical data, know-how, business information and other information and information obtained or known by the employee during the term of employment, including but not limited to customers, research, products, patents, trademarks, trade names, service marks, copyrights, trade secrets, intellectual property, software, development, inventions, ideas, processes, designs, drawings, engineering, markets, and other related customers, funds, production, pricing, marketing, or other information from any third party (the “**Confidential Information**”); and
- ii. *Confidential information in relation to previous employer.* The employee shall undertake not to use or disclose any proprietary information or trade secrets of any previous employer, other individuals or units during the term of employment with the Company. Without the prior written consent of the previous employer, the employee shall not divulge the documents or proprietary information of the previous employer to the Company. The employee shall indemnify the Company should disputes occur between the Company and the previous employer.

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Invention assignment and assistance

- i. *Assignment.* The employee shall assign, upon entering into the employment contract, any rights, title or interest in relation to any of his/her invention, creations, original work, copyrights, technology development, improvement methods, and trade secrets related to product or research and development, to the Company. The employee shall further agree to grant an exclusive, royalty-free, assignable, irrevocable and worldwide license to our Group in respect of such any such rights owned by the employee. In addition, during the term of the employment with our Group or within one year after termination of the employment contract with our Group, the employee acknowledges and agrees that our Group shall have a complete, absolute and exclusive interest in the work that he/she produces, solely or jointly with others, during the term of the employment with our Group.
- ii. *Assistance to our Group.* The employee shall, at the request of our Group, sign any documents and take any necessary actions to assist our Group or its assignee to take all reasonable measures for the benefits of our Group (or its assignee), in relation to registration of any invention rights, copyrights, patents and other intellectual property rights related to inventions and creations in the world.

Non-competition

During the term of the employment with our Group, the employee shall not serve in any capacity (including as an employee, consultant, director or agent) at any company which may compete with us or conducts research, manufacturing or commercialization of any similar product.

Non-solicitation

The employee agrees that he/she shall not directly or indirectly, (i) solicit, induce, recruit or encourage any of our employees to leave their employment; and (ii) solicit or otherwise induce or influence our clients to restrict or cancel their business relationship with us, within one year after termination of employment with our Group.

PRE-IPO SHARE OPTION SCHEME

We have adopted the Pre-IPO Share Option Scheme. For details, please see “Appendix IV—Statutory and General Information—D. Pre-IPO Share Option Scheme” of this prospectus.

COMPLIANCE ADVISOR

We have appointed Red Solar Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance adviser will provide advice to us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;

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- (b) where a transaction, which might be a notifiable or connected transaction (as defined under the Listing Rules), is contemplated, including share issues and share repurchases;
- (c) 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
- (d) where Hong Kong Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

In accordance with the relevant PRC laws and regulations and the corporate governance practice prescribed in the Listing Rules, our Company has established the following committees under our Board: the Audit Committee, the Nomination Committee and the Remuneration Committee. The committees operate in accordance with terms of reference established by our Board.

AUDIT COMMITTEE

We have established the Audit Committee with written terms of reference. The Audit Committee consists of three members: two independent non-executive Directors, namely Dr. Liu Linqing and Mr. Guo Liangzhong, and one non-executive Director, namely Mr. Jiao Shuge. The chairman of the Audit Committee is Dr. Liu Linqing. The primary duties of the Audit Committee include, but are not limited to, the following:

- (a) to make recommendations to our Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of its resignation or dismissal and to review and monitor external auditor's independence and objectivity and the effectiveness of the audit process with the applicable standards.
- (b) to monitor integrity of the financial statements of the Company and the Company's annual report and accounts, half-year report, if prepared for publication, quarterly reports and to review significant financial reporting judgments contained in them.
- (c) to review the Company's financial controls and internal control systems and the financial and accounting policies and practices of the Company and its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION COMMITTEE

We have established the Remuneration Committee with written terms of reference. The Remuneration Committee consists of three members: two independent non-executive Directors, namely Mr. Guo Liangzhong and Dr. Zhang Yanyun, and one executive Director, namely Dr. Wang Hao. The chairman of the Remuneration Committee is Dr. Zhang Yanyun. The primary duties of the Remuneration Committee include, but are not limited to, the following:

- (a) to make recommendations to our Board on our Company's policy and structure for remuneration of all Directors and senior management of our Company and on the establishment of a formal and transparent procedure for developing remuneration policy;
- (b) to make recommendations to our Board on the specific remuneration packages of all executive Directors and senior management and on the remuneration of non-executive Directors; and
- (c) to review and approve the management's remuneration proposals with reference to the objectives passed by our Board from time to time.

NOMINATION COMMITTEE

We have established the Nomination Committee with written terms of reference. The Nomination Committee consists of three members: two independent non-executive Directors, namely Mr. Guo Liangzhong and Dr. Zhang Yanyun, and one executive Director, namely Dr. Qian Weizhu. The chairman of the Nomination Committee is Mr. Guo Liangzhong. The primary duties of the Nomination Committee include, but are not limited to, the following:

- (a) to review periodically the structure, size and composition of our Board at least annually and make recommendations to our Board regarding any proposed changes to complement our Company's corporate strategy;
- (b) to search for and identify individuals who are suitable to become a member of our Board, and to select or make recommendations to our Board on the selection of individuals nominated for directorship; and
- (c) to assess the independence of independent non-executive Directors.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The remunerations (including fees, salaries, contributions to defined contribution benefit plans (including pension), housing and other allowances and other benefits in kind and discretionary bonus) paid to our Directors during each of the two years ended December 31, 2017 and 2018 were RMB1.7 million and RMB6.9 million, respectively.

DIRECTORS AND SENIOR MANAGEMENT

The remuneration (including fees, salaries, contributions to defined contribution benefit plans (including pension), housing and other allowances and other benefits in kind, share-based payments in relation to the Pre-IPO Share Option Scheme and discretionary bonus) paid to our Company's five highest paid individuals in aggregate for each of the two years ended December 31, 2017 and 2018 were approximately RMB3.1 million and RMB7.2 million, respectively.

Save as disclosed above, no other payments have been made or are payable in respect of the two financial years ended December 31, 2017 and 2018, respectively, by our Company or any of our subsidiaries to the Directors.

Under the arrangements in force on the Latest Practicable Date, we estimate the aggregate remuneration (including fees, salaries, contributions to defined contribution benefit plans (including pension), housing and other allowances and other benefits in kind, share-based payments in relation to the Pre-IPO Share Option Scheme and discretionary bonus) to be paid and granted to our Directors for the financial year ending December 31, 2019 to be approximately RMB13.5 million.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join us or as a compensation for loss of office in respect of the two years ended December 31, 2017 and 2018. None of our Directors had waived any remuneration during the same period.

DIVERSITY

We are committed to promote diversity in the Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including medicine, immunology, chemistry, chemical physics, chemical engineering, pharmaceutical analysis, economics and accounting. Furthermore, our Directors range from 42 years old to 67 years old.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Subsequent to the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. Our Company expects to comply with the code provisions of the Corporate Governance Code after the Listing.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme), Asia Mabtech will directly own 2,059,975,000 Shares, representing approximately 49.95% of the total issued share capital of our Company and United Circuit (which is a subsidiary of Asia Mabtech) will directly own 167,025,000 Shares, representing approximately 4.05% of the total issued share capital of our Company. Asia Mabtech is direct wholly-owned by Asia Pacific Immunotech Venture which is in turn direct wholly-owned by the Guo Family Trust. The Guo Family Trust was established by Mr. Guo Jianjun as the settlor and the Guo Family Trustee as the trustee. Mr. Guo Jianjun and his family members are the beneficiaries of the Guo Family Trust. Accordingly, the Guo Family Trust through Asia Mabtech and United Circuit directly holds approximately 49.95% and indirectly holds approximately 4.05% in the issued share capital in our Company, respectively, immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme). Therefore, Mr. Guo Jianjun, Guo Family Trustee, Asia Pacific Immunotech Venture, Asia Mabtech and United Circuit are the Controlling Shareholders of our Company after the Listing. For details of the shareholding structure, please see “History, Development and Corporate Structure” of this prospectus.

Apart from our businesses, Mr. Guo Jianjun, our ultimate Controlling Shareholder, also controls Sinomab Group which is principally engaged in the CRO business and the CMO business in the PRC. The CRO business of the Sinomab Group includes the research and development of drugs CMAB507 (target: IgE), CMAB508 (target: TNF α) and CMAB509 (target: PD1) (the “**Excluded Businesses**”), which have similar/identical targets and indications with CMAB007, CMAB008 and CMAB819, respectively, which are currently developing by the Company. Potential competition may therefore emerge between the Group’s business and the Excluded Businesses with respect to these drug products. While Sinomab Group currently does not have any active CMO business, it is planning to focus its future CMO business on manufacturing drugs which either (i) do not have similar/identical targets and indications with the product candidates of the Group or (ii) are based on production process provided by the clients rather than by Sinomab Group itself. Given that generally the CMO business only involves manufacturing drugs for clients, and does not involve any clinical R&D or commercialization of drugs, the CMO business to be engaged in by Sinomab Group, by its nature, will not compete with the business of the Group. In addition, pursuant to the Deed of Non-competition, the Controlling Shareholders and Sinomab have undertaken to the Company that they will not engage in or hold any right or interest in, among other things, CMO business which also provides production process of drugs having the same targets as the Group’s drug products. For further details of the Deed of Non-competition, please refer to the subsection headed “ — Deed of Non-competition” of this section.

Save for Mr. Guo Jianjun’s interests in the Excluded Businesses, each of our Directors and our Controlling Shareholders has confirmed that, as of the Latest Practicable Date, none of them or any of their respective close associates had interest in any business, other than our business, which compete, or is likely to compete, either directly or indirectly, with our business.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

EXCLUDED BUSINESSES

Introduction

The Excluded Businesses are carried out by MTJA, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of Sinomab. MTJA engages in the CRO business of providing pharmaceutical companies with research, analytical and development services throughout the drug discovery and development process. On the other hand, we focus on the research and development of a wide range of biologic products with a view to manufacturing and commercialization under our name. The drugs which we develop and commercialize are mainly targeted at end users instead of pharmaceutical companies. During the Track Record Period, MTJA has substantially completed the CRO contracts in relation to CMAB507, CMAB508 and CMAB509 and received a majority of the contract fees from the relevant customers. If the Excluded Businesses were included in the Group, it will have a positive impact on the Group's financial performance and position (i.e. decrease in losses) and cash flow (i.e. decrease in the negative cash flow in operating activities). Furthermore, to the best knowledge of the Directors having made all reasonable enquiries, the Excluded Business has not been involved in any claims, litigations or non-compliance during the Track Record Period. Accordingly, the Directors are of the view that even if the Excluded Businesses are to be included in the Group, such inclusion would not have any material adverse impact on the financials of the Group during the Track Record Period.

DELINEATION BETWEEN OUR BUSINESSES AND THE EXCLUDED BUSINESSES

Although MTJA engages in the Excluded Businesses, our Directors consider that there is a clear delineation between our Group's businesses and the Excluded Businesses. The following explains the different business nature and customer base between our Group's businesses and the Excluded Businesses:

- (i) *Different business nature*: the Excluded Businesses are aiming to assist its customers to achieve their particular drug development goals, where all rights and interests relating to the relevant drugs belong to the customers. The Excluded Businesses would not be involved in the manufacturing and commercialization of these drug products. In contrast, we conduct the research and development of our own drug products with a view to manufacture and commercialization to end users.
- (ii) *Different target customers*: the Excluded Businesses involve provision of research and development of services to pharmaceutical companies. In contrast, our Group is planning to commercialize our drug products i.e. CMAB007, CMAB008 and CMAB819 to end users.
- (iii) *Different development stages*: Drugs CMAB507 and CMAB508 under the Excluded Businesses are currently at the pre-clinical trial stage while CMAB007 and CMAB008 are currently at phase III clinical trial stage and CMAB819 was granted clinical approval. The gap between pre-clinical trial stage and phase III clinical trial stage or clinical approval is approximately 5 to 10 years.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

On the basis of the differences as set forth above, we consider that the businesses of our Group and the Excluded Businesses are clearly delineated and do not directly compete with each other because the business nature and the target customers of the Group and the Excluded Businesses are entirely different.

REASONS FOR EXCLUSION OF THE EXCLUDED BUSINESSES FROM OUR GROUP

Our Directors consider that it is not in the best interest of our Group to include the Excluded Businesses in our Group on the following basis:

- (i) *Clear Delineation and No Direct Competition*—the business focus and nature of the research and development services offered by the Excluded Businesses are clearly delineated from those of our Group. Our Group and the Excluded Businesses operate in two distinctive industry sections with different and distinguish goals. Our Directors are of the view that there is no direct competition between the Excluded Businesses and the businesses operated by our Group. Furthermore, the research and development of drugs CMAB507, CMAB508 and CMAB509 are expected to be substantially completed by the end of this year. As such, the Excluded Businesses will cease once the development results of CMAB507, CMAB508 and CMAB509 are transferred to its respective customers.
- (ii) *Not Part of Our Core Business*—our Directors are of the view that the Excluded Businesses do not form part of our core business (being the research and development of a wide range of biologic products with a view to manufacturing and commercialization under our name). The development of the Excluded Businesses is not in line with the overall strategy of the Group.
- (iii) *Diversion of Management Attention and Resources*—the operation, expansion of the Excluded Businesses will require significant management and internal resources and may divert our management’s attention and time from the operation and development of our core business.

DEED OF NON-COMPETITION

Each of the Controlling Shareholders and Sinomab (each a “**Covenantor**” and collectively the “**Covenantors**”) has entered into the Deed of Non-competition with our Company (for ourselves and for the benefit of each other member of our Group) on April 16, 2019. Pursuant to the Deed of Non-competition, each of the Covenantor has irrevocably and unconditionally undertaken to our Company that, during the period that the Deed of Non-competition remains effective, with the exception of the Excluded Business, he/it shall not, and shall procure his/its close associates (other than any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Group, in particular any research, development, manufacturing and commercialization of drug products having the same chemical target as those biologic products of our Group (the “**Restricted Business**”). For the avoidance of doubt, the Restricted Business shall include the business in relation to development, manufacture and commercialization of the following:

- (a) monoclonal Antibody which target IL-1 β ;
- (b) antineoplastic monoclonal Antibody which target PD1 (or PD-L1);
- (c) antineoplastic monoclonal Antibody which target EGFR;
- (d) monoclonal Antibody which target IgE and indicated asthma;
- (e) monoclonal Antibody which target RSV and indicated lower respiratory tract disease;
- (f) antineoplastic monoclonal Antibody which target HER2 and indicated breast carcinoma and gastric carcinoma; and
- (g) monoclonal antibody which target TNF α and indicated Rheumatoid Arthritis, Ankylosing Spondylitis and Psoriasis.

The term “development” shall cover CRO business in the form of research services outsourced on a contract basis and CMO business in the form of manufacturing services outsourced on a contract basis whereby the production process is provided by the Covenantors. However, the Covenantors shall be allowed to engage in CMO business whereby the production process is not provided by the Covenantors.

The above undertaking does not preclude our Controlling Shareholders from having an aggregate interest in:

- (a) not more than 5% of the issued shares in any company engaging any Restricted Business (the “**Subject Company**”) which is or whose holding company is listed on any recognized exchange; or
- (b) not more than 5% of the Subject Company’s combined turnover or combined assets, as shown in the Subject Company’s latest audited accounts.

If any investment or other business opportunity relating to our Business (the “**Business Opportunity**”) is identified by any of our Controlling Shareholders, they shall refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Directors or a board committee declines the Business Opportunity.

Pursuant to the Deed of Non-competition, the above restrictions would only cease to have effect on the earliest of the date on which our Controlling Shareholders cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital, or otherwise cease to be Controlling Shareholders or the Shares cease to be listed and traded on the Hong Kong Stock Exchange.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Further, the independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the Deed of Non-competition (in particular, the right of first refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the Deed of Non-competition in our annual report or by way of announcement to the public.

RELATIONSHIP BETWEEN SINOMAB GROUP AND SORRENTO

Sinomab and Sorrento Therapeutics, Inc. (“**Sorrento**”), (a company listed on NASDAQ (NASDAQ: SRNE) and an Independent Third Party) entered into the exclusive license agreement dated August 3, 2015 and the amendment to exclusive license agreement dated June 7, 2016 (the “**Sorrento License Agreements**”), pursuant to which Sinomab granted a license with respect to the rights and interests of CMAB006 (not being a product candidate of the Group), CMAB007, CMAB008 and CMAB009 (the “**Sorrento Licensed Products**”) in Japan, North America and Europe to Sorrento in perpetuity for an aggregate consideration of US\$200,000,000 as license fees and license maintenance fees to be paid by Sorrento to Sinomab. As at the Latest Practicable Date, Sorrento has paid Sinomab a total of US\$75,000,000 as license fees and licenses maintenances fees, and a total of US\$125,000,000 shall be payable by Sorrento to Sinomab by the end of 2019.

The material terms of the Sorrento License Agreements are set out in the table below:

Drug candidates involved	CMAB006 (a recombinant chimeric anti-CD25 monoclonal antibody and biosimilar candidate based on basiliximab), CMAB007 , CMAB008 and CMAB009
Transfer of technology	Sinomab shall transfer the licensed technology (including among other things, relevant documentation and materials regarding the Sorrento Licensed Products) and provide training regarding the licensed technology to Sorrento according to the timelines agreed by the parties
License fees and license maintenance fees	Sorrento shall pay an aggregate of US\$200,000,000 to Sinomab by installments in four years after the later of (i) December 31, 2015, and (ii) 30 days after completion of the transfer of the licensed technology from Sinomab to Sorrento
Quarterly royalty	Sorrento shall pay Sinomab 10% of the net sales of the products relating to the Sorrento Licensed Products on a quarterly basis
Reporting	At the end of each quarter, Sorrento shall provide a report of the net sales of the products relating to the Sorrento Licensed Products of the preceding quarter to Sinomab

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Audit rights	Sinomab may request an audit of the books and records of Sorrento directly relating to the royalty payments owed during the preceding twelve (12) months for the sole purpose of verifying the amounts due and payable under the Sorrento License Agreement
Term	In perpetuity, unless terminated in accordance with the Sorrento License Agreement
Termination	Sinomab may terminate the Sorrento License Agreement if Sorrento fails to pay any undisputed amounts due under the agreement and does not cure such breach within sixty (60) days after a written notice is given by Sinomab to Sorrento requesting that such breach be cured

Sinomab entered into the Sorrento License Agreements with Sorrento due to the following reasons:

1. Sinomab was conducting research and development of drugs in the PRC which required funding;
2. Sinomab did not have the funding required to invest in conducting research and development of the Core Products abroad (including Japan, North America and Europe which Sorrento was interested in);
3. Sinomab will be able to share the profit generated by the Core Products after they are being commercialized by Sorrento in Japan, North America and Europe.

Although the Core Products to be developed, manufactured and commercialised by the Group and Sorrento will likely have the same/similar formula, specifications and targeted indications, given that Sorrento is only being granted the rights and interests of the Core Products in Japan, North America and Europe, there shall not be any direct competition between the Core Products of the Group and Sorrento in their respective licensed jurisdictions.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

1. Independence of the Board and Management

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors, comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, please see the section headed “Directors and Senior Management” of this prospectus. Mr. Jiao Shuge is a non-executive Director of our Company while serving as a non-executive director of Sinomab.

Other than Mr. Jiao Shuge, none of our other Directors holds any directorship or senior management role in the Controlling Shareholders and their respective associates. Mr. Jiao Shuge is a non-executive Director of our Company and will not be involved in the day-to-day management or

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

affairs and operations of our businesses. In the event that the overlapping Director, Mr. Jiao Shuge, is required to abstain from any board meeting of our Company on any matter which may give rise to a potential conflict of interest with the Controlling Shareholders and their associates, the remaining Directors will have sufficient expertise and experience to fully consider any such matter.

Notwithstanding with the overlapping Director, our Directors, including the independent non-executive Directors, are of the view that our Board is able to manage our business independently from the Controlling Shareholders and their respective associates for the following reasons:

- (a) each of the Directors is aware of the fiduciary duties of a Director which require, among other things, that he must act for the benefit and in the best interest of our Company and must not allow any conflict between his duties as a Director and his personal interest;
- (b) in the event that there is a potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. In addition, we have separate senior management teams to carry out the business decisions of our Group independently; and
- (c) the Board comprises nine Directors and three of them are independent non-executive Directors, which represents one-third of the members of the Board. This is in line with the requirements as set out in the Listing Rules.

Based on the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independent from our Controlling Shareholders and their close associates (other than our Group) after the Listing.

2. Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Controlling Shareholders and their respective associates. On the basis of the following reasons, our Directors consider that our Company will continue to be operationally independent of our Controlling Shareholders and their respective associates after Listing:

- (a) we are not reliant on trademarks owned by our Controlling Shareholders, or by other companies controlled by our Controlling Shareholders;
- (b) with the exception of the licenses relating to rights of CMAB007 and CMAB008 in the PRC obtained from Sinomab, we are the holder of the relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;
- (c) we have our own work force to carry out the research, development and manufacturing of biologic products in the PRC;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) we have our own capabilities and personnel to perform all of the essential administrative functions, including invoicing and billing, financial and accounting management, human resources and information technology without requiring support of our Controlling Shareholders; and
- (e) save for the premises under the Tenancy Agreement as disclosed in the section headed “Connected Transactions” in this prospectus, we have separate office premises, laboratories and manufacturing facilities from our Controlling Shareholders and their close associates.

During the Track Record Period, our business operated independently as a self-governing business unit, and our business will, upon Listing, continue to be independent and separate from our Controlling Shareholders and their close associates. While our Group will remain party to a number of continuing connected transactions with certain connected persons after Listing as described in the section headed “Connected Transactions” of this prospectus, our Directors believe that our Group will be independent from our Controlling Shareholders and their close associates from an operational perspective.

3. Financial Independence

We have our own finance department responsible for discharging the treasury function. We have our own financial management system and internal control system with the ability to operate independently from our Controlling Shareholders and their respective close associates from a financial perspective. We are also of the view that we are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective associates will be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates, after Listing.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and our connected persons and comply with the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules where applicable;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) in the event that connected transactions, if any, between our Group and other business in which any Director or his respective associates had any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes on such matters, and majority votes by non-conflicted Directors are required to decide on such connected transactions;
- (c) appointment of Red Solar Capital Limited as our compliance advisor to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations;
- (d) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfill their roles effectively. See “Directors and Senior Management” in this prospectus for further details of our independent non-executive Directors;
- (e) our independent non-executive Directors will review, on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders and Sinomab;
- (f) each of our Controlling Shareholders and Sinomab has undertaken to our Company that it will provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (g) our Company will disclose the review by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition either in its annual report or by way of announcements to the public; and
- (h) each of our Controlling Shareholders and Sinomab will make an annual confirmation to our Company on compliance with the Deed of Non-competition which shall be disclosed in the annual report of our Company or by way of announcements to the public.

CONNECTED TRANSACTIONS

INTRODUCTION TO CONTINUING CONNECTED TRANSACTIONS

Our Group has entered into certain agreements with certain entities that will, upon the Listing, become our Group's connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

Upon the Listing, Biomabs and MTJA will remain as direct and indirect wholly-owned subsidiaries of Sinomab, respectively. Sinomab is an associate of Mr. Guo Jianjun, one of our Controlling Shareholders. Therefore, Sinomab, Biomabs and MTJA will become connected persons of the Company pursuant to Rule 14A.13 of the Listing Rules. Accordingly, upon the Listing, the following transactions between each of the connected persons and our Group, which are entered into in the ordinary and usual course of business of our Group on normal commercial terms on a recurring and continuing nature, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

As our Company is eligible for listing on the Hong Kong Stock Exchange under Chapter 18A of the Listing Rules as a pre-revenue biotech company, the revenue ratio under Rule 14.07 of the Listing Rules would not be appropriate measure of the size of relevant continuing connected transactions set out in this section. As an alternative, we have applied a percentage ratio test based on the total expenses of our Group (the "**Expense Ratio**").

Fully Exempt Continuing Connected Transactions

License Agreement

Date: August 13, 2018

Parties: Our Company as licensee and Sinomab as licensor

CONNECTED TRANSACTIONS

- Description of the transaction: Sinomab has agreed to irrevocably grant our Company exclusive rights in relation to CMAB007 and CMAB008 in the PRC (the “**Licensed Rights**”), including products and technology (including R&D technology, experimental data, biological products, cells, assays, constructions, experimental procedures, preclinical and clinical trial data, preparation techniques, experimental methods and knowledge etc.). The principal terms are as follows:
- (1) the Licensed Rights shall be granted at nil consideration;
 - (2) our Company shall be entitled to any relevant technical information and materials in relation to the Licensed Rights and products, and Sinomab shall provide guidance, training and technical assistance to our Company;
 - (3) our Company shall be entitled to the rights and interests in any subsequent research and development results such as technical information, materials, products, data, and drug rights generated by our Company from the execution date of the License Agreement;
 - (4) our Company has the right to carry out production and sale of CMAB007 and CMAB008 (after approval is obtained from the relevant authority) and shall be entitled to any income generated from such sale;
 - (5) our Company shall be entitled to sub-license all or part of the rights and interests it obtained under the License Agreement to any third party; and
 - (6) the term shall be perpetual.

CONNECTED TRANSACTIONS

Reasons for the transaction:

As disclosed in “History, Development and Corporate Structure—Reorganization—Business Combination Core Drugs (CMAB007 and CMAB008)” of this prospectus, Biomabs transferred, in relation to CMAB007 and CMAB008, (a) all its staff at the medical registration department and (b) all assets of the medical registration department to our Group company at nil consideration. As a result, the business relating to CMAB007 and CMAB008 has been combined into our Group. Since phase III clinical trials for CMAB007 and CMAB008 were commenced in the name of Biomabs and as advised by our PRC Legal Advisors, we would have to re-start the phase III clinical trials for CMAB007 and CMAB008 if the applicant name were changed to our Group, we have decided to remain Biomabs as the applicant for the phase III clinical trials for CMAB007 and CMAB008, and Biomabs shall grant the Licensed Rights to our Company through Sinomab.

In addition, the duration of the License Agreement is of a term exceeding three years. Our Directors are of the view that, given that (a) the License Agreement is necessary to facilitate the implementation of phase III clinical trials for and the commercialization of CMAB007 and CMAB008; (b) the License Agreement is granted at nil consideration, which is considered to be on normal commercial terms or better as the licensing arrangement is between two companies under common ownership and forms part of the Reorganization for the purpose of the Listing; and (c) due to the reasons for the transaction aforementioned, it would be fair and reasonable to have the License Agreement with a perpetual term to protect the interests of our Company.

Listing Rules implications:

As the Licensing Agreement is entered into in the ordinary and usual course of business of our Group on normal commercial terms or better, and each of the applicable percentage ratios calculated for such transactions is expected to be below 0.1% on an annual basis, such transactions fall within the *de minimis* threshold as stipulated under Rule 14A.76 of the Listing Rules and are fully exempt from the reporting, annual review, announcement and independent shareholders’ approval requirements.

CONNECTED TRANSACTIONS

Undertakings:

Pursuant to a deed of undertaking executed by Sinomab and Biomabs in favour of the Company,

- (i) Sinomab undertakes that it will not terminate the License Agreement unilaterally and, in the event that there is any change in the shareholder and/or ultimate control of Sinomab, Sinomab will procure its future shareholder(s) and/or ultimate controller(s) not to intervene the license arrangement and/or cause Sinomab to terminate the License Agreement in any way. Accordingly, any change in the ownership of Sinomab shall not affect the exclusive rights in relation to CMAB007 and CMAB008 in the PRC irrevocably granted by Sinomab to the Company pursuant to the License Agreement; and
- (ii) Biomabs undertakes that it will not, without prior consent of the Company, transfer any rights and interests relating to CMAB007 and CMAB008 owned by it (including but not limited to R&D technology, experimental data, biological products, cells, assays, constructions, experimental procedures, preclinical and clinical trial data, preparation techniques, experimental methods and knowledge etc.) (the “**7/8 Rights and Interests**”) to any third party. Once the phase III clinical trials of CMAB007 and CMAB008 are completed and the approvals for commercialization in the PRC have been obtained from the NMPA, Biomabs shall transfer all the 7/8 Rights and Interests owned by Biomabs to the Company (or a party nominated by the Company) as soon as practicable for nil consideration. Upon completion of the transfer of the 7/8 Rights and Interests, given that the Company will have all rights and interests relating to CMAB007 and CMAB008 in the PRC and overseas (except North America, Japan and Europe), the licensing arrangement will no longer be applicable and the License Agreement between Sinomab and the Company shall be terminated at the request of the Company.

Non-Exempt Continuing Connected Transactions

The following transactions are entered into in the ordinary and usual course of business of our Group on normal commercial terms where, as our Directors currently expect, the Expense Ratio will be more than 5% on an annual basis. As such, the transactions shall be subject to the report, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Clinical Trials Agreement

Date: August 13, 2018

Parties: Taizhou Pharmaceutical as principal and Biomabs as agent

Description of the transaction: Taizhou Pharmaceutical has entrusted Biomabs to commence and complete the phase III clinical trials of CMAB007 and CMAB008 in the PRC. The term of the Clinical Trials Agreement is the earlier date of the completion of the phase III clinical trials or December 31, 2020. During the term of the Clinical Trials Agreement, Biomabs shall engage third party service providers including but not limited to Site Management Organization (SMO), hospitals and analysis laboratories, etc. to be responsible for the arrangement of Clinical Research Coordinators (CRC) and the clinical trial sites for making non-medical judgments to ensure the smooth operation of the clinical trial. In addition, Taizhou Pharmaceutical has the right and interests in any data and research achievements generated in the course of phase III clinical trials of CMAB007 and CMAB008 conducted by Biomabs.

Pricing policy: On or before the 10th calendar day of each calendar month, Taizhou Pharmaceutical shall (i) confirm with Biomabs all expenses and reimbursements incurred in relation to such clinical trial which have been paid by Biomabs on behalf of Taizhou Pharmaceutical (the “**agreed reimbursements**”) for the previous calendar month; and (ii) pay such agreed reimbursements.

Historical figures: There were no agreed reimbursements for the year ended December 31, 2017. The agreed reimbursements for the year ended December 31, 2018 were RMB17.3 million.

Annual caps: The Directors estimated that the maximum aggregate agreed reimbursements by Taizhou Pharmaceutical under the Clinical Trials Agreement for the two years ending December 31, 2019 and 2020 respectively shall not exceed the caps set out below:

	Proposed annual caps	
	For the year ending December 31,	
	2019	2020
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total agreed reimbursements	42,350	19,404

CONNECTED TRANSACTIONS

In arriving at the above proposed annual caps in respect of the maximum aggregate agreed reimbursements under the Clinical Trials Agreement, the Directors have considered the actual clinical trial expenses of CMAB007 and CMAB008 expected to be incurred by the third parties, including but not limited to SMOs, hospitals and analysis laboratories. The significant decrease in the annual caps from RMB42 million in 2019 to RMB19 million in 2020 is mainly due to (i) most of the clinical trial expenses are expected to be incurred in 2019; and (ii) the phase III clinical trials of CMAB007 and CMAB008 are expected to be completed in 2020.

Reasons for the transaction:

As disclosed in “History, Development and Corporate Structure—Reorganization—Business Combination Core Drugs (CMAB007 and CMAB008)” of this prospectus, Biomabs transferred, in relation to CMAB007 and CMAB008, (a) all its staff at the medical registration department; and (b) all assets of the medical registration department to our Group company at nil consideration. As a result, the business relating to CMAB007 and CMAB008 has been combined into our Group. Since the phase III clinical trials for CMAB007 and CMAB008 were commenced in the name of Biomabs and as advised by our PRC Legal Advisors, we would have to re-start the phase III clinical trials for CMAB007 and CMAB008 if the applicant name were changed to our Group under the PRC Laws, we have decided to remain Biomabs as the applicant for the phase III clinical trials for CMAB007 and CMAB008.

Materials Purchase Agreement

Date: May 5, 2016

Parties: Taizhou Pharmaceutical as purchaser and MTJA as vendor

CONNECTED TRANSACTIONS

Description of the transaction: Taizhou Pharmaceutical purchases raw materials required for monoclonal antibody production (including medium and affinity chromatography media) from MTJA. Taizhou Pharmaceutical will continue to carry on the relevant transactions after Listing in order to facilitate our research and production of antibody products. The original term of the Materials Purchase Agreement as amended by a supplemental materials purchase agreement dated August 13, 2018 is for a term commencing on May 5, 2016 until December 31, 2020 and may be renewed by agreement between the parties, provided that such renewal shall be subject to the relevant requirements under the Listing Rules. On February 28, 2019, Taizhou Pharmaceutical and MTJA entered into a second supplemental agreement to extend the term to December 31, 2021.

Pricing policy: The purchase price of the raw materials are fixed unit price in accordance with the Materials Purchase Agreement and MTJA is entitled to adjust the price of the raw materials according to actual market conditions. If such price is adjusted, both parties may sign a price adjustment document or renew the contract. If Taizhou Pharmaceutical does not approve the new price after adjustment, the Materials Purchase Agreement may be terminated by mutual agreement after negotiation between both parties.

The fixed unit purchase price under the Materials Purchase Agreement shall be determined after arms' length negotiation between the parties by reference to the prevailing market prices of similar products provided by independent third parties under normal commercial terms (such as payment arrangement, delivery method and quality assurance) in the ordinary course of business in the vicinity. The Company shall obtain quotations from at least two suppliers who are independent third parties for comparable raw materials in similar quantities to determine if the prices offered by MTJA are fair and reasonable and comparable to those offered by unrelated third parties.

CONNECTED TRANSACTIONS

Further, to ensure that the fixed unit purchase price under the Materials Purchase Agreement is no less favourable than those comparable products available from independent third parties, the business department of Taizhou Pharmaceutical has followed its standard market research procedures by conducting the relevant research on factors, such as the demand within the market and the trend of the sales volume of comparable products. It has also taken reference of the prices and specifications of raw materials required for monoclonal antibody production from other independent third parties in the market.

Historical figures:

The aggregate purchase amount of raw materials paid by Taizhou Pharmaceutical to MTJA for the two years ended December 31, 2017 and 2018 were RMB8.1 million and RMB12.4 million, respectively.

Annual caps:

The Directors estimated that the maximum aggregate purchase amount of raw materials payable by Taizhou Pharmaceutical under the Materials Purchase Agreement for the three years ending December 31, 2019, 2020 and 2021 respectively shall not exceed the caps set out below:

Proposed annual caps		
For the year ending December 31,		
2019	2020	2021
<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>

Total purchase amount of raw materials	7,920	7,920	13,332
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In arriving at the above proposed annual caps in respect of the purchase amounts of raw materials payable under the Materials Purchase Agreement, the Directors have considered the following factors:

- (i) the historical figures as set out above;
- (ii) the production capacity of Taizhou Pharmaceutical, being approximately 52 batches (1,500L supernatant/batch) of drug substance/monoclonal antibody proteins per annum (if producing only one product); and
- (iii) the anticipated business growth of Taizhou Pharmaceutical.

CONNECTED TRANSACTIONS

Reasons for the transaction: Since 2016, MTJA has been providing raw materials required for monoclonal antibody production (including medium and affinity chromatography media) to us. A stable supply of raw materials is of crucial importance to our business. The Directors are of the view that the reliability of MTJA's delivery and inventory levels is satisfactory and it will be in the interests of our Group to continue maintaining business relationship with MTJA.

Tenancy Agreement

Date: September 1, 2018

Parties: Biomabs as landlord and Shengheng Biotech as tenant

Description of the transaction: Biomabs as landlord has agreed to lease an office located at No. 301 Libing Road, Zhangjiang Hi-Tech Park, Shanghai (上海市張江高科技園區李冰路301號) with a gross area of approximately 3,218m² to Shengheng Biotech as tenant. The original term of Tenancy Agreement is for a term ending on December 31, 2020 for an annual rent of RMB4,933,194. On February 28, 2019, Biomabs and Shengheng Biotech entered into a supplemental agreement to extend the term to December 31, 2021.

Pricing policy: The annual rent was agreed after arm's length negotiations between the parties with regards to (i) area leased, geographic location and profile of surrounding area; and (ii) prevailing market rate in respect of the similar properties in the vicinity provided by the real estate agents.

Historical figures: The rent payable by Shengheng Biotech to Biomabs for the year ended December 31, 2018 was RMB1.5 million.

Annual caps: The Directors estimated that the maximum aggregate rent payable by Shengheng Biotech to Biomabs for the three years ending December 31, 2019, 2020 and 2021, respectively, shall not exceed the caps set out below:

	Proposed annual caps		
	For the year ending December 31,		
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Total annual rent	4,934	4,934	4,934

CONNECTED TRANSACTIONS

Reasons for the transaction: Our Directors have considered the business needs of our Company and are of the view that office spaces are required for the operation and growth of our Group and that the Tenancy Agreement would generate benefits to our Group as a whole.

WAIVER APPLICATION FOR CONTINUING CONNECTED TRANSACTIONS

The Directors, including the independent non-executive Directors, consider that disclosure of the continuing connected transactions described above in full compliance with the Listing Rules would be impracticable and, in particular, would add unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue with these transactions after Listing.

As a result, pursuant to Rule 14A.105 of the Listing Rules, we have sought and obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the announcement and independent shareholders' approval requirements under Rules 14A.35 and 14A.36 of the Listing Rules in respect of the continuing connected transactions, subject to the condition that the annual transaction values shall not exceed their respective estimated annual caps (as stated above).

In addition, the Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Hong Kong Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of the transactions.

CONFIRMATION FROM THE DIRECTORS

The Directors, including the independent non-executive Directors, are of the view that:

- (a) the continuing connected transactions described above for which a waiver is sought have been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the terms of the continuing connected transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps (where applicable) of such continuing connected transactions set out above are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant information and historical figures prepared and provided by our Company relating to the continuing connected transactions, and conducted due diligence of such transactions with our Company. Based on the above, the Sole Sponsor is of the view that:

- (a) these continuing connected transactions are entered into in the ordinary and usual course of business of our Group on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole; and
- (b) the proposed annual caps (where applicable) of these continuing connected transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued Shares of our Company and Shares to be issued by our Company as fully paid or credited as fully paid prior to and immediately following the completion of the Capitalization Issue and the Global Offering:

As of the Latest Practicable Date

	<u>US\$</u>
Authorized share capital	
50,000,000,000 Shares	5,000,000
Issued share capital	
75,000,000 Shares	7,500

Immediately after the Capitalization Issue

	<u>US\$</u>
Issued share capital	
3,340,500,000 Shares	334,050

Immediately after Completion of the Global Offering

	<u>US\$</u>
Shares to be issued under the Global Offering	
783,580,000 Shares	78,358
Total Issued Shares on completion of the Global Offering	
4,124,080,000 Shares	412,408

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Capitalization Issue and Global Offering. The above does not take into account any Shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option, any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering—Conditions of the Global Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;
- (c) a specific authority granted by the Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and the exercise of the share options under the Pre-IPO Share Option Scheme); and
- (ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the section headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
- (2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information—A. Further Information about Our Group—4. Resolutions in Writing of Our Shareholders” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering—Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to exercise all of our powers to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares to be issued pursuant to the exercise of the Over-allotment Option and the exercise of the share options under the Pre-IPO Share Option Scheme).

This general mandate relates only to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information About our Group—7. Repurchases of Our Own Securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information—A. Further Information about Our Group—4. Resolutions in Writing of Our Shareholders” in Appendix IV to this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme, the following persons will have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, 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:

Name of shareholder	Nature of interest	Shares held immediately after the Capitalization Issue and prior to the Global Offering		Shares held immediately following the completion of the Global Offering ⁽¹⁾	
		Number	Percentage	Number	Percentage
Asia Mabtech ⁽²⁾	Beneficial owner (L); Interest in controlled corporation (L)	2,227,000,000	66.67%	2,227,000,000	54.00%
United Circuit ⁽²⁾	Beneficial owner (L)	167,025,000	5.00%	167,025,000	4.05%
Guo Family Trust ⁽²⁾	Interest in controlled corporation (L)	2,227,000,000	66.67%	2,227,000,000	54.00%
Mr. Guo Jianjun ⁽²⁾	Interest in controlled corporation (L)	2,227,000,000	66.67%	2,227,000,000	54.00%
CDH PE ⁽³⁾	Beneficial owner (L)	742,348,180	22.22%	742,384,180	18.00%
CDH Fund V, L.P. ("CDH Fund") ⁽³⁾	Interest in controlled corporation (L)	742,348,180	22.22%	742,384,180	18.00%
CDH V Holdings Company Limited ("CDH V") ⁽³⁾	Interest in controlled corporation (L)	742,348,180	22.22%	742,384,180	18.00%

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Nature of interest	Shares held immediately after the Capitalization Issue and prior to the Global Offering		Shares held immediately following the completion of the Global Offering ⁽¹⁾	
		Number	Percentage	Number	Percentage
China Diamond Holdings V Limited (“ CDH Diamond V ”) ⁽³⁾	Interest in controlled corporation (L)	742,348,180	22.22%	742,384,180	18.00%
China Diamond Holdings Company Limited (“ China Diamond ”) ⁽³⁾	Interest in controlled corporation (L)	742,348,180	22.22%	742,384,180	18.00%
FH Investment ⁽⁴⁾	Beneficial owner (L)	213,435,680	6.39%	213,435,680	5.18%
Link Best Capital Limited ⁽⁴⁾	Interest in controlled corporation (L)	213,435,680	6.39%	213,435,680	5.18%

Notes:

- (1) Assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.
- (2) The Company is held as to 49.95% and 4.05% by Asia Mabtech and United Circuit, respectively, following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme). United Circuit is held as to 68.89% by Asia Mabtech, which is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust, of which Mr. Guo Jianjun is the settlor. As such, Mr. Guo Jianjun, through Guo Family Trust, is deemed or is taken to be interested in 167,025,000 Shares beneficially owned by United Circuit and 2,059,975,000 Shares beneficially owned by Asia Mabtech following the completion of the Global Offering for the purpose of Part XV of the SFO.
- (3) The Company is held as to 18.00% by CDH PE. CDH PE is wholly-owned by CDH Fund, following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme). Pursuant to the SFO, CDH Fund is therefore deemed to be interested in the shares held by CDH PE. CDH Fund is controlled by CDH V, which in turn held as to 80% by China Diamond V. China Diamond V is in held as to 100% by China Diamond which is held by independent third parties.
- (4) FH Investment is a direct wholly-owned subsidiary of Link Best Capital Limited, which is held by independent third parties.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

CORNERSTONE INVESTOR

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement (“**Cornerstone Investment Agreement**”) with the cornerstone investor set out below (“**Cornerstone Investor**”) on May 16, 2019, pursuant to which the Cornerstone Investor has agreed to subscribe for, or cause its designated entities to subscribe for, a certain number of Offer Shares at the Offer Price (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$1.35 (i.e. after a Downward Offer Price Adjustment of 10%), the total number of Offer Shares subscribed for by the Cornerstone Investor would be 145,324,000, representing (i) approximately 18.55% of the Offer Shares under the Global Offering and approximately 3.52% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme; or (ii) approximately 16.13% of the Offer Shares under the Global Offering and approximately 3.43% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.50 (being the low-end of the Offer Price range), the total number of Offer Shares subscribed for by the Cornerstone Investor would be 130,790,000, representing (i) approximately 16.69% of the Offer Shares under the Global Offering and approximately 3.17% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme; or (ii) approximately 14.51% of the Offer Shares under the Global Offering and approximately 3.08% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

Assuming an Offer Price of HK\$1.73 (being the mid-point of the Offer Price range), the total number of Offer Shares subscribed for by the Cornerstone Investor would be 113,402,000, representing (i) approximately 14.47% of the Offer Shares under the Global Offering and approximately 2.75% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme; or (ii) approximately 12.58% of the Offer Shares under the Global Offering and approximately 2.67% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

CORNERSTONE INVESTOR

Assuming an Offer Price of HK\$1.95 (being the high-end of the Offer Price range), the total number of Offer Shares subscribed for by the Cornerstone Investor would be 100,608,000, representing (i) approximately 12.84% of the Offer Shares under the Global Offering and approximately 2.44% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme; or (ii) approximately 11.16% of the Offer Shares under the Global Offering and approximately 2.37% of the Shares in issue immediately upon completion of the Global Offering, in each case assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

To the best knowledge of our Company, the Cornerstone Investor is an Independent Third Party, is not a connected person (as defined under the Listing Rules) of our Company, and is not an existing Shareholder or close associates of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around May 30, 2019.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Shares then in issue upon completion of the Global Offering and to be listed on the Stock Exchange and will be counted towards the public float of our Company. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will any of the Cornerstone Investor become a substantial shareholder of our Company (as defined under the Listing Rules). The Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement as compared with other public Shareholders.

CORNERSTONE INVESTOR

OUR CORNERSTONE INVESTOR

We have entered into the Cornerstone Investment Agreement with the Cornerstone Investor in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount ⁽¹⁾⁽²⁾	Indicative Offer Price ⁽³⁾	Number of Offer Shares to be subscribed for (rounded down to the nearest whole board lot of 2,000 Shares)	Approximate percentage of the Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentage of the Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentages of the Shares of the Shares in issue ⁽⁴⁾ immediately following the completion of the Global Offering (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Shares of the Shares in issue ⁽⁴⁾ immediately following the completion of the Global Offering (assuming that Over-allotment Option is exercised in full)
3SBio Inc.	US\$25,000,000	Downside: HK\$1.35	145,324,000	18.55%	16.13%	3.52%	3.43%
		Low-end: HK\$1.50	130,790,000	16.69%	14.51%	3.17%	3.08%
		Mid-point: HK\$1.73	113,402,000	14.47%	12.58%	2.75%	2.67%
		High-end: HK\$1.95	100,608,000	12.84%	11.16%	2.44%	2.37%

Notes:

- (1) For reference only, calculated based on an exchange rate of US\$1.00: HK\$7.8475 as described in the section headed “Information about this Prospectus and the Global Offering — Exchange Rate Conversion”. The actual investment amount of the Cornerstone Investor in Hong Kong dollars may vary based on the actual exchange rate prescribed in the Cornerstone Investment Agreement, which is the exchange rate to be published by Bloomberg at 5 p.m. Hong Kong time on the business day immediately before the Price Determination Date.
- (2) The investment amount is exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and the Hong Kong Stock Exchange trading fee of 0.005%.
- (3) Being the low-end, mid-point and high-end of the proposed Offer Price range set out in this prospectus, respectively.
- (4) Without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

CORNERSTONE INVESTOR

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

3SBio Inc.

3SBio Inc. is a company incorporated in the Cayman Islands on August 9, 2006 and is listed on the Hong Kong Stock Exchange (stock code: 1530). As a pioneer in the Chinese biotechnology industry, 3SBio and its subsidiaries have extensive expertise in researching and developing, manufacturing and marketing biopharmaceuticals. Their core products include TPIAO, Yisaipu, EPIAO and SEPO, which are all market leaders in the PRC. Their core therapeutic areas include oncology, autoimmune disease, nephrology and other sectors. Meanwhile, 3SBio continues to seek selective merger, acquisition and collaboration opportunities to enrich its existing product portfolio and pipeline to sustain long-term growth. 3SBio aims to become a China-based, leading global biopharmaceutical company by leveraging its integrated R&D, commercial and manufacturing platforms.

CONDITIONS PRECEDENT

The subscription obligation of the Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional by no later than the time and date as specified in the Underwriting Agreements and not having been terminated;
- (b) the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- (c) the respective representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor and the Company under the Cornerstone Investment Agreement are, at the relevant time, accurate and true in all material respects and not misleading and there being no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor or the Company, respectively; and
- (d) no laws shall have been enacted or promulgated by any government authority which prohibit the consummation of the transactions contemplated in the Global Offering or in the Cornerstone Investment Agreement and there being no orders or injunctions from a court of competent jurisdiction which in effect precludes or prohibits the consummation of such transactions.

CORNERSTONE INVESTOR

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed and undertaken that, without the prior written consent of our Company, the Sole Sponsor and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, among other things, dispose of (as defined in the relevant Cornerstone Investment Agreement) any of the Shares subscribed for by it pursuant to the Cornerstone Investment Agreement, other than transfers to any wholly-owned subsidiary of the Cornerstone Investor provided that such wholly-owned subsidiary undertakes that it will, and the relevant Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the terms and restrictions imposed on the Cornerstone Investor.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the section headed “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering:

	Assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme	Assuming the Over-allotment Option is exercised in full and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme
Assuming an Offer Price of HK\$1.73 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	HK\$1,238.2 million	HK\$1,433.8 million
Assuming an Offer Price of HK\$1.95 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	HK\$1,408.3 million	HK\$1,629.5 million
Assuming an Offer Price of HK\$1.50 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	HK\$1,068.1 million	HK\$1,238.2 million
Assuming an Offer Price of HK\$1.35 per Offer Share after a Downward Offer Price Adjustment of 10%	HK\$954.7 million	HK\$1,107.8 million

Assuming an Offer Price of HK\$1.73 per Offer Share and assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme, if we make a Downward Offer Price Adjustment to set the final Offering Price at HK\$1.35 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be reduced by an amount of approximately HK\$283.5 million. If the Offer Price is set below the mid-point of the indicative Offer Price range (including where we make

FUTURE PLANS AND USE OF PROCEEDS

a Downward Offer Price Adjustment, we intend to reduce the allocation of the net proceeds to the purposes stated above on a pro rata basis. We intend to use the net proceeds of the Global Offering (based on these same assumptions) for the following purposes:

- (i) approximately 70.1%, or HK\$868.2 million, will be used for the R&D activities of our Core Products, the expenses in relation to production scale-up and other expenses and capital expenditure in connection with our construction of new production facilities in Taizhou, including:

- (a) approximately 18.7%, or HK\$231.5 million for the R&D activities of our Core Products, as illustrated in the table below:

		<u>CMAB007</u>	<u>CMAB008</u>	<u>CMAB009</u>	<u>Total</u>
		<i>(HK\$ million)</i>			
Pre-Approval	Phase III clinical trials	23.7	21.7*	45.5	90.9
	Safety and efficacy evaluation and quality research	29.5	29.5	29.1	88.1
Post-Approval	Clinical trials on treatment of other diseases	14.2	15.6	22.7	52.5
Total		<u>67.4</u>	<u>66.8</u>	<u>97.3</u>	<u>231.5</u>

* This represents the ongoing head-to-head clinical trial of CMAB008.

- (b) approximately 51.4%, or HK\$636.7 million, for expenses in relation to production scale-up and other expenses, such as property construction, purchase of equipment, and purchase of raw materials and consumables, and capital expenditure for the coming few years in connection with our construction of new production facilities in Taizhou as described in “Business — Manufacturing — Future Expansion” (“**New Production Facilities**”). The New Production Facilities will initially be focused on the production of our three Core Products, as they are expected to be marketed earlier than our other product candidates. The application of net proceeds described in item (b) comprises:

- (x) approximately 17.1%, or HK\$211.3 million for the production scale-up studies of our Core Products involving one large-scale monoclonal antibody drug substance production line with production capacity of 3*7,500L, comprising approximately HK\$81.8 million, HK\$80.0 million and HK\$49.5 million for CMAB007, CMAB008 and CMAB009, respectively.

To ensure consistency in the quality of the drug products manufactured, we need to complete both scale-up research and verification on the production process

FUTURE PLANS AND USE OF PROCEEDS

before the relevant authority would grant approval for the mass production and commercialization of the relevant drug product. These research and verification include research on production process scale-up preparation, research on production process verification and quality control, bridging clinical trials for scaling-up, and preparation registration and inspections required by the NMPA. We also need to carry out comprehensive R&D to ensure that the New Production Facilities are in compliance with the relevant environmental, health and safety laws and regulations in the PRC, including those on the laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes.

Manufacturing is one of the biggest barriers for a biotech company before launching and commercialization of a mAbs drug and a key factor in determining whether a biotech company would be successful in mAbs drug market. Due to the complexity of the production process and technology with respect to mAbs drugs, stringent regulatory requirements and emergence of increasing competition. Therefore, we engage in in-house manufacturing (instead of CMO) for full control over the production process, which is essential to maintain the product quality of biological drugs (especially mAbs drugs) and to preserve our competitive advantages in the production process and technologies for our Core Products. This also helps lower our production costs and gives us more flexibility in fine-tuning the production process in response to the change in the relevant market and patient demands;

- (y) approximately 9.9% or HK\$123.1 million for the capital expenditures on the new R&D building and R&D equipment as part of the New Production Facilities. The new R&D building will be equipped with R&D equipment such as mass spectrometer, ultra-performance liquid chromatography and capillary electrophoresis instrument to analyze results of the bridging clinical trials of the Core Products for production scale-up; and
- (z) approximately 24.4% or HK\$302.3 million for construction expense of New Production Facilities as described in “Business—Manufacturing—Future Expansion”. These include (i) three 3*1,500L stainless steel bioreactor systems, (ii) two large-scale monoclonal antibody drug substance production lines with production capacities of 2*18,000L and 3*7500L, and (iii) the ancillary R&D building.

Please also refer to “Business—Manufacturing—Future Expansion” for more information on our expansion plan.

Therefore, the net proceeds to finance the R&D to bring our Core Products to commercialization accounted for approximately 45.7% of the total net proceeds, which consist of (1) the expenses of R&D activities of our Core Products described in (a), (2) the expenses of production scale-up studies of our Core Products described in (b)(x), and (3) the capital expenditures on the new R&D building and R&D equipment described in (b)(y).

FUTURE PLANS AND USE OF PROCEEDS

We anticipate to launch our Core Products between 2020 and 2022 after which we expect to generate sales revenue to finance the scale-up studies in relation to the 2*18,000L production line, which are estimated to take place in 2023 or after, and other research and development activities. After the launch of our Core Products, we also expect to have more readily available bank financing sources.

Below is a summary of our allocation of the approximate 70% of the net proceeds of the Global Offering:

	Net proceeds of the Global Offering	
	%	(HK\$ million)
Finance the R&D to bring our Core Products to Commercialization		
(a) R&D activities of our Core Products	18.7%	231.5
(b)(x) Production scale-up studies of our Core Products involving one large-scale monoclonal antibody drug substance production line with production capacity of 3*7,500L	17.1%	211.3
(b)(y) Capital expenditures on the new R&D building and R&D equipment as part of the New Production Facilities	9.9%	123.1
Sub-total:	45.7%	565.9
Construction expense of New Production Facilities	24.4%	302.3
Total:	70.1%	868.2

(ii) approximately 20.1%, or HK\$248.6 million, will be used for the research and development activities for our other product candidates, including clinical trials for CMAB809, CMAB815 and CMAB819 and pre-clinical trials for CMAB810, CMAB813 and CMAB816; and

(iii) approximately 9.8%, or HK\$121.3 million, will be used for 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 at a higher or lower level compared to the midpoint of the estimated offer price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

UNDERWRITING

HONG KONG UNDERWRITER

China International Capital Corporation Hong Kong Securities Limited

UNDERWRITING

This document is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully written by the International Underwriter. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 78,358,000 Hong Kong Offer Shares and the International Offering of initially 705,222,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” as well as the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriter has agreed to subscribe, or procure subscribers for the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) may, in its sole and absolute discretion, be entitled to, after consultation with the Company, to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 a.m. on the Listing Date:

- (i) there develops, occurs, exists or comes into force:
 - (a) any new law or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the Cayman Islands, the PRC, the United States, the United Kingdom, the European Union (taken as a whole in respect of the European Union), Japan, Singapore, the British Virgin Islands or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
 - (b) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in any change or development, involving a prospective change in any local, national, regional or international financial, political, military, fiscal, economic, regulatory, market or currency matters or conditions or exchange control or any monetary or trading settlement system (including but not limited to conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the HK dollar is linked to the U.S. dollar or the Renminbi is linked to any foreign currencies) in any of the Relevant Jurisdictions; or
 - (c) the imposition of 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 SEHK, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or
 - (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent authority), London, Singapore, the PRC, the European Union (taken as a whole in respect of the European Union), Japan, the British Virgin Islands or any other jurisdiction relevant to the Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (e) a change or development or event involving a prospective change in Taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK dollar or the Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the Offer Shares; or
- (f) any event or series of events or circumstance in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, calamity, crisis, riot, public disorder, civil commotion, fire, flood, explosion, epidemic (including SARS, swine or avian flu, H5N1, H1N1, H7N9 or such related/mutated forms), pandemic, outbreak of infectious disease, economic sanctions, earthquake, terrorism; or
- (g) any adverse change or development or event involving a prospective adverse change or development in the assets, liabilities, shareholders' equity, profits, losses, results of operations, performance, condition, trading position (financial or otherwise) of any member of the Group; or
- (h) any Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any action against any Director in his or her capacity as such or an announcement by any governmental, political or regulatory body that it intends to take any such action; or
- (i) the chairman or chief executive officer of the Company or any of the Director vacating his or her office; or
- (j) an governmental authority or a political or regulatory 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 member of the Group or any Director; or
- (k) any litigation or claim or Proceedings being threatened or instigated against any member of the Group; or
- (l) any contravention by any member of the Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable laws; or
- (m) a prohibition on the Company from offering, allotting, issuing or selling the Offer Shares (including the Offer Shares allotted or sold under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (n) any change or prospective change in, or a materialization of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

UNDERWRITING

- (o) an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of the any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member the Group, and which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (for itself and on behalf of the Underwriters),
 - A. has or will have or is likely to have a material adverse effect to the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profit, losses, results of operations, financial or trading position, or performance of the Company or the Group as a whole; or
 - B. has or will have or is likely to have a material adverse effect on the completion of the Hong Kong Public Offering or the International Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares; or
 - C. makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any material part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offer Shares to be performed or implemented or proceed as envisaged or to market the Global Offering; or
 - D. has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting, the Hong Kong Public Offering and/or the Global Offering) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (ii) there has come to the notice of the Sole Global Coordinator that:
 - (a) any statement contained in 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) was, when it was issued, or has become untrue, incorrect, inaccurate or misleading or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and, where appropriate, based on reasonable assumptions; or
 - (b) any non-compliance of this prospectus or the Application Forms (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

UNDERWRITING

- (c) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from 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); or
- (d) any breach of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, and the Hong Kong Underwriter or their respective affiliates); or
- (e) any breach of, or any event or circumstance rendering any of the representations, warranties and undertakings given by our Company and/or the Controlling Shareholders under the Hong Kong Underwriting Agreement untrue, incorrect or misleading in any respect; or
- (f) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or
- (g) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue, the Shares to be issued or sold (including any additional 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
- (h) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters opinions and references to its name included in the form and context which it respectively appears, has withdrawn its consent (other than the withdrawal of consent by the Sole Sponsor without a reason) prior to the issue of this prospectus.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Hong Kong Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except: (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; or (b) pursuant to the Global Offering (including any exercise of the Over-allotment Option).

UNDERWRITING

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to our Company and the Hong Kong Stock Exchange that, except pursuant to the Global Offering and the Stock Borrowing Agreement (including pursuant to the Over-allotment Option), it will not, and shall procure that the relevant registered holder(s) (if any) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- in the period commencing on the date by reference to which disclosure of their respective shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company in respect of which it is shown in this prospectus to be the beneficial owner; and
- in the period of six months commencing on the date on which the period referred to in the preceding paragraph above expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company referred to in the preceding paragraph above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a Controlling Shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to our Company and the Hong Kong Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will immediately inform the Hong Kong Stock Exchange and our Company in writing of:

- any pledges or charges of any Shares or securities of our Company beneficially owned by it in favour of any authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, together with the number of such Shares or other securities of our Company so pledged or charged; and
- any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by the Controlling Shareholder and disclose such matters by way of an announcement published in accordance with Rule 2.07 of the Listing Rules as soon as possible.

UNDERWRITING

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has, pursuant to the Hong Kong Underwriting Agreement, undertaken to, inter alia, the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriter not to, and to procure each of the other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-Allotment Option) and subject always to the provisions of the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”),

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, 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, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of the Group, 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 Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, 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 Shares or any other securities of our Company or any shares or other securities of such other member of the Group, 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 Shares or any shares of such other member of the Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

UNDERWRITING

In the event that our Company enters into any of the transactions specified in paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market in the securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders jointly and severally undertakes with our Company, each of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Hong Kong Underwriter that, without the prior written consent of the Sole Sponsor and Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and unless in compliance with the requirements of the Listing Rules:

1. it will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, assign, 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, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any 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 Shares or any other securities of our Company, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository 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 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 Shares or any such other securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (1)(i) or (1)(ii) of this paragraph; or (iv) offer to or agree to, or announce any intention to enter into any transaction specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph, in each case, whether any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
2. it will not, during the Second Six-Month Period, enter into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as defined in the Listing Rules) of our Company; and

UNDERWRITING

3. until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Commission and Expenses

The Hong Kong Underwriter will, and the International Underwriter are expected to, receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares and the International Offer Shares, respectively, in accordance with the terms of the Underwriting Agreements; provided however, the Sole Global Coordinator shall be entitled to a minimum underwriting commission of US\$4 million in respect of the Hong Kong Offer Shares and the International Offer Shares. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, we will pay an underwriting commission at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the International Underwriter, and not the Hong Kong Underwriter.

An amount of US\$1 million is payable by our Company to the Sole Sponsor as the sponsor fee.

The aggregate commissions and fees, Hong Kong Stock Exchange listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering payable by us, are estimated to amount to approximately HK\$113.5 million in total (based on the mid-point of our indicative Offer Price range for the Global Offering).

Indemnity

Each of our Company and the Controlling Shareholders has agreed to, jointly and severally, indemnify, among others, each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriter against 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 and the Controlling Shareholder of the Hong Kong Underwriting Agreement.

Hong Kong Underwriter's Interests in our Company

Save as disclosed in this prospectus and save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, the Hong Kong Underwriter was not interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of the Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriter and its affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

UNDERWRITING

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriter. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriter will agree to purchase itself or through its affiliates from our Company, or to procure purchasers for the International Offer Shares at the Offer Price.

We will grant to the International Underwriter the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriter, during the 30-day period from the last day for the lodging of application under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 117,536,000 additional Shares, representing approximately 15% of the Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, if any.

Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Over-Allotment and Stabilization

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in the sections headed “Structure of the Global Offering—Stabilization” and “Structure of the Global Offering—The International Offering—Over-allotment Option” in this prospectus.

Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

Activities by Syndicate Members

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “Syndicate Members”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their

UNDERWRITING

underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure of the Global Offering—The International Offering—Over-allotment Option” and “Structure of the Global Offering—Stabilization” in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted when engaging in any of these activities, the Syndicate Members will be subject to restrictions, including the following:

- the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Other Services to our Company

The Sole Global Coordinator, the Hong Kong Underwriter or its respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Sole Global Coordinator, Hong Kong Underwriter or their respective affiliates have received or will receive customary fees and commissions.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 78,358,000 Offer Shares (subject to adjustment) in Hong Kong as described in the section headed “The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 705,222,000 Offer Shares (subject to adjustment and the Over-allotment Option), (a) within the United States to QIBs in reliance on Rule 144A or another available exemption under the U.S. Securities Act; and (b) outside the United States in offshore transactions in reliance on Regulation S (including to professional and institutional investors within Hong Kong).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S or in the United States to QIBs in reliance on Rule 144A or another available exemption. The International Underwriter is soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section headed “The Hong Kong Public Offering—Reallocation and clawback” below, and in the case of the International Offering only, the Over-allotment Option as described in the section headed “The International Offering—Over-allotment Option” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 78,358,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.90% of the Company’s enlarged share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.

STRUCTURE OF THE GLOBAL OFFERING

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities 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 section headed “Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which 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 Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools (to the nearest board lot) for allocation purposes, with any odd board lot being allocated to Pool A:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) or less.
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of 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 39,178,000, approximately 50% of the 78,358,000 Offer Shares initially available under the Hong Kong Public Offering are liable to be rejected.

STRUCTURE OF THE GLOBAL OFFERING

Reallocation and clawback

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to put in place which have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- (i) 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 of the number of 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 Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 235,074,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
- (ii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of 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 Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 313,432,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
- (iii) if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more 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 Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 391,790,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may in its sole discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Sole Global Coordinator has the authority to reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering in such number as it deems appropriate, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 78,358,000 Shares, representing 10% of the Offer Shares

STRUCTURE OF THE GLOBAL OFFERING

initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 156,716,000 Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$1.50 per Offer Share) stated in this prospectus (subject to a Downward Offer Price Adjustment). Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement, which is expected to be made on Thursday, May 30, 2019.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sole Global Coordinator deems appropriate. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

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 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 Offering, 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 if he has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$1.95 per Offer Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "Pricing of the Global Offering" below, is less than the maximum price of HK\$1.95 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong 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 the 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 OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of 705,222,000 Offer Shares, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme, representing 90% of the total number of Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, 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. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong 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 professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is 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 Offering may change as a result of the clawback arrangement described in “The Hong Kong Public Offering—Reallocation and clawback” above, the exercise of the Over-allotment Option in whole or in part described in the section headed “The International Offering—Over-allotment Option”, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Sole Global Coordinator.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriter exercisable by the Sole Global Coordinator (for itself and on behalf of the International Underwriter).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the Listing Date until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 117,536,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any.

STRUCTURE OF THE GLOBAL OFFERING

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.77% of our Company's enlarged 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.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by the Sole Global Coordinator, its affiliates or any person acting for them in the secondary market and/or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 117,536,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 117,536,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from CDH PE pursuant to the Stock Borrowing Agreement or acquire Shares from other Sources.

If the Stock Borrowing Agreement is entered into, it will only be effected by the Stabilization Manager or its agent for settlement of over-allocations in the International Offering, and the stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Offer Shares so borrowed must be returned to our Company or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules, and regulatory requirements. No payment will be made to our Company by the Stabilization Manager or its agent in relation to such stock borrowing arrangement.

PRICING OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriter will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and

STRUCTURE OF THE GLOBAL OFFERING

institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “bookbuilding” 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 of 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 Friday, May 24, 2019 and in any event on or before Sunday, May 26, 2019, by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK\$1.95 per Share and is expected to be not less than HK\$1.50 per Offer Share (subject to a Downward Offer Price Adjustment) unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK\$1.95 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK\$3,939.31 for one board lot of 2,000 Shares. 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 (subject to a Downward Offer Price Adjustment).

Reduction in indicative Offer Price range and/or number of Offer Shares

The Sole Global Coordinator (for itself and 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 offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.mabpharm.cn) notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering 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. Such notice will also include confirmation or revision, as appropriate, of the

STRUCTURE OF THE GLOBAL OFFERING

Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions, brokerage, SFC transaction levy, Hong Kong Stock Exchange trading fees and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme) are estimated to be approximately HK\$1,068.1 million, assuming an Offer Price per Share of HK\$1.50, or approximately HK\$1,408.3 million, assuming an Offer Price per Share of HK\$1.95 (or if the Over-allotment Option is exercised in full, approximately HK\$1,238.2 million, assuming an Offer Price per Share of HK\$1.50, or approximately HK\$1,629.5 million, assuming an Offer Price per Share of HK\$1.95).

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the indications of interest in the Global Offering, the level of applications in the Hong Kong Public Offering, the results of allocations in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares, are expected to be announced on Thursday, May 30, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.mabpharm.cn).

ANNOUNCEMENT OF OFFER PRICE REDUCTION

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the

STRUCTURE OF THE GLOBAL OFFERING

Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.mabpharm.cn) an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, May 30, 2019. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), on or before 5:00 p.m. on Sunday, May 26, 2019, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next 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 the Hong Kong Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed 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 are expected to be issued on Thursday, May 30, 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, May 31, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

STABILIZATION

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 retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

Following any over-allocation of Shares in connection with the Global Offering, the Sole Global Coordinator, its affiliates or any person acting for them may cover such over-allocation by, among other methods, using Shares purchased by the stabilizing manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares that may be over-allotted will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 117,536,000 Shares, which is approximately 15% of our Offer Shares initially available under the Global Offering.

CICC has been appointed by us as the stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, CICC, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allot or effect transactions with a view to stabilizing or maintaining the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the issue date. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion

STRUCTURE OF THE GLOBAL OFFERING

of the Stabilization Manager, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period. The Stabilization Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

- (i) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of our Shares;
- (ii) in connection with any action described in paragraph (i) above:
 - (A) (1) over-allocate our Shares; or
 - (2) sell or agree to sell our Shares so as to establish a short position in them, for the sole purpose of preventing or minimizing any reduction in the market price of our Shares;
 - (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (A) above;
 - (C) sell or agree to sell any of our Shares acquired by it in the course of the stabilizing action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or
 - (D) offer or attempt to do anything as described in paragraphs (ii)(A)(2), (ii)(B) or (C) above.

The Stabilization Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilization Manager, its affiliates or any person acting for it, which may include a decline in the market price of our Shares.

Stabilization cannot be used to support the price of our Shares for longer than the stabilization period, which begins on the day on which trading of our Shares commences on the Hong Kong Stock Exchange and ends on the earlier of the thirtieth day after (i) the last day for lodging of applications under the Hong Kong Public Offering or (ii) the commencement of trading of our Shares. The stabilization period is expected to expire on Sunday, June 23, 2019, the 30th day after the last day for lodging of applications under the Hong Kong Public Offering, after which an announcement will be made pursuant to section 9 and schedule 3 of the Securities and Futures (Price Stabilizing) Rules made under the SFO. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore then market price, could fall.

Any stabilizing action taken by the Stabilization Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our 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 Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong 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 Friday, May 31, 2019, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Friday, May 31, 2019. Our Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 2181.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW Application Form**;
- apply online via the **White Form eIPO** Service Provider at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or 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 legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his or her representative capacity, and stamped with your corporation's chop.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think 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 **White Form eIPO** 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;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering;
- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

The Company, the Sole Global Coordinator and the designated **White Form eIPO** Service Provider (where applicable) or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

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.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Monday, May 20, 2019, until 12:00 noon on Friday, May 24, 2019 from:

- (i) the following office of the Hong Kong Underwriter:

Hong Kong Underwriter	Address
China International Capital Corporation Hong Kong Securities Limited	29/F One International Finance Center, 1 Harbor View Street, Central, Hong Kong

- (ii) any of the following branches of the receiving banks:

Bank of China (Hong Kong) Limited

District	Branch	Address
Hong Kong Island	Des Voeux Road West Branch	111-119 Des Voeux Road West, Hong Kong
	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom, Kowloon
	Jordan road Branch	1/F, Sino Cheer Plaza, 23-29 Jordan Road, Kowloon
New Territories	Tai Po Branch	68-70 Po Heung Street, Tai Po Market, New Territories
	Yuen Long (Hang Fat Mansion) Branch	8-18 Castle Peak Road, Yuen Long, New Territories

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CMB Wing Lung Bank Limited

<u>District</u>	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	San Po Kong Branch	8 Shung Ling Street

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Monday, May 20, 2019 until 12:00 noon on Friday, May 24, 2019 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 "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED — MABPHARM PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Monday, May 20, 2019 — 9:00 a.m. to 5:00 p.m.
Tuesday, May 21, 2019 — 9:00 a.m. to 5:00 p.m.
Wednesday, May 22, 2019 — 9:00 a.m. to 5:00 p.m.
Thursday, May 23, 2019 — 9:00 a.m. to 5:00 p.m.
Friday, May 24, 2019 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, May 24, 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole 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 Ordinance, 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 Sole Global Coordinator, the Sole Bookrunner, the Underwriters, our or 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 Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank(s), the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, 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 Sole Global Coordinator, the Sole Bookrunner 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- (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 (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (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 our 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 e-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 fulfill the criteria mentioned in "14. Dispatch/collection of Share Certificates and Refund Monies—Personal collection" in this section 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 and the Sole 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 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 **White Form eIPO** 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 (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “2. Who can apply” in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are 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 **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, May 20, 2019 until 11:30 a.m. on Friday, May 24, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, May 24, 2019 or such later time under “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different 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 **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Environmental Protection

The obvious advantage of White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 for each “Mabpharm Limited” White Form eIPO application submitted via the website at www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place Central,
Hong Kong

and complete an input request form.

You can also collect a prospectus from 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 Sole Global Coordinator and our Hong Kong Share Registrar.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Sole 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 our 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;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- agree that none of the Company, the Sole Global Coordinator, the Sole Bookrunner, 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 our Company, the Hong Kong Share Registrar, receiving banks, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters and/or its respective advisors 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 our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our 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 the giving of **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our 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 Ordinance, 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 the Laws of Hong Kong.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 our 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 Hong Kong 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 Hong Kong 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 of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 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:⁽¹⁾

Monday, May 20, 2019 — 9:00 a.m. to 8:30 p.m.
Tuesday, May 21, 2019 — 8:00 a.m. to 8:30 p.m.
Wednesday, May 22, 2019 — 8:00 a.m. to 8:30 p.m.
Thursday, May 23, 2019 — 8:00 a.m. to 8:30 p.m.
Friday, May 24, 2019 — 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, May 20, 2019 until 12:00 noon on Friday, May 24, 2019 (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, May 24, 2019, the last application day or such later time as described in “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 (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 our Company, the Hong Kong Share Registrar, the receiving bank(s), the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters and any of our or their respective advisors 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 **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

HOW TO APPLY FOR THE 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, May 24, 2019.

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 **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**).

If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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 Hong Kong 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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong 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 **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 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.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering—Pricing of the Global Offering” of 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, May 24, 2019. 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, May 24, 2019 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 “Expected Timetable” in this prospectus, 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 Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, May 30, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.mabpharm.cn and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 our Company's website at www.mabpharm.cn and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, May 30, 2019;
- from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, May 30, 2019 to 12:00 midnight on Wednesday, June 5, 2019;
- by telephone enquiry line by calling (852) 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, May 30, 2019 to Sunday, June 2, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours on Thursday, May 30, 2019 to Saturday, June 1, 2019 at all the receiving bank's designated branches.

If our 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" of this prospectus.

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 through the **White Form eIPO** 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the **White Form eIPO** 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 Hong Kong 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 Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes that by accepting your application, it/ they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 39,178,000 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\$1.95 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed "Structure of the Global Offering—Conditions of the Global 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 Hong Kong 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 Thursday, May 30, 2019.

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 Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 Hong Kong 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 before Thursday, May 30, 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, May 31, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting” 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 Public 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 the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, May 30, 2019 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 Hong Kong 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Thursday, May 30, 2019, 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 Thursday, May 30, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, May 30, 2019, 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**

Our 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 "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 Thursday, May 30, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO 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 Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, May 30, 2019, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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 Thursday, May 30, 2019 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-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 Thursday, May 30, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our 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 "11. Publication of Results" above on Thursday, May 30, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, May 30, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

- 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 Thursday, May 30, 2019. 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 Hong Kong 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 Thursday, May 30, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the 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 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 advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the Reporting Accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MABPHARM LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Mabpharm Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-66, which comprises the consolidated statements of financial position of the Group at December 31, 2017 and 2018, the statement of financial position of the Company at December 31, 2018, 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, 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 May 20, 2019 (the “Prospectus”) in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong 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 and presentation set out in Note 1.2 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.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1.2 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, 2017 and 2018, of the Company's financial position at December 31, 2018, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Hong Kong 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-3 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividend was declared or paid by the Company since its incorporation or its subsidiaries in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

May 20, 2019

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 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 (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE EXPENSE

	NOTES	Year ended December 31,	
		2017	2018
		<i>RMB'000</i>	<i>RMB'000</i>
Other income	6	4,798	24,059
Other expenses		(307)	(12,507)
Other gains and losses	7	(2,337)	(2,427)
Research and development expenses		(21,632)	(88,983)
Administrative expenses		(24,900)	(42,128)
Finance cost	8	(3,328)	(4,481)
Listing expenses		—	(26,126)
Loss before tax	9	(47,706)	(152,593)
Income tax credit	10	—	2,834
Loss and total comprehensive expense for the year		<u>(47,706)</u>	<u>(149,759)</u>
Total comprehensive expense attributable to:			
Owners of the Company		(31,064)	(124,883)
Non-controlling interests		<u>(16,642)</u>	<u>(24,876)</u>
		<u>(47,706)</u>	<u>(149,759)</u>
		<i>RMB</i>	<i>RMB</i>
Loss per share	13		
-Basic		<u>(0.02)</u>	<u>(0.06)</u>
-Diluted		<u>N/A</u>	<u>(0.06)</u>

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group		The Company
		At December 31,		At December 31,
		2017	2018	2018
		RMB'000	RMB'000	RMB'000
Non-current assets				
Plant and equipment	15	113,076	122,833	—
Investments in subsidiaries	34(a)	—	—	387,332
Other non-current assets	16	21,131	89,225	—
Rental deposit to a related party	31	—	411	—
		<u>134,207</u>	<u>212,469</u>	<u>387,332</u>
Current assets				
Prepayments and other receivables	17	15,188	20,826	4,453
Amounts due from related parties	31	9,671	668	—
Inventories	18	36,319	27,551	—
Contract costs	19	17,314	12,991	—
Pledged bank deposits	20	—	522	—
Bank balances and cash	20	76,443	198,195	33,033
		<u>154,935</u>	<u>260,753</u>	<u>37,486</u>
Current liabilities				
Trade and other payables	21	13,614	38,262	10,115
Amounts due to related parties	31	4,872	19,526	5,527
Contract liabilities	22	42,367	58,662	—
Loans from a related party	31	10,000	40,000	—
Amounts due to subsidiaries	31	—	—	14,501
		<u>70,853</u>	<u>156,450</u>	<u>30,143</u>
Net Current Assets		<u>84,082</u>	<u>104,303</u>	<u>7,343</u>
Total Assets Less Current Liabilities		<u>218,289</u>	<u>316,772</u>	<u>394,675</u>
Non-current liabilities				
Deferred income	23	—	2,200	—
Loan from a related party	31	65,000	65,000	—
		<u>65,000</u>	<u>67,200</u>	<u>—</u>
Net Assets		<u>153,289</u>	<u>249,572</u>	<u>394,675</u>
Capital and reserves				
Paid-in/share capital	24	126,608	51	51
Reserves		<u>(26,795)</u>	<u>249,521</u>	<u>394,624</u>
Equity attributable to owners of the Company		99,813	249,572	394,675
Non-controlling interests	33.2	<u>53,476</u>	<u>—</u>	<u>—</u>
Total Equity		<u>153,289</u>	<u>249,572</u>	<u>394,675</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company								Total equity
	Share capital	Share premium	Paid-in capital	Other reserve	Share option reserve	Accumulated profit (losses)	subtotal	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2017	—	—	126,608	(4,558)	—	(17,824)	104,226	55,840	160,066
Loss and total comprehensive expense for the year	—	—	—	—	—	(31,064)	(31,064)	(16,642)	(47,706)
Contribution from a related party (Note d)	—	—	—	6,511	—	—	6,511	3,489	10,000
Loss for year from the Clinical Business transfer to other reserve (Note b)	—	—	—	(16,183)	—	16,183	—	—	—
Net contribution by Biomabs (Note a)	—	—	—	20,140	—	—	20,140	10,789	30,929
At December 31, 2017	—	—	126,608	5,910	—	(32,705)	99,813	53,476	153,289
Loss and total comprehensive expense for the year	—	—	—	—	—	(124,883)	(124,883)	(24,876)	(149,759)
Contribution from a related party (Note d)	—	—	—	10,418	—	—	10,418	5,582	16,000
Loss for year from the Clinical Business transfer to other reserve (Note b)	—	—	—	(23,994)	—	23,994	—	—	—
Net contribution by Biomabs (Note a)	—	—	—	7,775	—	—	7,775	4,165	11,940
Issue of ordinary shares	51	410,433	—	—	—	—	410,484	—	410,484
Effect of Group Reorganization (Note c)	—	—	(126,608)	(32,872)	—	—	(159,480)	(38,347)	(197,827)
Recognition of equity-settled share-based compensation	—	—	—	—	5,445	—	5,445	—	5,445
At December 31, 2018	51	410,433	—	(32,763)	5,445	(133,594)	249,572	—	249,572

Notes:

- a. The net contribution from Shanghai Biomabs Pharmaceuticals Co., Ltd. (“Biomabs”) represents the funding used in the clinical research and development activities carried out by Biomabs (“Clinical Business”), which was provided by Biomabs prior to the Business Transfer (as defined in Note 1.2).
- b. The loss in respect of the operations of the Clinical Business carried out by Biomabs prior to the Business Transfer legally belonged to Biomabs. Therefore, the net loss in respect of the Clinical Business was transferred to other reserve as such loss is non-distributable.
- c. As part of the Group Reorganization (as defined in Note 1.2), Mabpharm (HK) Limited (“Mabpharm HK”) acquired Taizhou Mabtech Pharmaceutical Limited (泰州邁博太科藥業有限公司) (“Taizhou Pharmaceutical”) and Taizhou Mabtech Biotechnology Limited (泰州邁博太科生物技術有限公司) (“Taizhou Biotech”) from Mabtech Holdings Limited at a total cash consideration of RMB194,993,000. The difference between the cash consideration and the combined paid-in capital of RMB126,608,000 of Taizhou Pharmaceutical and Taizhou Biotech attributable to owners of the Company and non-controlling interests of RMB38,347,000 in Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business were transferred to other reserve.

The tax effect of RMB2,834,000 of the assets of the Clinical Business contributed by Biomabs was debited to other reserve.

- d. The contribution represented the amounts paid by Biomabs to Taizhou Pharmaceutical for the service rendered by Taizhou Pharmaceutical to the Clinical Business prior to the completion of the Business Transfer. Since the Clinical Business had been consolidated into the Group, these payments were accounted for as contribution from a related party to the Group.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Prior to the Business Transfer, the Clinical Business was operated under Biomabs and no separate bank accounts were maintained by the Clinical Business. The treasury and cash disbursement functions of the Clinical Business were centrally administrated by Biomabs. The net cash flows generated by the Clinical Business were kept in the bank accounts of Biomabs, which is reflected in "Cash injected for the Clinical Business by Biomabs" under cash flow. Accordingly, the funds provided for or withdrawn from Biomabs were presented as movements in the equity while there are no cash and cash equivalents balance for the Clinical Business.

For the purpose of presenting a completed set of Historical Financial Information of the Group, the following comprises the information of cash inflow/outflow of the Group and the Clinical Business received/paid by Biomabs prior to the Business Transfer.

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Loss before tax	(47,706)	(152,593)
Adjustments for:		
Bank interest income	(108)	(132)
Finance cost	3,328	4,481
Depreciation of plant and equipment	10,080	11,716
Net foreign exchange loss	2,337	2,427
Write down of inventories	—	839
Share-based payment expenses	—	5,445
Operating cash flows before movements in working capital	(32,069)	(127,817)
(Increase) decrease in inventories	(33,380)	7,929
(Increase) decrease in contract costs	(14,825)	4,838
(Increase) decrease in amounts due from related parties	(484)	73
Increase in prepayments and other receivables	(11,632)	(1,185)
Increase in other non-current assets	(4,183)	(3,427)
(Decrease) increase in amounts due to related parties	(11,303)	12,528
Increase in trade and other payables	387	26,692
Increase in contract liabilities	42,367	16,295
Increase in deferred income	—	2,200
NET CASH USED IN OPERATING ACTIVITIES	(65,122)	(61,874)

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
INVESTING ACTIVITIES		
Interest received from bank	108	132
Purchase of plant and equipment	(13,129)	(49,787)
Payment for acquisition of a land use right	—	(38,110)
Deposit paid for construction of production facilities	—	(3,000)
Advance to a related party	(576)	—
Repayment from a related party	—	8,581
Withdraw of pledged bank deposits	—	6,624
Placement of pledged bank deposits	—	(7,146)
NET CASH USED IN INVESTING ACTIVITIES	(13,597)	(82,706)
FINANCING ACTIVITIES		
Interest paid	(2,822)	(2,566)
Issue costs paid	—	(2,106)
Acquisition of entities under common control	—	(194,993)
Loans obtained from related parties	10,000	30,000
Repayment to a related party	(281)	—
Proceeds from the issue of the Company's ordinary shares	—	410,484
Contribution from a related party	10,000	16,000
NET CASH FROM FINANCING ACTIVITIES	16,897	256,819
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(61,822)	112,239
Cash injected for the Clinical Business by Biomabs	30,929	11,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	109,673	76,443
Effects of exchange rate changes on the balances of cash held in foreign currencies	(2,337)	(2,427)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	76,443	198,195

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION, GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION****1.1 General Information**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 1, 2018. The address of the registered office and the principal place of business of the Company are set out in the section headed “Corporate Information” to the Prospectus. The Company is an investment holding company. The Group is principally engaged in research, development and production of monoclonal antibody drugs for cancers and autoimmune diseases.

The immediate holding company of the Company is Asia Mabtech Limited, a limited liability company incorporated in the British Virgin Islands, which is ultimately controlled by Mr. Guo Jianjun.

The functional currency of the Company is RMB, which is the same as the presentation currency of the Historical Financial Information.

1.2 Group reorganization and basis of preparation and presentation of the Historical Financial Information

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 3 which conforms with IFRSs and the principles of merger accounting (details are set out below).

The companies and business comprising the Group underwent a group reorganization as described below (the “Group Reorganization”).

The major steps of the Group Reorganization comprised the following steps:

- On June 1, 2018, the Company was incorporated in the Cayman Islands with an authorized share capital of US Dollar (“US\$”) 50,000 divided into 500,000,000 shares of US\$0.0001 each and 1 share of which was issued to a nominal shareholder and was subsequently transferred to Asia Mabtech Limited.
- On June 8, 2018, the Company incorporated Mabpharm Holdings Limited (“Mabpharm Holdings”) in the British Virgin Islands with an issued capital of US\$1.
- On June 27, 2018, the Company issued 46,249,999 and 3,750,000 shares to Asia Mabtech Limited and United Circuit Limited which are ultimately controlled by Mr. Guo Jianjun at US\$0.0001 per share, respectively. The total cash consideration of such issue is US\$5,000 (equivalent to RMB34,000).

- On July 5, 2018, Mabpharm Holdings incorporated Mabpharm HK in Hong Kong with an issued capital of Hong Kong Dollars (“HK\$”) 1.
- On July 20, 2018, the Company issued 25,000,000 shares to a group of non-controlling shareholders of the Company at a total cash consideration of approximately US\$60.0 million (equivalent to RMB410,450,000).
- On July 25, 2018, Mabpharm HK entered into a share transfer agreement with Mabtech Holdings Limited, which is ultimately controlled by Mr. Guo Jianjun through the trust arrangement with Ms. Gu Nana. Pursuant to the agreement, Mabpharm HK acquired the entire equity interests of Taizhou Pharmaceutical and Taizhou Biotech from Mabtech Holdings Limited at a cash consideration of US\$20,000,000 and US\$8,700,000, respectively (totaling US\$28,700,000 which is equivalent to RMB194,993,000). Such consideration was funded by the Company through a loan to Mabpharm HK.
- On August 13, 2018, the Company and Taizhou Pharmaceutical entered into a business spin-off agreement with Sinomab Limited and its subsidiary, Biomabs, pursuant to which, Biomabs transferred its Clinical Business, which was principally engaged in clinical research and development of monoclonal antibody drugs, namely CMAB007 (omalizumab) and CMAB008 (infliximab) during the Track Record Period, to the Company and Taizhou Pharmaceutical (“Business Transfer”) at nil consideration. The transfer of the operations of the Clinical Business was completed on August 18, 2018.
- On August 13, 2018, the Company entered into an exclusive licensing agreement with Sinomab Limited, pursuant to which, Sinomab Limited exclusively licensed its interests in CMAB007 and CMAB008 in the People’s Republic of China (the “PRC”) to the Company at nil consideration.
- On August 13, 2018, the Company entered into a drug technology transfer agreement with Sinomab Limited, pursuant to which, Sinomab Limited shall transfer its rights and interests in CMAB007, CMAB008 and CMAB009 (cetuximab) in the overseas areas (excluding North America, Japan and Europe) to the Company at nil consideration.
- On August 28, 2018, Taizhou Pharmaceutical established Shanghai Shengheng Biotechnology Limited (上海晟珩生物技術有限公司) (“Shengheng Biotech”) in the PRC with a paid-in capital of RMB5,000,000.

Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business are under common control of Mr. Guo Jianjun before and after the Group Reorganization. Therefore, the acquisition of Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business are accounted for as business combination under common control by applying the principles of merger accounting.

The consolidated statement of financial position of the Group at December 31, 2017 has been prepared to present the assets and liabilities of the entities comprising the Group and of the Clinical Business, on the basis mentioned below, as if Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business had been operated under a group at the beginning of the Track Record Period with consideration of the controlling interest of Mr. Guo Jianjun in these entities and business.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the entities comprising the Group and of the Clinical Business, on the basis stated below, as if Taizhou Pharmaceutical, Taizhou Biotech and the Clinical Business had been operated under a group since the beginning of the Track Record Period with consideration of the controlling interest of Mr. Guo Jianjun in these entities and business.

To the extent the assets, liabilities, income and expenses that are specifically identified to the Clinical Business, such items are included in the Historical Financial Information throughout the Track Record Period. To the extent the assets, liabilities, income and expenses that are impracticable to identify specifically, these items are allocated to the Clinical Business on the basis set out below (such items include certain administrative expenses). Items that do not meet the criteria above are not included in the Historical Financial Information of the Group.

Expenses which are impracticable to identify specifically to the Clinical Business are determined on the following basis: (1) included in the administrative expenses are administrative and support department staff salaries and staff welfare which were allocated based on the percentage of headcount of the Clinical Business to the total headcount of Biomabs; (2) income tax expense was calculated based on the tax rate of Biomabs as if the Clinical Business is a separate tax reporting entity. The directors of the Company believe that the method of allocation of the above expense items presents a reasonable basis of estimating what the Clinical Business's operating results would have been on a stand-alone basis for the Track Record Period. Other than those items mentioned above, all other items of assets and liabilities, income and expenses of the Clinical Business are specifically identified.

No audited statutory financial statements of the Company have been prepared since the date of incorporation of the Company as the Company is incorporated in the jurisdiction where there is no statutory audit requirement.

2. APPLICATION OF NEW AND REVISED IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs (including IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments"), which are effective for the financial year beginning on January 1, 2018 throughout the Track Record Period.

New and amendments to standards and interpretations issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 3	Definition of a Business ⁴
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
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 Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 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 combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2020

⁵ Effective for annual periods beginning on or after January 1, 2020

Except as disclosed below, the directors of the Company anticipate that application of other new and amendments to IFRSs will have no material impact to the Group's financial position and financial performance in the foreseeable future.

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. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to sublease and lease modifications.

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 recognized 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 remeasurement 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 operating lease payments as operating cash flows. Upon application of 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 by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

At December 31, 2018, the Group made prepayments for a leasehold land where the Group is a lessee. Upon the commencement of the lease, the application of IFRS 16 may result in potential changes in classification of this prepaid lease payment 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.

Furthermore, extensive disclosures are required by IFRS 16.

At December 31, 2018, the Group has non-cancellable operating lease commitments of approximately RMB67,711,000 as disclosed in Note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognize 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 at December 31, 2018 as rights and obligations 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 amortized 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.

The application of new requirements will result changes in measurement, presentation and disclosure as indicated above. The management of the Group assessed that such changes would increase the consolidated assets and consolidated liabilities of the Group, but would not result in a significant impact to the financial performance of the Group upon adoption of IFRS 16.

The Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 “Determining whether an Arrangement contains a Lease”, which already existed prior to the date of initial application. Meanwhile, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). Furthermore, the Group elected the modified retrospective approach for the application of IFRS 16 as lessee and recognised the cumulative effect of initial application to opening accumulated losses without restating comparative information.

3. 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 Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis 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 IFRS2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable 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 categorized 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 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.

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.

Merger accounting for business combination involving entities and businesses under common control

The Historical Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the common control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or business first came under the common control combination, where this is a shorter period, regardless of the date of the common control combination.

Investments in subsidiaries

Investments in subsidiaries are included in the statement of financial position of the Company at cost less any identified impairment losses.

Revenue recognition

Revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the asset.

Upfront payment received by the Group is initially recognized as contract liabilities. Revenue from intellectual property transfer is recognized at a point in time upon delivery and acceptance of the intellectual property by the customer.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group incurs costs to fulfill a contract from arrangement to transfer intellectual property. The Group first assesses whether these contract costs qualify for recognition as an asset in terms of other relevant IFRSs, failing which it recognizes 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 recognized is subsequently amortized 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 also subject to impairment review.

Leases

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 are recognized as an expenses on a straight-line basis over the lease term.

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 recognized at the rates of exchanges prevailing on 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 recognized in profit or loss in the period in which they arise.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred. There were no borrowing costs eligible to be capitalized into plant and equipment during the Track Record Period.

Government grants

Government grants are not recognized 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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Some of the grants related to income have future related costs expected to be incurred, and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss when related costs are subsequently incurred and the Group received government acknowledge of compliance.

Other government grants related to income 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 recognized in profit or loss in the period in which they become receivable.

Plant and equipment

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of 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 plant and equipment is derecognized 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 plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset 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 asset;
- how 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 recognized 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 recognized, development expenditure is recognized 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 amortization and accumulated impairment losses (if any).

Retirement benefit 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 recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Equity-settled share-based payment transactions*Share options granted to employees*

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments is determined at the grant date without taking into consideration all non-market vesting conditions. Market vesting conditions are taken into consideration in estimating the grant date fair value of the equity-settled share-based payments, and the grant date fair value is not subsequently revised. The equity-settled share-based payments 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 estimates of the number of equity instruments expected to vest and the length of expected vesting period. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimates, with a corresponding adjustment to the share option reserve.

When the share options are exercised, the amount previously recognized 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 recognized 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 year. 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 current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each 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 each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized in profit or loss.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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. 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 recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, 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 recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Raw materials are stated at the lower of cost and net realizable value. Cost of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

*Financial assets**Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms 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.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized 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 recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (“ECL”) on financial assets that are subject to impairment under IFRS 9 (including trade receivables, pledged bank deposits, bank balances, loan to a subsidiary and amounts due from related parties). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done 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 conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables. The ECL on these financial assets are assessed on individual basis, including their credit loss history, adjusted for factors that are specific to each of 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 instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;
- 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 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 foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) the debt 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 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

For internal credit risk management, the Group considers an event of default occurs when 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

A financial asset is credit-impaired when one or more events of default 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 reorganization.

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 trade 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized 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. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

The Group derecognizes 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 amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

*Financial liabilities and equity**Classification as debt or equity*

Debt and equity instruments 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 the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities including trade and other payables, amounts due to related parties, loans from a related party and amounts due to subsidiaries are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the management of the Group is required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 estimations (see below), that the management of the Group has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Research and development expenses

Development expenses incurred on the Group's drug product pipelines are capitalized 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. Determining the amounts to be capitalized requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the Track Record Period, all expenses incurred for research and development activities were expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months are disclosed below.

Useful lives of plant and equipment

The Group determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its plant and equipment. This estimate is reference to useful lives of plant and equipment of similar nature and functions in the industry. The Group 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, 2017 and 2018, the carrying amounts of plant and equipment are approximately RMB113 million and RMB123 million, respectively.

5. REVENUE AND SEGMENT INFORMATION

Intellectual property transfer agreement with a customer

In December 2016, the Group entered into an agreement with a third party customer for transferring of an intellectual property in relation to CMAB806 at a consideration of RMB 65,180,000 (“Intellectual Property Transfer Agreement”). Upon the Group transfers the control of rights of the intellectual property to the customer, the Group will recognize revenue. The Group did not recognize revenue from this contract during the Track Record Period since the control of rights of the intellectual property had not been transferred to the customer. The research and development cost amounting to RMB10,407,000 incurred on this intellectual property before the Group entered into the Intellectual Property Transfer Agreement with the customer were all charged to profit or loss. While, after the inception of the Intellectual Property Transfer Agreement, the research and development cost incurred on this intellectual property, amounting to RMB9,015,000 and RMB12,991,000 at December 31, 2017 and 2018, were capitalized as cost to fulfil the contract and were included in contract costs in the consolidated statements of financial position, respectively.

Unsatisfied performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied at the end of each reporting periods:

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Intellectual property transfer	<u>65,180</u>	<u>65,180</u>

The Group expects that 100% of the transaction price allocated to the unsatisfied contract at December 31, 2018 will be recognized as revenue within two years from December 31, 2018.

For the purpose of resources allocation and performance assessment, the key management of the entities and business comprising the Group, 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.

The Group did not record any revenue during the Track Record Period and the Group's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

6. OTHER INCOME

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	108	132
Government grants and subsidies related to income	4,057	9,694
Income from preparation process service (<i>Note a</i>)		
— related parties (<i>Note b</i>)	557	13,968
— third party	<u>76</u>	<u>265</u>
	<u>4,798</u>	<u>24,059</u>

Notes:

- a. Preparation process includes process parameters, process formulation and sample products prepared through the established process for drug manufacturing. The Group provided preparation process service to its related parties and a third party. Such income is recognized at a point in time upon the delivery of the process report and sample products to the counterparties and recorded in the "Other income" line item in profit or loss; and the relevant costs were included in "Other expenses" line item.
- b. Details of the related party service income are set out in Note 31.

7. OTHER GAINS AND LOSSES

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange loss	<u>(2,337)</u>	<u>(2,427)</u>

8. FINANCE COST

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on related party loans	<u>3,328</u>	<u>4,481</u>

Details of the interest on related party loans are set out in Note 31.

9. LOSS BEFORE TAX

Loss before tax for the year has been arrived at after charging:

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation for plant and equipment	11,134	12,231
Less: capitalized in contract costs	<u>(1,054)</u>	<u>(515)</u>
	<u>10,080</u>	<u>11,716</u>
Write downs of inventories recognized as an expense	—	839
Staff cost (including directors' emoluments):		
— Salaries and other benefits	22,186	33,793
— Retirement benefit scheme contributions	2,456	3,372
— Share-based payment expenses	—	5,445
— Consultation fee	<u>85</u>	<u>481</u>
	24,727	43,091
Less: capitalized in contract costs	<u>(4,591)</u>	<u>(2,090)</u>
	<u>20,136</u>	<u>41,001</u>
Auditors' remuneration	21	2,658
Minimum operating lease payment in respect of rented premises	2,372	5,200
Less: capitalized in contract costs	<u>(898)</u>	<u>(158)</u>
	<u>1,474</u>	<u>5,042</u>
Cost of inventories recognized as expense (included in research and development cost)	<u>2,539</u>	<u>27,259</u>

10. INCOME TAX EXPENSE

Under the Law of the PRC of Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiaries is 25% throughout the Track Record Period.

The EIT of the Clinical Business is estimated by treating the Clinical Business as a separate tax payer using the tax rate of Biomabs at 25% throughout the Track Record Period.

Taizhou Pharmaceutical was accredited as a “High and New Technology Enterprise” in November 2018 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2018. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC for every three years.

Pursuant to Caishui [2015] circular No. 119, Taizhou Pharmaceutical enjoys super deduction of 150% and 175% on qualifying research and development expenditures during the year ended December 31, 2017 and 2018, respectively.

Pursuant to Caishui [2018] circular No. 76, Taizhou Pharmaceutical can carry forward its unutilised tax losses for up to ten years. This extension of expiration period applies to all the unutilised tax losses that were carried forward by Taizhou Pharmaceutical at the effective date of the tax circular.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statements of profit or loss and other comprehensive expense as follows:

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	(47,706)	(152,593)
Income tax credit calculated at 25%	(11,927)	(38,148)
Tax effect of expenses not deductible for tax purpose	6,151	11,945
Effect of research and development expenses that are additionally deducted	(676)	(3,144)
Tax effect of tax losses and deductible temporary differences not recognized	6,452	24,624
Effect of different tax rates of subsidiaries operating in other jurisdictions	—	1,889
Income tax credit recognized in profit or loss	—	(2,834)

The Group has unused tax losses of RMB51,802,000 and RMB117,345,000 available for offset against future profits as of December 31, 2017 and 2018, respectively. The Group had deductible temporary differences of RMB1,063,000 and RMB34,014,000 at December 31, 2017 and 2018, respectively, which are mainly related to unpaid finance expenses, deferred income and accrued expenses. Deferred taxation had not been recognized on the unused tax losses and deductible temporary differences due to the unpredictability of future profit streams.

The unrecognized tax losses will be carried forward and expire in years as follows:

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
2021	26,500	406
2022	25,302	7,364
2023	—	12,146
2026	—	26,094
2027	—	17,938
2028	—	53,397
	<u>51,802</u>	<u>117,345</u>

11. DIRECTORS AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group (including those as employees or advisor of the entities/business now comprising the Group prior to be the directors of the Company) during the Track Record Period are as follows:

	Fees	Salaries and other benefits	Retirement Benefit scheme contributions	Share-based payment expenses	Consultation fee	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the Year ended						
December 31, 2017						
Executive directors						
Dr. Wang Hao (<i>Note</i>)	—	93	7	—	—	100
Dr. Li Jing	—	519	46	—	—	565
Dr. Qian Weizhu	—	555	45	—	—	600
Mr. Li Yunfeng	—	340	21	—	—	361
Non-executive directors						
Mr. Jiao Shuge	—	—	—	—	—	—
Mr. Guo Jianjun	—	—	—	—	85	85
	<u>—</u>	<u>1,507</u>	<u>119</u>	<u>—</u>	<u>85</u>	<u>1,711</u>

	Fees	Salaries and other benefits	Retirement benefit scheme contributions	Share-based payment expenses	Consultation fee	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended						
December 31, 2018						
Executive directors						
Dr. Wang Hao (<i>Note</i>)	—	577	28	1,619	—	2,224
Dr. Li Jing	—	533	50	211	—	794
Dr. Qian Weizhu	—	595	50	1,933	—	2,578
Mr. Li Yunfeng	—	534	33	211	—	778
Non-executive directors						
Mr. Jiao Shuge	—	—	—	—	—	—
Mr. Guo Jianjun	—	—	—	—	481	481
	—	2,239	161	3,974	481	6,855

Note: Dr. Wang Hao joined the Group in January 2017 but resigned in March 2017. He rejoined the Group in June 2018 and was appointed as the director of the Company on July 20, 2018.

The executive directors' emoluments shown above were for his/her service in connection with the management of the affairs of the Company and the Group while the non-executive directors' emoluments to Mr. Guo Jianjun were for his advisory services provided to the Group.

The individuals were appointed as directors of the Company on July 20, 2018 except for Mr. Guo Jianjun on June 1, 2018.

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. No director of the Company has waived any emoluments during the Track Record Period.

12. FIVE HIGHEST PAID INDIVIDUALS

The five highest paid individuals of the Group included one and four directors of the Company for the years ended December 31, 2017 and 2018, respectively. Details of whose remuneration are set out in Note 11 above. The details of remuneration for the remaining four and one highest paid employees of the Group for the years ended December 31, 2017 and 2018, respectively, are as follows:

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	2,331	537
Retirement benefit scheme contributions	182	50
Share-based payment expenses	—	211
	<u>2,513</u>	<u>798</u>

The emoluments of these individuals (including the directors) are within the following bands:

	Year ended	
	December 31,	
	2017	2018
	<i>No. of</i>	<i>No. of</i>
	<i>employees</i>	<i>employees</i>
Nil to HK\$1,000,000	5	3
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	—	1
	<u>5</u>	<u>5</u>

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Loss:		
Loss for the purpose of calculating basic and diluted loss per share	<u>(31,064)</u>	<u>(124,883)</u>
	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Number of shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>1,450,100</u>	<u>2,212,075</u>

The computation of basic loss per share for the years ended December 31, 2017 and basic and diluted loss per share for the year ended December 31, 2018 is based on weighted average number of shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Group Reorganization as disclosed in Note 1.2 and the Capitalization Issue as disclosed in Note 36 had been in effect on January 1, 2017.

No diluted loss per share was presented for the year ended December 31, 2017 as there were no potential dilutive ordinary shares in issue. The computation of diluted loss per share for the year ended December 31, 2018 did not assume the exercise of the pre-IPO share options since their inclusion would be anti-dilutive.

14. DIVIDENDS

No dividend was paid or declared by the Company since its incorporation or its subsidiaries in respect of the Track Record Period.

15. PLANT AND EQUIPMENT

	Transportation equipment	Furniture, fixtures and machinery	Leasehold improvement	Construction in progress (or "CIP")	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST					
At January 1, 2017	374	82,943	34,114	7,005	124,436
Additions	148	363	—	2,780	3,291
Transfer	—	8,767	43	(8,810)	—
At December 31, 2017	522	92,073	34,157	975	127,727
Additions	—	3,317	—	18,671	21,988
Transfer	—	3,453	—	(3,453)	—
At December 31, 2018	522	98,843	34,157	16,193	149,715
DEPRECIATION AND IMPAIRMENT					
At January 1, 2017	(52)	(2,748)	(717)	—	(3,517)
Provided for the year	(73)	(9,339)	(1,722)	—	(11,134)
At December 31, 2017	(125)	(12,087)	(2,439)	—	(14,651)
Provided for the year	(99)	(10,409)	(1,723)	—	(12,231)
At December 31, 2018	(224)	(22,496)	(4,162)	—	(26,882)
CARRYING VALUES					
At December 31, 2017	397	79,986	31,718	975	113,076
At December 31, 2018	298	76,347	29,995	16,193	122,833

The above items of plant and equipment other than CIP are depreciated on a straight-line basis after taking into account of the residual value as follows:

Transportation equipment	19% per annum
Furniture, fixtures and machinery	9.5% - 20% per annum
Leasehold improvement	over the shorter of the lease term or 20 years

16. OTHER NON-CURRENT ASSETS

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayment for acquisition of plant and equipment	4,682	28,239
Prepayment for acquisition of land use right (<i>Note</i>)	—	38,110
Deposit for construction of production facilities (<i>Note</i>)	—	3,000
VAT recoverable	16,449	19,813
Others	—	63
	<u>21,131</u>	<u>89,225</u>

Note: In March 2018, the Group entered into a purchase agreement with the land and resources bureau in Taizhou, the PRC to obtain a land use right located in Taizhou, with a total area of 100,746 square meters, for a total cash consideration of RMB37,000,000. Accordingly, the Group made a prepayment of RMB37,000,000 and relevant tax of RMB1,110,000 to secure the land use right. In addition, the Group paid a deposit of RMB3,000,000 related to the construction of production facilities. In January 2019, the Group obtained the title of land use right.

17. PREPAYMENTS AND OTHER RECEIVABLES

The Group

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables	775	1,604
Prepayments for research and development services	10,409	12,924
Other deposits and prepayments	1,113	1,845
VAT recoverable	2,891	—
Deferred issue costs	—	4,453
	<u>15,188</u>	<u>20,826</u>

The Company

	At December 31, 2018
	<i>RMB'000</i>
Deferred issue costs	<u>4,453</u>

18. INVENTORIES

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and consumables	<u>36,319</u>	<u>27,551</u>

19. CONTRACT COSTS

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Cost to fulfil contracts	<u>17,314</u>	<u>12,991</u>

20. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH**Pledged bank deposits**

The deposits are pledged to a bank as collateral for the issue of euro ("EUR") letter of credit by the bank in connection with the purchase of plant and equipment by the Group, which carry interest at a fixed rate of 0.01% per annum at December 31, 2018.

Bank balances and cash

Bank balances and cash comprise of cash held by the Group and the Company; and short-term bank deposits with an original maturity of three months or less. The bank deposits carry interest at market rates which ranged from 0.05% to 0.35% and 0.01% to 0.35% per annum during the years ended December 31, 2017 and 2018, respectively.

Bank balances and cash and pledged bank deposits that are denominated in currencies other than RMB are set out below:

The Group

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
US\$	62,011	173,102
EUR	—	522
Singapore dollars (“SGD\$”)	—	9
	<u> </u>	<u> </u>

The Company

	<u>At December 31,</u>	
	<u>2018</u>	
	<i>RMB'000</i>	
US\$		33,024
SGD\$		9
		<u> </u>

21. TRADE AND OTHER PAYABLES**The Group**

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,092	11,677
Other payables	7,356	5,669
Salary and bonus payables	4,448	9,046
Other taxes payable	718	1,755
Accrued listing expenses and issue costs	—	10,115
	<u>13,614</u>	<u>38,262</u>

Payment terms with suppliers are mainly on credit with 60 days from the time when the goods and/or services are received from the suppliers. The aging analysis of the trade payables presented based on the receipt of goods/services by the Group at the end of each reporting period is as follows:

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	625	10,939
Over 60 days but within 1 year	422	668
Over 1 year	<u>45</u>	<u>70</u>
	<u>1,092</u>	<u>11,677</u>

The Company

	<u>At December 31,</u>	
	<u>2018</u>	
	<i>RMB'000</i>	
Accrued listing expenses and issue costs		<u>10,115</u>

22. CONTRACT LIABILITIES

	<u>At January 1,</u>	<u>At December 31,</u>	
	<u>2017</u>	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts received in advance for intellectual property transfer	<u>—</u>	<u>42,367</u>	<u>58,662</u>

23. DEFERRED INCOME

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Income related government grants - non current	<u>—</u>	<u>2,200</u>

Movement of income related government grants:

	<i>RMB'000</i>
At January 1, 2017 and December 31, 2017	—
Government grant received	2,200
Credited to profit or loss	—
At December 31, 2018	<u>2,200</u>

During the year ended December 31, 2018, the Group received government grants of RMB2,200,000, to compensate for the expense of Group's research projects. The grants related to income were recognized in profit or loss upon the Group complied with the conditions attached to the grants and the government acknowledged acceptance.

24. PAID-IN/SHARE CAPITAL

For the purpose of presenting the paid-in capital of the Group prior to the completion of the Group Reorganization in the consolidated statements of financial position, the balance at December 31, 2017 represented the combined paid-in capital of Taizhou Pharmaceutical and Taizhou Biotech attributable to owners of the Company. The share capital at December 31, 2018 represented the share capital of the Company following the completion of Group Reorganization.

The Company was incorporated and registered as an exempted company in the Cayman Islands on June 1, 2018 with an authorized share capital of US\$ 50,000 divided into 500,000,000 shares of a par value of US\$ 0.0001 each.

The details of the movement of the Company's authorized and issued ordinary shares are set out as below:

	Authorized number of shares	US\$
Ordinary shares of US\$0.0001 each		
At June 1, 2018 (date of incorporation) and December 31, 2018	<u>500,000,000</u>	<u>50,000</u>

	Issued and fully paid number of shares	US\$	Shown in the statements of financial position as <i>RMB'000</i>
Ordinary shares of US\$0.0001 each			
At June 1, 2018 (date of incorporation)	1	—	—
Ordinary shares issued (<i>Note</i>)	<u>74,999,999</u>	<u>7,500</u>	<u>51</u>
At December 31, 2018	<u><u>75,000,000</u></u>	<u><u>7,500</u></u>	<u><u>51</u></u>

Note: Details of the ordinary shares issued are set out in Note 1.2.

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of debts, which includes loans from a related party, amounts due to related parties and net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debts.

26. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments****The Group**

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets		
Financial assets measured at amortized cost	<u>86,889</u>	<u>203,989</u>
Financial liabilities		
Financial liabilities measured at amortized cost	<u>88,320</u>	<u>151,987</u>

The Company

	At December 31,	
	2018	
	<i>RMB'000</i>	
Financial assets		
Financial assets measured at amortized cost		<u>33,033</u>
Financial liabilities		
Financial liabilities measured at amortized cost		<u>30,143</u>

(b) Financial risk management objectives and policies

The Group's and the Company's major financial assets and financial liabilities include other receivables, amounts due from related parties, bank balances and cash, pledged bank deposits, trade and other payables, amounts due to related parties, loans from a related party, loan to a subsidiary and amounts due to subsidiaries. Details of these financial assets and financial liabilities are disclosed in respective notes. The risks associated with these financial assets and financial liabilities 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

The Group's and the Company's activities expose it primarily to currency risk and interest rate risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it manages and measures the risks.

Currency risk

Certain bank balances and cash and pledged bank deposits are denominated in foreign currencies of respective group entities which are exposed to foreign currency risk. The Group and the Company currently do not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets at the end of each reporting period are mainly as follows:

The Group

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Assets		
US\$	62,011	173,102
EUR	—	522
SGD\$	—	9
	<u> </u>	<u> </u>

The Company

	At December 31,	
	2018	
	<i>RMB'000</i>	
Assets		
US\$		33,024
SGD\$		9
		<u> </u>

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US\$, the foreign currency with which the Group and the Company may have a material exposure. No sensitivity analysis has been disclosed for the EUR or SGD\$ denominated assets as the impact on profit or loss is insignificant. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates an increase/decrease in loss where RMB strengthens 5% against US\$. For a 5% weakening of RMB against US\$, there would be an equal and opposite impact on loss for the year.

The Group

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Impact on profit or loss		
US\$	<u>(3,101)</u>	<u>(8,655)</u>

The Company

	At December 31,	
	2018	
	<i>RMB'000</i>	
Impact on profit or loss		
US\$		<u>(1,651)</u>

In the opinion of the director of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposures do not reflect the exposure during the year.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits. The Company is exposed to fair value interest rate risk in relation to fixed-rate loan to a subsidiary. The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate loans from related parties and bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for loans from related parties at the end of each reporting period. The analysis is prepared assuming the amounts of these financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease in the interest rate of the loans from related parties is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible changes in interest rates.

If the interest rate had been 50 basis points higher/lower for variable-rate loans from related parties, with all other variables held constant, the Group's loss before tax would increase/decrease by RMB375,000 and RMB525,000 for the years ended December 31, 2017 and 2018, respectively.

Bank balances and pledged bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances and pledged bank deposits is insignificant because the current market interest rates are relatively low and stable.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of the financial position.

In order to minimize credit risk, the Group has tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group individually reviews the recoverable amount of each trade receivables periodically and the management of the Group also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk on trade receivables is significantly reduced.

The Group's current credit risk grading framework for financial assets excluding trade receivables comprises the following categories:

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past due amounts within 1 year	12-months ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired
Write-off	Amount is >5 years past due or there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The Group's and the Company's credit risk is primarily attributable to pledged bank deposits, bank balances, other receivables, deposit included in other non-current assets and amounts due from related parties. However, the expected credit loss on pledged bank deposits, bank balances, other receivables, deposit included in other non-current assets and amounts due from related parties is insignificant because the counterparties are mainly related parties, local government and banks with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Weighted average effective interest rate	Less than 1 year or on demand	1 to 5 years	Total undiscounted cash flows	Carrying amount
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2017					
Amounts due to related parties	N/A	4,872	—	4,872	4,872
Trade and other payables	N/A	8,448	—	8,448	8,448
Loans from related parties — variable interest rate	4.35	10,435	—	10,435	10,000
Loans from related parties — variable interest rate	4.75	—	<u>76,809</u>	<u>76,809</u>	<u>65,000</u>
		<u>23,755</u>	<u>76,809</u>	<u>100,564</u>	<u>88,320</u>
At December 31, 2018					
Amounts due to related parties	N/A	19,526	—	19,526	19,526
Trade and other payables	N/A	27,461	—	27,461	27,461
Loans from related parties — variable interest rate	4.35	41,740	—	41,740	40,000
Loans from related parties — variable interest rate	4.75	—	<u>73,721</u>	<u>73,721</u>	<u>65,000</u>
		<u>88,727</u>	<u>73,721</u>	<u>162,448</u>	<u>151,987</u>

The Company

	Weighted average effective interest rate	Less than 1 year or on demand	undiscounted cash flows	Carrying amount
	<i>%</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2018				
Trade and other payables	N/A	10,115	10,115	10,115
Amounts due to related parties	N/A	5,527	5,527	5,527
Amounts due to subsidiaries	N/A	14,501	14,501	14,501
		<u>30,143</u>	<u>30,143</u>	<u>30,143</u>

(c) Fair value measurements of financial instruments

The directors of the Company consider that the carrying amount of the Group's and the Company's financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

27. RETIREMENT BENEFIT PLANS

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes organized by the relevant local government authority in the PRC. The Group are required to contribute, based on a certain percentage of the payroll costs of its employees, to the retirement benefit scheme and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB2,456,000 and RMB3,372,000, for the years ended December 31, 2017 and 2018, respectively.

28. OPERATING LEASES

The Group leases various office premises under non-cancellable operating lease agreements. The lease terms are from 1 to 20 years, and the majority of lease agreements are renewable at the end of the lease period at market rate.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	2,196	9,505
In the second to fifth year inclusive	8,785	23,125
After the fifth year	<u>27,087</u>	<u>35,081</u>
	<u>38,068</u>	<u>67,711</u>

29. CAPITAL COMMITMENTS

The Group had capital commitments for equipment purchase and building construction under contracts as follows:

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for	<u>13,483</u>	<u>239,017</u>

30. AGREEMENT WITH BIOMABS

On December 17, 2015, Taizhou Pharmaceutical entered into an agreement with Biomabs, pursuant to which, Taizhou Pharmaceutical acquired the domestic interests in CMAB009 and is obligated to make RMB95,000,000 payments upon the achievement of new drug approval by China Food and Drug Administration on CMAB009. Such obligation of Taizhou Pharmaceutical was subsequently waived by Biomabs on August 10, 2018.

31. RELATED PARTY TRANSACTIONS

(a) Related party transactions

i. Preparation Process service to related parties

	Year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Shanghai Sinomab Biotechnology Co., Ltd. ("MTJA")	439	13,968
Shanghai Zhangjiang Biotechnology Co., Ltd. ("Zhangjiang Biotech")	118	—
	<u>557</u>	<u>13,968</u>

ii. Purchase of raw materials, research and development services from related parties

	Year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
MTJA	10,665	12,581
Zhangjiang Biotech	805	—
Biomabs	1	726
	<u>11,471</u>	<u>13,307</u>

iii. Interest on related party loans

	Year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Ms. Guo Xiaoxin	3,140	3,130
Biomabs	188	1,351
	<u>3,328</u>	<u>4,481</u>

iv. *Rental paid to a related party*

	Year ended December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Biomabs	201	1,698

Notes:

1. MTJA is ultimately controlled by Mr. Guo Jianjun.
2. Zhangjiang Biotech was previously controlled by Mr. Guo Jianjun and was disposed to third parties in August 2017. As such, it is no longer a related party of the Group since September 2017.
3. Ms. Guo Xiaoxin was appointed as a director of Taizhou Pharmaceutical in March 2016 and appointed as a director of Taizhou Biotech in November 2016, respectively.

(b) **Related party balances**

As at the end of each reporting period, the Group and the Company had balances with related parties as follows:

The Groupi. *Amounts due from related parties*

	At December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
MTJA	484	—
Non-trade receivables		
Ms. Guo Xiaoxin	564	626
MTJA	8,623	42
	9,187	668
	9,671	668

The Group allows a credit period for 90 days to customers. The following is an age analysis of trade receivables presented based on the invoice dates, at the end of each Track Record Period:

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 90 days	<u>484</u>	<u>—</u>

ii. *Rental deposit to a related party*

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Biomabs	<u>—</u>	<u>411</u>

iii. *Amounts due to related parties*

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		
MTJA	3,807	2,938
Biomabs	<u>2</u>	<u>1,123</u>
	<u>3,809</u>	<u>4,061</u>
Non-trade payables		
Biomabs	<u>—</u>	<u>13,051</u>
Interest payables		
Ms. Guo Xiaoxin	875	875
Biomabs	<u>188</u>	<u>1,539</u>
	<u>1,063</u>	<u>2,414</u>
	<u>4,872</u>	<u>19,526</u>

Payment terms with suppliers are mainly on credit with 60 days from the time when the goods and/or services are received from the suppliers. The aging analysis of the trade payables presented based on the receipt of goods/services by the Group at the end of each reporting period is as follows:

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Within 60 days	3,809	1,277
Over 60 days but within 1 year	—	2,784
	<u>3,809</u>	<u>4,061</u>

iv. *Short-term loans from a related party*

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Biomabs	<u>10,000</u>	<u>40,000</u>

The short-term loans from Biomabs are unsecured, repayable on demand and carry interest at the benchmark interest rate published by the People's Bank of China.

v. *Long-term loan from a related party*

	<u>At December 31,</u>	
	<u>2017</u>	<u>2018</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Ms. Guo Xiaoxin	<u>65,000</u>	<u>65,000</u>

The amount represented a five-year unsecured entrusted loan facility from Ms. Guo Xiaoxin from October 27, 2016 onwards and carries interest at the benchmark interest rate published by the People's Bank of China.

The Companyi. *Amounts due to related parties*

	At December 31, 2018
	<i>RMB'000</i>
Non-trade payables	
Biomabs	<u>5,527</u>

ii. *Amounts due to subsidiaries*

	At December 31, 2018
	<i>RMB'000</i>
Non-trade payables	
Mabpharm HK	6,838
Taizhou Pharmaceutical	7,613
Taizhou Biotech	<u>50</u>
	<u>14,501</u>

Excepted otherwise stated, all the non-trade balances due from/to related parties were unsecured, interest free and repayable on demand.

All the non-trade balances due from/to related parties (except for balance due from/to subsidiaries) are expected to be settled before the date of listing of the Company's shares on the Hong Kong Stock Exchange ("**Listing Date**").

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the years ended December 31, 2017 and 2018 were as follows:

	Year ended	
	December 31,	
	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other benefits	3,163	3,816
Retirement benefit scheme contributions	255	312
Share-based compensation	—	4,333
Consultation fee	85	481
	<u>3,503</u>	<u>8,942</u>

32. SHARE-BASED PAYMENT TRANSACTIONS**Equity-settled share option scheme of the Company**

The Company's Pre-IPO Share Option Scheme (the "Scheme") were adopted pursuant to resolution passed on August 10, 2018 for the primary purpose of providing incentives to directors of the Company and eligible employees of the Group. Under the Scheme, 1,875,000 options were granted on August 18, 2018 to directors of the Company and eligible employees of the Group to subscribe for shares in the Company, which will expire on August 17, 2028.

The Scheme has a service condition that shall vest over an 8 year period, with 20%, 20%, 20%, 20% and 20% of the total number of the options granted to be vested on the fourth, fifth, sixth, seventh and eighth anniversary of the Listing Date, respectively.

The exercise price in relation to each option granted shall be the final offer price per share ("Final Offer Price") at which the shares are to be acquired by the investors pursuant to the Global Offering (as defined in the Prospectus), which shall not be less than the par value of the shares, provided that the exercise price shall be adjusted in the event of any capitalization issue, rights issue, open offer, sub-division, consolidation of shares, or reduction of capital of the Company.

If the shares of the Company would not commence dealing on the Hong Kong Stock Exchange on or before the date which is 30 days after the date of the Prospectus, the Scheme shall forthwith terminate and any option granted or agreed to be granted pursuant to the Scheme shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations in respect of the Scheme or any such option.

The following table discloses details of the movements of the outstanding options granted under the Scheme during the year ended December 31, 2018:

Category	Option type	Outstanding at 1/1/2018	Granted during year	Exercised during year	Forfeited during year	Outstanding at 12/31/2018
Category 1: Directors						
Dr. Qian Weizhu	August 18, 2018	—	665,518	—	—	665,518
Dr. Wang Hao	August 18, 2018	—	557,409	—	—	557,409
Mr. Li Yunfeng	August 18, 2018	—	72,659	—	—	72,659
Dr. Li Jing	August 18, 2018	—	72,659	—	—	72,659
	Total directors	—	1,368,245	—	—	1,368,245
Category 2: Employees						
	August 18, 2018	—	506,755	—	—	506,755
	Total	—	1,875,000	—	—	1,875,000
	Exercisable at the end of the year					—
	Weighted average exercise price					
	(Note)		HK\$154.42			HK\$154.42

Note: The exercise price represented the estimated Final Offer Price which was determined based on management's best estimate as of the grant date.

The fair value of the options granted was determined using the Binomial pricing model. The fair value and corresponding inputs into the model were as follows:

Grant date option fair value per share	RMB60.67
Grant date share price	RMB127.15 equivalent to HK\$145.15
Exercise price	HK\$154.42
Expected volatility	40%
Expected life	10 years
Risk-free rate	2.19%
Expected dividend yield	0%

Exercise price was determined based on management's best estimate as of the grant date. Volatility was estimated at grant date based on median of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share option. Risk-free interest rate was determined based on the yield of Hong Kong Government debt with a maturity life close to the option life of the share option. Dividend yield is based on management estimation at the grant date.

At December 31, 2018, the management of the Group believes that it is probably that the Company can complete the Listing within 2019. The Group recognized the total expense of RMB5,445,000 for the year ended December 31, 2018 in relation to share options granted by the Company.

33. PARTICULARS OF SUBSIDIARIES

33.1 General information of subsidiaries

The direct and indirect interests in the following subsidiaries are held by owners of the Company at the date of this report as follows:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued and fully paid capital/ Registered capital	Shareholding/equity interest held by owners of the Company		Principal activities	Notes
			At December 31, 2017	At December 31, 2018		
Mabpharm Holdings	British Virgin Islands, June 8, 2018	US\$1	N/A	100%	Investment holding	(a)
Indirectly held: Mabpharm HK	Hong Kong, July 5, 2018	HK\$1	N/A	100%	Investment holding	(b)
Taizhou Pharmaceutical	PRC, February 4, 2015	US\$40,000,000	65.11%	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs	(c)
Taizhou Biotech	PRC, November 24, 2016	US\$10,000,000	65.11%	100%	Technology development in the field of biomedical science and technology	(c)
Shengheng Biotech	PRC, August 28, 2018	RMB5,000,000	N/A	100%	Research and development, technical consulting, technology transfer and technical services of biological products, diagnostic reagents, chemical biological reagents and drugs	(d)

Notes:

- (a) Mabpharm Holdings is directly held by the Company.
- (b) Mabpharm HK is indirectly held by the Company through Mabpharm Holdings.
- (c) These companies are indirectly held by the Company through Mabpharm HK.
- (d) Shengheng Biotech is indirectly held by the Company through Taizhou Pharmaceutical.

All of the subsidiaries adopted December 31 as financial year end.

The statutory financial statements of Taizhou Pharmaceutical for the year ended December 31, 2017 and 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Jingsu Jingwei Certified Public Accountants Co., Ltd. (江蘇經緯會計師事務所有限公司) and Shanghai Shicheng Certified Public Accountants Co., Ltd. (上海事誠會計師事務所有限公司), certified public accountants registered in the PRC, respectively.

The statutory financial statements of Taizhou Biotech for the year ended December 31, 2017 and 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Jiangsu Jingwei Certified Public Accountants Co., Ltd. and Shanghai Shicheng Certified Public Accountants Co., Ltd. (上海事誠會計師事務所有限公司), certified public accountants registered in the PRC.

The statutory financial statements of Shengheng Biotech for the period ended December 31, 2018 were prepared in accordance with relevant accounting principles and financial regulations applicable in the PRC and were audited by Shanghai Shicheng Certified Public Accountants Co., Ltd. (上海事誠會計師事務所有限公司), certified public accountants registered in the PRC.

The statutory financial statements of Mabpharm HK for the period ended December 31, 2018, were prepared in accordance with Hong Kong Financial Reporting Standards and were audited by Walton CPA & Co. (威騰會計師事務所), certified public accountants registered in Hong Kong.

No audited statutory financial statements have been prepared for Mabpharm Holdings since the date of incorporation of Mabpharm Holdings as there is no statutory audit requirement in the jurisdiction where it was incorporated.

33.2 Details of non-wholly owned subsidiaries and Clinical Business that have material non-controlling interests

During the year ended December 31, 2017 and the period from January 1, 2018 to August 18, 2018 (acquisition date), the non-controlling shareholders have 34.89% interests in: 1) the subsidiaries of which the general information is set out in Note 33.1; and 2) Clinical Business which is carried out in the PRC. Summarized financial information in respect of each of the subsidiaries and Clinical Business that has material non-controlling interests is set out below. The summarized financial information below represents amount before intragroup elimination.

	Taizhou Pharmaceutical	Taizhou Biotech	Clinical Business
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At December 31, 2017			
Current assets	82,891	63,021	25,023
Non-current assets	134,154	—	53
Current liabilities	69,558	1,295	16,000
Non-current liabilities	65,000	—	—
Equity attributable to owners of the Company	53,710	40,193	5,910
Non-controlling interests	28,777	21,533	3,166
Year ended December 31, 2017			
Other income	21,288	16	—
Expenses	(36,777)	(7,380)	(24,853)
Loss and total comprehensive expenses for the year	(15,489)	(7,364)	(24,853)
Total comprehensive expenses attributable to owners of the Company	(10,086)	(4,795)	(16,183)
Total comprehensive expenses attributable to non-controlling interests	<u>(5,403)</u>	<u>(2,569)</u>	<u>(8,670)</u>
Year ended December 31, 2017			
Net cash outflow from operating activities	<u>(20,077)</u>	<u>(4,171)</u>	<u>(30,874)</u>
Net cash (outflow) inflow from investing activities	<u>(13,558)</u>	<u>16</u>	<u>(55)</u>
Net cash inflow (outflow) from financing activities	<u>7,791</u>	<u>(894)</u>	<u>—</u>
Net cash outflow	<u>(25,861)</u>	<u>(7,369)</u>	<u>(30,929)</u>
Cash injected for the Clinical Business by Biomabs	<u>—</u>	<u>—</u>	<u>30,929</u>

	Taizhou Pharmaceutical	Taizhou Biotech	Clinical Business
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Period ended August 18, 2018			
Other income	19,098	271	—
Expenses	(51,624)	(2,190)	(36,852)
Loss and total comprehensive expenses for the period	(32,526)	(1,919)	(36,852)
Total comprehensive expenses attributable to owners of the Company	(21,179)	(1,248)	(23,994)
Total comprehensive expenses attributable to non-controlling interests	<u>(11,347)</u>	<u>(671)</u>	<u>(12,858)</u>
Period ended August 18, 2018			
Net cash outflow from operating activities	<u>(973)</u>	<u>(1,668)</u>	<u>(10,537)</u>
Net cash outflow from investing activities	<u>(15,801)</u>	<u>(42,612)</u>	<u>(1,403)</u>
Net cash inflow from financing activities	<u>167,016</u>	<u>—</u>	<u>—</u>
Net cash inflow (outflow)	<u>149,483</u>	<u>(45,098)</u>	<u>(11,940)</u>
Cash injected for the Clinical Business by Biomabs	<u>—</u>	<u>—</u>	<u>11,940</u>

34. FINANCIAL INFORMATION OF THE COMPANY

(a) Investments in subsidiaries

	At December 31, 2018
	<i>RMB'000</i>
Unlisted share, at cost	—*
Deemed capital contribution to Mabpharm Holdings (<i>Note a</i>)	381,887
Deemed capital contribution to Taizhou Pharmaceutical and Shengheng (<i>Note b</i>)	5,445
	<u>387,332</u>

* The amount represented initial cost of investment of US\$1 in Mabpharm Holdings, a wholly owned subsidiary of the Company incorporated in the British Virgin Islands.

Note:

- a. On December 31, 2018, the Company transferred its loan to Mabpharm HK of RMB381,887,000 to Mabpharm Holdings at nil consideration, which was treated as deemed capital contribution by the Company to the subsidiary and included in the Company's cost of investments in subsidiaries.
- b. The amount represents the equity-settled share-based compensation in respect of the shares options granted by the Company to certain employees of the subsidiaries for employees' service rendered to the subsidiaries under the Company's Pre-IPO Share Incentive Schemes as disclosed in Note 32. Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

(b) Reserves movement of the Company

The reserves movement of the Company is as follows:

	Share premium	Share option reserve	Accumulated losses	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2018	—	—	—	—
Loss and total comprehensive expense for the period	—	—	(21,254)	(21,254)
Recognition of equity-settled share-based compensation	—	5,445	—	5,445
Issue of ordinary shares	<u>410,433</u>	—	—	<u>410,433</u>
At December 31, 2018	<u>410,433</u>	<u>5,445</u>	<u>(21,254)</u>	<u>394,624</u>

35. 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 statements of cash flows as cash flows from financing activities.

	Amounts due to a related party	Interest payables	Loans from related parties	Payable for issue costs	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At January 1, 2017	281	557	65,000	—	65,838
Financing cash flows	(281)	(2,822)	10,000	—	6,897
Non cash changes					
- Interest on borrowings	—	3,328	—	—	3,328
At December 31, 2017	—	1,063	75,000	—	76,063
Financing cash flows	—	(2,566)	30,000	(2,106)	25,328
Non cash changes					
- Interest on borrowings	—	4,481	—	—	4,481
- Withholding tax related to interest on borrowings	—	(564)	—	—	(564)
- Deferred issue costs	—	—	—	4,453	4,453
- Issue costs paid by a related party on behalf of the Group	775	—	—	(775)	—
- Listing expenses paid by a related party on behalf of the Group	4,752	—	—	—	4,752
- Expenses incurred in Clinical Business paid by a related party on behalf of the Group	7,524	—	—	—	7,524
At December 31, 2018	<u>13,051</u>	<u>2,414</u>	<u>105,000</u>	<u>1,572</u>	<u>122,037</u>

36. SUBSEQUENT EVENT

Except as disclosed elsewhere of the Historical Financial Information, the Group has following significant event occurred subsequent to December 31, 2018:

On April 10, 2019, a shareholders' resolution was passed under which a total of 3,265,500,000 shares of the Company will be allotted and issued to the shareholders on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company by capitalizing the sum of US\$326,550 from the share premium account of the Company (the "Capitalization Issue"). These shares shall rank pari passu in all respects with the then existing issued shares of the Company.

37. 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 December 31, 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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, as set out in Appendix I to this prospectus, 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 set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group at December 31, 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 purposes 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 at December 31, 2018 following the Global Offering or at any subsequent dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 as derived from the Accountants' Report 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 at December 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share at December 31, 2018	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$1.35 per Offer Share after a Downward Offer Price Adjustment of 10%	249,572	852,300	1,101,872	0.27	0.31
Based on an Offer Price of HK\$1.50 per Offer Share	249,572	950,448	1,200,020	0.29	0.34
Based on an Offer Price of HK\$1.95 per Offer Share	249,572	1,244,894	1,494,466	0.36	0.42

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company at December 31, 2018 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on 783,580,000 Offer Shares at the indicative Offer Price of HK\$1.50 (equivalent to RMB1.30), HK\$1.95 (equivalent to RMB1.69) per Offer Share, and also based on an Offer Price of HK\$1.35 (equivalent to RMB1.17) after making a Downward Offer Price Adjustment of 10%, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding listing expenses charged to profit or loss prior to December 31, 2018), and without taking into account any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purposes of the estimated net proceeds from the Global Offering, the amounts denominated in Hong Kong dollars have been converted into RMB at the rate of HK\$1 to RMB0.8654, which was the exchange rate prevailing on May 10, 2019 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 4,124,080,000 Shares were in issue assuming that the Capitalisation Issue and the Global Offering had been completed on December 31, 2018 and without taking into account any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.
- (4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in RMB are converted into Hong Kong dollars at the rate of RMB0.8654 to HK\$1, which was the exchange rate prevailing on May 10, 2019 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 dollar, 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 at December 31, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to December 31, 2018.

**B. ASSURANCE REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED
PROFORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

Deloitte.

德勤

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Mabpharm Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Mabpharm Limited (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 at December 31, 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 May 20, 2019 (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 December 31, 2018 as if the proposed Global Offering had taken place at December 31, 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, 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 December 31, 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

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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
May 20, 2019

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

This Appendix contains a summary of our Memorandum and Articles of Association. As the information set out below is in a summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus, a copy of our Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2018 under the Cayman Companies Law. The Company’s constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on April 8, 2019. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Hong Kong Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Hong Kong Stock Exchange) and shall also be free from all liens.

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(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Hong Kong Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

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If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

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A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

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(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

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(iv) **Borrowing powers**

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) **Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees

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or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

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There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

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(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative)

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or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorized corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) **Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Hong Kong Stock Exchange at such time and place as may be determined by the Board.

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(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

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The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorized officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

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The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarized financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles of the Company, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Hong Kong Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

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- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

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All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Hong Kong Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

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If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 1 June 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to

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any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) **Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) **Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorize the manner

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and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

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Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

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(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 8 August 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) **Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) **Loans to directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) **Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) **Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

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(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order

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takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on June 1, 2018. We have established a principal place of business in Hong Kong at Unit 713 of 7th Floor of Lakeside 1, Phase 2, Hong Kong Science Park, Shatin, New territories, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 27, 2018 under the same address. AllBright Law Offices at 39th Floor, Gloucester Tower, Landmark Plaza, No. 15 Queen's Road, Central, Hong Kong has been appointed as our authorized representative for the acceptance of service of process and notices on our behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Law and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in our share capital

As of the date of incorporation of our Company, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001, of which one Share was allotted and issued at par to the initial subscriber (an independent third party), which was transferred to Asia Mabtech. The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this prospectus.

On June 27, 2018, our Company issued 46,249,999 Shares to Asia Mabtech and 3,750,000 Shares to United Circuit (being an existing shareholder of Sinomab), respectively, at a consideration of US\$0.0001 per Share, respectively.

On July 20, 2018, our Company issued 16,667,000, 1,666,000, 4,792,000 and 1,875,000 Shares to the existing shareholders of Sinomab, i.e. CDH PE, CDH VC, FH Investment and CDC, respectively, at a consideration of approximately US\$40 million, US\$4 million, US\$11.5 million and US\$4.5 million, respectively.

Pursuant to the resolutions in writing of all our Shareholders passed on April 8, 2019, the authorized share capital of our Company was increased from 500,000,000 ordinary shares of US\$0.0001 par value each to 50,000,000,000 ordinary shares of US\$0.0001 par value each.

Immediately following the Capitalization Issue and before the Global Offering, the issued share capital of our Company will be US\$334,050 divided into 3,340,500,000 Shares of a par value of US\$0.0001 each, all fully paid or credited as fully paid. Details of the Capitalization Issue is set out in the section headed "History, Development and Corporate Structure—The Capitalization Issue" in this prospectus.

Immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the exercise of the outstanding share options under the Pre-IPO Share Option Scheme), our issued share capital will be US\$412,408 divided into 4,124,080,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and as mentioned in the paragraph headed “4. Resolutions in writing of our Shareholders” below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the share capital of our subsidiaries

Our subsidiaries are set out in the Accountants’ Report set out in Appendix I to this prospectus. The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

On July 25, 2018, pursuant to a shareholder’s resolution of Taizhou Biotech, the registered capital of Taizhou Biotech was increased from US\$10.0 million to US\$70.0 million, as a result of capital injection by Mabpharm HK.

On July 31, 2018, pursuant to a shareholder’s resolution of Taizhou Pharmaceutical, the registered capital of Taizhou Pharmaceutical was increased from US\$20.0 million to US\$40.0 million, as a result of capital injection by Mabpharm HK.

On August 28, 2018, Shengheng Biotech was established under the laws of the PRC and with a registered capital of RMB5 million.

Save as disclosed in this prospectus, there are no changes in share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

4. Resolutions in writing of our Shareholders

Pursuant to a written shareholders’ resolution of our Company dated April 8, 2019:

- (a) the Memorandum and Articles of Association were approved and adopted conditional and with immediate effect upon Listing;
- (b) increase in the authorized share capital of our Company from 500,000,000 ordinary shares of US\$0.0001 par value each to 50,000,000,000 ordinary shares of US\$0.0001 par value each was approved;
- (c) subject to share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by the Company pursuant to the Global Offering, our Directors were authorized to allot and issue at par 3,265,500,000 Shares as fully paid, which shall rank *pari passu* in all respects with the existing Shares for allotment and issue to the persons whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their respective shareholdings (as nearly as possible without involving fractions) in the Company by way of capitalization of an amount of US\$326,550 standing to the credit of the share premium account of the Company, was approved;

- (d) conditional upon all the conditions set out in “Structure of the Global Offering—Conditions of the Global Offering” in this prospectus being fulfilled:
 - (i) the Capitalization Issue, the Global Offering and the Over-allotment Option were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
 - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and
 - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the Offer price per Offer Share with the Sole Global Coordinator;

- (e) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme, restricted shares awards scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceeding 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Capitalization Issue and the Global Offering (subject to the Over-allotment Options), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

- (f) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering (subject to the Over-allotment Options), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;

- (g) the general mandate mentioned in paragraph (e) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (f) above; and
- (h) the rules of the Pre-IPO Share Option Scheme were approved, adopted and ratified and the grant of an aggregate of 83,512,500 share options (after taking into account the Capitalization Issue) by the Board under the Pre-IPO Share Option Scheme to 62 grantees, representing rights to subscribe for 83,512,500 shares of the Company (after taking into account the Capitalization Issue) on August 18, 2018 was approved, adopted and ratified.

5. Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Hong Kong Stock Exchange. See the section headed “History, Development and Corporate Structure” in this prospectus for information relating to the Reorganization.

6. Particulars of our Subsidiaries

Particulars of our subsidiaries are set out at Note 33 of the Accountants’ Report in Appendix I of this prospectus

7. Repurchases of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written resolution passed by our then Shareholders on April 8, 2019, a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors authorizing any repurchase by us of Shares on the Hong Kong Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange prevailing from time to time. Under the Cayman Companies Law, any Shares repurchased by us may be provided for out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles of Association and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a repurchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the provisions of the Cayman Islands Companies Law, out of capital.

(iii) Trading restrictions

The total number of Shares which we may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the outstanding Share options issued under the Pre-IPO Share Option Scheme). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, whether on the Stock Exchange or otherwise (other than an issue of securities pursuant to (i) an exercise of warrants, share options, or other similar instruments, or (ii) a vesting of RSAs or other similar instruments, requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, we may not make any repurchases of Shares on the Hong Kong Stock Exchange at any time after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit us and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Repurchase Mandate, on the basis of 4,124,080,000 Shares in issue immediately following completion of the Capitalization Issue and the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the outstanding Share options issued under the Pre-IPO Share Option Scheme), could accordingly result in 412,408,000 Shares being repurchased by us during the period prior to the earliest occurrence of (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting (the “**Relevant Period**”).

(d) *General*

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder’s proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”). Accordingly, a shareholder or a group of shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase in Shareholders’ interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate immediately after listing of the Shares. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less

than 25% of our Shares then in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the deed of non-competition dated April 16, 2019 entered into among each of the Controlling Shareholders, Sinomab and our Company regarding non-competition undertakings given by each of the Controlling Shareholders and Sinomab in favour of our Company, the details of which are set out in the section headed “Relationship with the Controlling Shareholders—Deed of Non-competition” in this prospectus;
- (b) the business spin-off agreement dated August 13, 2018 entered into among Biomabs, Taizhou Pharmaceutical, Sinomab and our Company, pursuant to which Biomabs shall transfer, in relation to CMAB007 and CMAB008, (i) all its staff at the medical registration department; and (ii) all assets of the medical registration department to our Group company at nil consideration;
- (c) the drugs technology transfer agreement dated August 13, 2018 entered into between Sinomab and our Company, pursuant to which Sinomab shall transfer the rights and interests of CMAB007, CMAB009 and CMAB008 in the overseas areas (excluding Japan, North America and Europe) to our Company at nil consideration;
- (d) the drugs technology transfer agreement dated August 13, 2018 entered into between Sinomab and our Company, pursuant to which Sinomab shall transfer all rights and interests of the 8-prefixed Drugs to our Company at nil consideration;
- (e) a cornerstone investment agreement dated May 16, 2019 entered into among our Company, 3SBio Inc. and China International Capital Corporation Hong Kong Securities Limited, pursuant to which 3SBio Inc. has agreed to, among other things, subscribe for such number of Shares (rounded down to the nearest whole board lot) which may be purchased with US\$25 million at the Offer Price;
- (f) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
1		20659501	Taizhou Pharmaceutical	1	PRC	September 7, 2017	September 6, 2027
2		20659563	Taizhou Pharmaceutical	5	PRC	September 7, 2017	September 6, 2027
3		20659599	Taizhou Pharmaceutical	35	PRC	September 7, 2017	September 6, 2027
4		20659651	Taizhou Pharmaceutical	42	PRC	September 7, 2017	September 6, 2027
5		20659308	Taizhou Pharmaceutical	1	PRC	September 7, 2017	September 6, 2027
6		20659408	Taizhou Pharmaceutical	35	PRC	September 7, 2017	September 6, 2027
7	MABPHARMA	7884804	Taizhou Pharmaceutical	30	PRC	January 7, 2011	January 6, 2021
8	MABPHARMA	7884887	Taizhou Pharmaceutical	35	PRC	February 21, 2011	February 20, 2021
9	MABPHARMA	7884966	Taizhou Pharmaceutical	44	PRC	February 21, 2011	February 20, 2021
10	MABPHARMA	7884604	Taizhou Pharmaceutical	1	PRC	January 21, 2011	January 20, 2021
11	MABPHARMA	7884670	Taizhou Pharmaceutical	5	PRC	January 21, 2011	January 20, 2021
12	MABPHARMA	7884766	Taizhou Pharmaceutical	29	PRC	March 14, 2011	March 13, 2021
13	MABPHARMA	7884858	Taizhou Pharmaceutical	31	PRC	March 14, 2011	March 13, 2021
14	MABPHARMA	7884917	Taizhou Pharmaceutical	40	PRC	March 14, 2011	March 13, 2021
15	MABPHARMA	7884952	Taizhou Pharmaceutical	42	PRC	February 21, 2011	February 20, 2021






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No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
16	MABPHARMA	7884718	Taizhou Pharmaceutical	10	PRC	January 21, 2011	January 20, 2021
17	MABPHARM	31546556	Taizhou Pharmaceutical	42	PRC	March 7, 2019	March 6, 2029
18	MABPHARM	31546557	Taizhou Pharmaceutical	35	PRC	March 7, 2019	March 6, 2029
19	MABPHARM	31546559	Taizhou Pharmaceutical	1	PRC	March 7, 2019	March 6, 2029
20	MABPHARMTECH	31546560	Taizhou Pharmaceutical	42	PRC	March 7, 2019	March 6, 2029
21	MABPHARMTECH	31546561	Taizhou Pharmaceutical	35	PRC	March 7, 2019	March 6, 2029
22	MABPHARMTECH	31546563	Taizhou Pharmaceutical	1	PRC	March 7, 2019	March 6, 2029
23		304555693	Taizhou Pharmaceutical	1, 5, 35, 42	Hong Kong	June 7, 2018	June 6, 2028
24		304555701	Taizhou Pharmaceutical	1, 5, 35, 42	Hong Kong	June 7, 2018	June 6, 2028
25		304596382	Taizhou Pharmaceutical	16	Hong Kong	July 13, 2018	July 12, 2028
26	迈博太科 邁博太科	304570777	Taizhou Pharmaceutical	1, 5, 35, 42	Hong Kong	June 21, 2018	June 20, 2028

No.	Trademark	Registration Number	Name of Registered Proprietor	Class	Place of Registration	Date of Registration	Expiry Date
27	迈博太科 邁博太科	304596391	Taizhou Pharmaceutical	16	Hong Kong	July 13, 2018	July 12, 2028
28	迈博药业 邁博藥業	304623840	Taizhou Pharmaceutical	1, 5, 16, 35, 42	Hong Kong	August 6, 2018	August 5, 2028
29		304623859	Taizhou Pharmaceutical	1, 5, 16, 35, 42	Hong Kong	August 6, 2018	August 5, 2028
30		304656222	Taizhou Pharmaceutical	1, 5, 16, 35, 42	Hong Kong	September 3, 2018	September 2, 2028

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are the subject of pending applications for registration and which we consider to be material to the business of our Group:

No.	Trademark	Place of Application	Name of Applicant	Class	Date of Application	Application Number
1.		PRC	Taizhou Pharmaceutical	1	August 14, 2018	32865129
2.		PRC	Taizhou Pharmaceutical	5	August 14, 2018	32865440
3.		PRC	Taizhou Pharmaceutical	16	August 14, 2018	32865132
4.		PRC	Taizhou Pharmaceutical	35	August 14, 2018	32865131
5.		PRC	Taizhou Pharmaceutical	42	August 14, 2018	32865130
6.	迈博药业	PRC	Taizhou Pharmaceutical	1	August 14, 2018	32865128
7.	迈博药业	PRC	Taizhou Pharmaceutical	5	August 14, 2018	32865442
8.	迈博药业	PRC	Taizhou Pharmaceutical	16	August 14, 2018	32865443
9.	迈博药业	PRC	Taizhou Pharmaceutical	35	August 14, 2018	32865444
10.	迈博药业	PRC	Taizhou Pharmaceutical	42	August 14, 2018	32865441
11.	华泰迈博药业	PRC	Taizhou Pharmaceutical	42	August 24, 2018	33087948
12.	华泰迈博药业	PRC	Taizhou Pharmaceutical	16	August 24, 2018	33087949
13.	华泰迈博药业	PRC	Taizhou Pharmaceutical	35	August 24, 2018	33087950
14.	华泰迈博药业	PRC	Taizhou Pharmaceutical	1	August 24, 2018	33087952
15.	华泰迈博药业	PRC	Taizhou Pharmaceutical	5	August 24, 2018	33087956

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No.	Trademark	Place of Application	Name of Applicant	Class	Date of Application	Application Number
16.		PRC	Taizhou Pharmaceutical	1	December 10, 2018	35195885
17.		PRC	Taizhou Pharmaceutical	5	December 10, 2018	35214451
18.		PRC	Taizhou Pharmaceutical	16	December 10, 2018	35219549
19.		PRC	Taizhou Pharmaceutical	35	December 10, 2018	35212147
20.		PRC	Taizhou Pharmaceutical	42	December 10, 2018	35200860
21.		PRC	Taizhou Pharmaceutical	5	December 10, 2018	35201085
22.		PRC	Taizhou Pharmaceutical	16	December 10, 2018	35194389
23.		PRC	Taizhou Pharmaceutical	42	December 10, 2018	35198976
24.	MABPHARM	PRC	Taizhou Pharmaceutical	5	June 12, 2018	31546558
25.	MABPHARMTECH	PRC	Taizhou Pharmaceutical	5	June 12, 2018	31546562

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
1	Mabtech-pharm.com	Taizhou Pharmaceutical	January 6, 2016	January 6, 2021
2	Sinomab-pharm.com	Taizhou Pharmaceutical	January 12, 2017	January 12, 2020
3	Sinomabtech-pharm.com	Taizhou Pharmaceutical	January 6, 2016	January 6, 2021
4	Mabpharm.cn	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
5	Mabpharm.net	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
6	Mabpharm.org	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
7	Mabpharmtech.cn	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021

No.	Domain Name	Registered Owner	Date of Registration	Expiry Date
8	Mabpharmtech.com	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
9	Mabpharmtech.net	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
10	Mabpharmtech.org	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
11	Sinomabpharm.cn	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
12	Sinomabpharm.com	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
13	Sinomabpharm.net	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
14	Sinomabpharm.org	Taizhou Pharmaceutical	June 14, 2018	June 14, 2021
15	Mabpharm.hk	Taizhou Pharmaceutical	November 20, 2018	November 20, 2019

(c) *Patents*

As of the Latest Practicable Date, we have registered the following patents which we consider to be material to the business of our Group:

No.	Patent Name	Registration Number	Name of Registered Proprietor	Type	Place of Registration	Application Date	Date of Registration	Expiry Date
1	Immune modulators and uses thereof ⁽¹⁾	ZL03115396.8	Taizhou Pharmaceutical	Invention	PRC	February 14, 2003	February 11, 2009	February 13, 2023
2	Method for high-effectively expressing recombinant protein by employing animal cell fed-batch culture mode ⁽¹⁾	ZL200610147535.7	Taizhou Pharmaceutical	Invention	PRC	December 20, 2006	February 9, 2011	December 19, 2026
3	An anti-ErbB2 bispecific antibody for treatment of breast cancer	ZL201310396323.2	Taizhou Pharmaceutical	Invention	PRC	September 4, 2013	August 8, 2017	September 3, 2033
4	An anti-CD20-Flex bi-functional fusion protein, the preparation method and application thereof	ZL201310486424.9	Taizhou Pharmaceutical	Invention	PRC	October 17, 2013	April 27, 2018	October 16, 2033
5	An stable anti-IgE humanized monoclonal antibody formulation ⁽¹⁾	ZL200610147282.3	Taizhou Pharmaceutical	Invention	PRC	December 14, 2006	May 23, 2012	December 13, 2026
6	An aseptic solution conveying pipeline	ZL201621197900.0	Taizhou Pharmaceutical	Utility Model	PRC	November 7, 2016	August 8, 2017	November 6, 2026
7	An energy saving air conditioning system for recombinant protein drug production plant purification	ZL201621223682.3	Taizhou Pharmaceutical	Utility Model	PRC	November 15, 2016	January 23, 2018	November 14, 2026

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No.	Patent Name	Registration Number	Name of Registered Proprietor	Type	Place of Registration	Application Date	Date of Registration	Expiry Date
8	A device detecting antibody drug	ZL201721768434.1	Taizhou Pharmaceutical	Utility Model	PRC	December 18, 2017	July 6, 2018	December 17, 2027
9	An energy saving protein purification and temperature control device	ZL201721816228.3	Taizhou Pharmaceutical	Utility Model	PRC	December 22, 2017	July 17, 2018	December 21, 2027
10	A mammalian cell fermentation waste regeneration processing equipment	ZL201721769284.6	Taizhou Pharmaceutical	Utility Model	PRC	December 18, 2017	August 31, 2018	December 17, 2027
11	A device automatically collecting outflow fluid during antibody purification	ZL201721799483.1	Taizhou Pharmaceutical	Utility Model	PRC	December 21, 2017	August 14, 2018	December 20, 2027
12	An induction type one-way sterile fluid delivery conduit and supporting apparatus	ZL201721868446.1	Taizhou Pharmaceutical	Utility Model	PRC	December 28, 2017	September 11, 2018	December 27, 2027
13	A device detecting outflow fluid during antibody purification	ZL201721769834.4	Taizhou Pharmaceutical	Utility Model	PRC	December 18, 2017	August 28, 2018	December 17, 2027
14	A novel anti-EGFR monoclonal antibody, method of making, and use thereof	2016206155	Taizhou Pharmaceutical	Invention	Australia	January 4, 2016	May 10, 2018	January 3, 2036
15	A method for preparing new type of recombinant anti-TNF-alpha chimeric monoclonal antibody and use	2016206156	Taizhou Pharmaceutical	Invention	Australia	January 4, 2016	January 8, 2019	January 3, 2036

Note:

- (1) Mr. Guo Yajun was involved in the R&D activities leading up to the development of these patents (i.e. items 1, 2 and 5 above) and is also one of the co-inventors of these patents. These patents did not lead to the development of any of our current drug candidates (including the Core Products and the other six drug candidates). The R&D activities involving these patents are at their respective early stages and it is difficult for us to predict whether such R&D activities and/or these patents would lead to the development of any new drug candidate for our Group in the future. Pursuant to a deed of surrender dated August 23, 2017, Mr. Guo Yajun has surrendered all his rights and interests as one of the co-inventors of these patents. The Company does not have any profit sharing arrangements with Mr. Guo Yajun of profits arising from the intellectual property and commercialization of the Group's drug candidates.

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be material to the business of our Group:

No.	Patent Name	Applicant	Type	Application Date	Place of Application	Application Number
1	A probody conjugating drug for targeting tumor cells expressing EGFR, and applications thereof	Taizhou Pharmaceutical	Invention	October 19, 2015	PRC	2015106724340
2	A bifunctional fusion protein targeting CD47 and PD-L1 ⁽¹⁾	Taizhou Pharmaceutical	Invention	May 31, 2016	PRC	2016103729544
3	A bispecific fusion protein targeting EGFR and CD47, its preparation method and application thereof ⁽¹⁾	Taizhou Pharmaceutical	Invention	June 1, 2016	PRC	201610380913X
4	A recombinant immune cell factor and its application ⁽¹⁾	Taizhou Pharmaceutical	Invention	October 9, 2016	PRC	2016108783348
5	A humanized anti-HER2 monoclonal antibody ⁽¹⁾	Taizhou Pharmaceutical	Invention	December 9, 2016	PRC	2016111262806
6	An anti-EGFR monoclonal antibody formulation ⁽¹⁾	Taizhou Pharmaceutical	Invention	October 26, 2016	PRC	2016109490541
7	A method for preparing new type of recombinant anti-TNF-alpha chimeric monoclonal antibody and use	Taizhou Pharmaceutical	Invention	January 7, 2015	PRC	201510004710.6
8	A novel anti-EGFR monoclonal antibody, method of making, and use thereof	Taizhou Pharmaceutical	Invention	January 7, 2015	PRC	201510006233.7
9	Epitope-specific antibody screening method and selected antibody	Taizhou Pharmaceutical	Invention	December 19, 2017	PRC	2017113752927
10	A recombinant human anti-TNF- α antibody formulation ⁽¹⁾	Taizhou Pharmaceutical	Invention	July 15, 2016	PRC	2017100770912
11	Food sensitized animal model, construction method and use thereof	Taizhou Pharmaceutical	Invention	December 21, 2018	PRC	2018115678307

Note:

- (1) Mr. Guo Yajun was involved in the R&D activities leading up to the development of these patents (i.e. items 2, 3, 4, 5, 6 and 10 above) and is also one of the co-inventors of these patents. These patents did not lead to the development of any of our current drug candidates (including the Core Products and the other six drug candidates). The R&D activities involving these patents are at their respective early stages and it is difficult for us to predict whether such R&D activities and/or these patents would lead to the development of any new drug candidate for our Group in the future. Pursuant to a deed of surrender dated August 23, 2017, Mr. Guo Yajun has surrendered all his rights and interests as one of the co-inventors of these patents. The Company does not have any profit sharing arrangements with Mr. Guo Yajun of profits arising from the intellectual property and commercialization of the Group's drug candidates.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations*

Immediately following the completion of the Global Offering (without taking into account the Shares to be issued upon the exercise of the Over-allotment Option), the interests or short positions of our Directors or chief executives in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“**Model Code**”) to be notified to us and the Hong Kong Stock Exchange, once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares or underlying Shares upon Listing	Approximate percentage of shareholding interest upon Listing ⁽¹⁾
Mr. Guo Jianjun (郭建軍)	Interest in controlled corporations (L) ⁽²⁾	2,227,000,000	54.00%
Dr. Qian Weizhu (錢衛珠)	Beneficial owner (L) ⁽³⁾	29,642,137	0.72%
Dr. Wang Hao (王皓)	Beneficial owner (L) ⁽³⁾	24,414,210	0.60%
Mr. Li Yunfeng (李雲峰)	Beneficial owner (L) ⁽³⁾	3,236,234	0.08%
Dr. Li Jing (李晶)	Beneficial owner (L) ⁽³⁾	3,236,234	0.08%

Notes:

- (1) Assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme.
- (2) Following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon exercise of share options under the Pre-IPO Share Option Scheme), the Company is held as to 49.95% and 4.05% by Asia Mabtech and United Circuit, respectively. United Circuit is held as to 68.89% by Asia Mabtech, which is wholly-owned by Asia Pacific Immunotech Venture which is in turn wholly-owned by the Guo Family Trust, of which Mr. Guo Jianjun is the settlor. As such, Mr. Guo Jianjun is deemed or is taken to be interested in 167,025,000 Shares beneficially owned by United Circuit and 2,059,975,000 Shares beneficially owned by Asia Mabtech for the purpose of Part XV of the SFO.
- (3) These interests represented the share options granted under the Pre-IPO Share Option Scheme. For details, please refer to “—D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

(b) *Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of the Company*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company 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 any other member of our Group/our Company.

(c) *Interests of the Substantial Shareholders of Any Member of Our Group (Other than Our Company)*

So far as the Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any member of the Group (other than us).

2. Particulars of Service Contracts and Appointment Letters

(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with us under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either the executive Director or us.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Non-executive Director and Independent Non-executive Directors*

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with us for a term of three years with effect from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director’s fee while the non-executive directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract or appointment letter with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

- (ii) During the year ended December 31, 2018, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB6.9 million. Details of the Directors' remuneration are also set out in note 11 of the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2018 by us to the Directors.
- (iii) Under the arrangement currently in force, we estimate the aggregate remuneration (including fees, salaries, contributions to defined contribution benefit plans (including pension), housing and other allowances and other benefits in kind, share-based payments in relation to the Pre-IPO Share Option Scheme and discretionary bonus) to be paid and granted to our Directors for the financial year ending December 31, 2019 to be approximately RMB13.5 million.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the two years ended December 31, 2017 and 2018 (i) as an inducement to join or upon joining us or (ii) for loss of office as a 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.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the two years ended December 31, 2017 and 2018.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of the Company.

3. Substantial Shareholders

For information on the persons who will, immediately following the completion of the Capitalization Issue and the Global Offering, (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have or deemed or taken to have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, please see "Substantial Shareholders" of this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option), be 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 or had option in respect of such capital.

4. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the paragraph headed “E. Other Information—8. Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executives has any interests and short positions in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;
- (b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in the Shares and underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 any other member of the Group;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “E. Other Information—7. Qualification of Experts” below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue 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;
- (d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed “E. Other Information—7. Qualification of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “E. Other Information—7. Qualification of Experts” below: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (f) none of our Directors or their respective associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. PRE-IPO SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of the principal terms of the rules of the Pre-IPO Share Option Scheme approved and adopted by the Group on August 10, 2018.

(a) *Purpose of the Pre-IPO Share Option Scheme*

The purpose of the Pre-IPO Share Option Scheme is to enable the Company to grant options to Eligible Participants (as defined in paragraph (b) below) as incentives or rewards for their contribution or potential contribution to the Company and/or any of the Subsidiaries.

(b) *Who may join*

Those eligible to participate in the Pre-IPO Share Option Scheme include directors and employees of the Company or any of the Subsidiaries who, in the sole opinion of the Board, have contributed to the Company and/or any of the Subsidiaries (collectively, the “**Eligible Participants**”).

(c) *Grant of options and acceptance of offers*

An offer of the grant of an option shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine, requiring the Eligible Participant to undertake to hold the option subject to such conditions as the Board may think fit subject to the provisions of the Pre-IPO Share Option Scheme. The offer shall remain open for such period as the Board may determine.

Unless the Board otherwise determines, an option shall be deemed to have been granted and accepted by the Eligible Participant, who is known as a grantee upon acceptance of the offer of the grant of an option in accordance with the Pre-IPO Share Option Scheme, (the “**Grantee**”), and to have taken effect when the duplicate offer document constituting acceptance of the option duly signed by the Grantee is received by the Company on or before the date upon which the offer must be accepted by the relevant Eligible Participant, being a date specified in the relevant offer document aforesaid (the “**Acceptance Date**”), together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

(d) *Maximum number of Shares available for subscription*

Subject to any alterations as required by paragraph (n), the maximum number of Shares in respect of which options may be granted shall be equivalent to 2.5% of the issued share capital of the Company immediately following the capitalisation issue that is expected to take place immediately prior to the completion of the Global Offering, rounded down to the nearest whole Share. If no such capitalisation issue occurs, the maximum number of Shares in respect of which Options may be granted shall be equivalent to 2.5% of the issued share capital of the Company immediately prior to the completion of the Global Offering, rounded down to the nearest whole Share (the “**Scheme Limit**”).

(e) *Duration of the Pre-IPO Share Option Scheme*

Subject to paragraph (u) and fulfilment of the conditions in paragraph (v), the Pre-IPO Share Option Scheme shall be valid and effective for the period commencing on August 10, 2018, the date on which this Pre-IPO Share Option Scheme takes effect (the “**Adoption Date**”), and ending on the date immediately before the Listing date (both dates inclusive) (the “**Scheme Period**”), after which no further options shall be offered but the provisions of the Pre-IPO Share Option Scheme shall in all other respects remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. In particular, all options granted prior thereto but not yet exercised shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(f) *Administration of the Board*

The Pre-IPO Share Option Scheme shall be subject to the administration of the Board, whose decision as to all matters arising in relation to the Pre-IPO Share Option Scheme or its interpretation or effect shall be final and binding on all parties.

(g) *Maximum entitlement of each Eligible Participant*

Each of the Grantees to whom an option has been granted under the Pre-IPO Share Option Scheme shall be entitled to exercise his/her option in the following manner:-

- (i) to subscribe up to twenty (20)% of the Shares that are subject to the option so granted to him/her, exercisable at any time during the period commencing on the fourth (4th) anniversary of the Listing Date;
- (ii) to subscribe up to forty (40)% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised, exercisable at any time during the period commencing on the fifth (5th) anniversary of the Listing Date;

- (iii) to subscribe up to sixty (60)% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised, exercisable at any time during the period commencing on the sixth (6th) anniversary of Listing Date;
- (iv) to subscribe up to eighty (80)% of the Shares that are subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised, exercisable at any time during the period commencing on the seventh (7th) anniversary of Listing Date;
- (v) to subscribe such number of Shares subject to the option so granted to him/her less the number of Shares in respect of which the option has been exercised, exercisable at any time commencing on the eighth (8th) anniversary of the Listing Date.

(h) *Exercise price*

The exercise price in relation to each option offered to an Eligible Participant shall be the final offer price per Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Shares are to be acquired by the investors pursuant to the Global Offering (the “**Offer Price**”) which shall not be less than the par value of the Shares (the “**Exercise Price**”), provided that the Exercise Price shall be adjusted in the event of capital restructuring.

(i) *Exercise of option*

Subject to paragraphs (g) above and (o), (p) and (q) below, an option shall be exercised in whole or in part, and other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on the Hong Kong Stock Exchange for the time being, by the Grantee (or, as the case may be, his or her legal personal representative(s)) by giving notice in writing to the Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised, and paying remittance for the full amount of the Exercise Price for the Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors of the Company (the “**Auditors**”) or the approved independent financial adviser as the case may be pursuant to paragraph (n), the Company shall allot and issue, and shall instruct the Share Registrar to issue, the relevant number of Shares to the Grantee (or, as the case may be, his or her legal personal representative(s)) credited as fully paid and issue to the Grantee (or, as the case may be, his or her legal personal representative(s)) certificates in respect of the Shares so allotted.

(j) *Performance target and minimum holding period*

There is no minimum period for which an option must be held, and/or any performance targets which must be achieved, before it can be exercised unless the Board otherwise determined and stated in the offer document of the grant of the option.

(k) *Ranking of Shares*

The Shares to be allotted upon the exercise of an option shall not carry voting or dividend rights until completion of the registration of the Grantee (or such other person nominated by the Grantee) as the holder thereof on the register of members of the Company. Subject as aforesaid, the Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the constitutional documents of the Company for the time being in force and, once issued, shall rank *pari passu* in all respects with the fully-paid Shares in issue on the date of issue.

(l) *Rights are personal to grantee*

Subject to paragraphs (r) and (v) below, an option shall be personal to the Grantee and shall not be assignable. No Grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so, except for the transmission of an Option on the death or permanent disability of the Grantee to his or her personal representative(s) according to the terms of this Scheme (save that the Grantee may nominate a nominee in whose name the Shares issued pursuant to the Pre-IPO Share Option Scheme may be registered). Any breach of the foregoing shall entitle the Company to cancel any outstanding Options or any part thereof granted to such Grantee.

(m) *Rights on cessation of employment by death or permanent disability*

If a Grantee ceases to be an Eligible Participant by reason of his/her death or permanent disability, then if the relevant terms and conditions of the grant of an option so permit the option granted to such Grantee shall immediately vest in full and any portion that is unexercised shall become exercisable by the estate (in the case of death) or the nominee(s) and assign(s) (in the case of permanent disability) of such Grantee for a period commencing from the date of the cessation to the earlier of (i) 12 months after such cessation, and (ii) the Expiry Date relevant to that option.

(n) *Alteration of capital*

In the event of any alteration in the capital structure of the Company, whether by way of capitalisation issue, rights issue, open offer, sub-division, consolidation of shares or reduction of capital of the Company (except on an issue of securities of the Company as consideration in a transaction which shall not be regarded as a circumstance requiring alteration or adjustment), such corresponding alterations (if any) shall be made in (a) the number of Shares subject to any outstanding options; and/or (b) the Exercise Price, as the Auditors or the approved independent financial adviser shall at the request of the Company or any Grantee, certify in writing to be in their opinion fair and reasonable, provided that any such alterations shall be made on the basis that a Grantee shall have the same proportion of the equity capital of the Company as that to which he/she was entitled to subscribe immediately before such adjustments, but not so that the effect of such alterations would be to enable a Share to be issued at less than its nominal value.

(o) *Rights on a general offer*

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) and such offer becomes, or is declared unconditional, the Grantee (or his/her legal personal representative(s)) shall be entitled to exercise his/her options in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(p) *Rights on winding-up*

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering and, where appropriate, approving a resolution to voluntarily wind-up the Company, each Grantee (or in the case of the death of the Grantee, his personal representative(s)) shall be entitled to exercise all or any of his/her options at any time not later than two Business Days prior to the proposed general meeting by giving notice in writing to the Company and paying a remittance for the full amount of the aggregate Exercise Price for the Shares in respect of the which the notice is given whereupon the Grantee shall be allotted the relevant Shares credited as fully paid by the Company as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting.

(q) *Rights on company reconstructions*

If a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the Grantees on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee shall be entitled to exercise all or any of his/her options in whole or in part at any time prior to twelve (12) noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all Grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and terminate. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of the Grantees to exercise their respective options shall, to the extent that they have not been exercised, with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of the aforesaid suspension.

(r) *Lapse of options*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:-

- (i) the date of the expiry of the option as may be determined by the Board which shall not be later than the last day of the option period, which must expire not more than 10 years from the date of grant (the “**Expiry Date**”);
- (ii) the expiry of any of the periods referred to in paragraphs (o) or (p) above;
- (iii) the date on which the scheme of arrangement of the Company referred to in paragraph (q) above becomes effective;
- (iv) the date of commencement of the winding-up of the Company (as determined in accordance with the Companies Law);
- (v) the date on which the Grantee ceases to be an Eligible Participant for any reason including but not limited to his/her resignation or dismissal, or the termination of his/her relationship with the Company and/or any of the Subsidiaries; and
- (vi) the date on which the Board shall exercise the Company’s right to cancel the option at any time after the Grantee commits a breach of paragraph (l) above or the options are cancelled in accordance with paragraph (s) below.

(s) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised must be approved by the Grantees of the relevant options in writing, save for where the option is cancelled pursuant to paragraph (l) above.

(t) *Alteration to the Pre-IPO Share Option Scheme*

The Board may by resolution amend any terms and conditions, and the regulations for the administration and operation, of the Pre-IPO Share Option Scheme.

(u) *Termination to the Pre-IPO Share Option Scheme*

The Company by resolution in general meeting or the Board may at any time resolve to terminate the operation of the Pre-IPO Share Option Scheme and in such event no further options shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. In particular, all options granted prior to such termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

(v) *Conditions of the Pre-IPO Share Option Scheme*

The exercise of any options under the Pre-IPO Share Option Scheme shall be subject to and conditional upon:-

- (i) the Listing Committee (as defined in the Listing Rules) granting or agreeing to grant approval of the listing of and permission to deal in the Shares to be allotted and issued pursuant to the exercise of options; and
- (ii) the commencement of dealings in the Shares on the Hong Kong Stock Exchange.

If the above conditions are not satisfied on or before the date which is 30 days after the date of this prospectus, the Pre-IPO Share Option Scheme shall forthwith terminate and any option granted or agreed to be granted pursuant to the Pre-IPO Share Option Scheme shall be of no effect and no person shall be entitled to any rights or benefits or be under any obligations in respect of the Pre-IPO Share Option Scheme or any such option.

(w) *Disclosure in annual and interim reports*

The Board shall procure that details of the Pre-IPO Share Option Scheme and other schemes of the Company and its Subsidiaries are disclosed in the annual reports and interim reports of the Company in compliance with the Listing Rules and other relevant rules and regulations in force from time to time.

Outstanding Options

As of the Latest Practicable Date, options to subscribe for an aggregate of 83,311,989 Shares, representing approximately 2.02% of the issued share capital of our Company immediately upon completion of the the Capitalization Issue and Global Offering (assuming the Over-allotment Option is not exercised, and excluding all Shares which may be issued upon the exercise of the options granted or to be granted under the Pre-IPO Share Option Scheme), at an exercise price representing the Offer Price, had been conditionally granted by our Company to four executive Directors, three senior management, one connected person and 52 employees of the Company under the Pre-IPO Share Option Scheme.

As such, assuming full exercise of the outstanding Options granted under the Pre-IPO Share Option Scheme (assuming the Over-allotment Option is not exercised), the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 2.02%. The effects of such exercise were excluded from the calculation of diluted loss per Share as the effects would have been anti-dilutive.

Details of the Grantees under the Pre-IPO Share Option Scheme

On August 18, 2018, our four executive Directors, three members of our senior management, one connected person and 54 employees have been granted options under the Pre-IPO Share Option

Scheme to subscribe for a total of 83,512,500 Shares, representing approximately 2.02% of the issued share capital of our Company upon completion of the Global Offering, assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of share options granted under the Pre-IPO Share Option Scheme. Subsequent to the granting of the share options, two of the grantees resigned from their respective positions within our Group. As such, the share options granted to these two grantees were lapsed and no longer exercisable. As of the Latest Practicable Date, the number of Shares underlying the outstanding and unexercised share options granted under the Pre-IPO Share Option Scheme amounts to 83,311,989 Shares after taking into account the Capitalization Issue (representing approximately 2.02% of the issued share capital of the Company immediately upon the completion of the Capitalization Issue and Global Offering assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme). None of the share options granted under the scheme has been exercised by any grantee.

(a) *Directors, Senior Management and Connected Persons*

Below is a list of our executive Directors, members of our senior management and connected persons who are Grantees under the Pre-IPO Share Option Scheme:

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering⁽¹⁾
Dr. Qian Weizhu (錢衛珠)	Executive Director	Room 1202, No.14, Lane 300, Jinxiu Road, Pudong New District, Shanghai, PRC	29,642,137	0.72%
Dr. Wang Hao (王皓)	Executive Director	No. 594, Xiangyin Road, Yangpu District, Shanghai, PRC	24,827,006	0.60%
Mr. Li Yunfeng (李雲峰)	Executive Director	No. 194, Aomen Road, Putuo District, Shanghai, PRC	3,236,234	0.08%
Dr. Li Jing (李晶)	Executive Director	Room 101, No.9, Lane 2899, Hongmei Road, Minhang District, Shanghai, PRC	3,236,234	0.08%
Mr. Tao Jing (陶靜)	General Manager	Room 404, Building B11, Greenland Century New City, Gulou South Road, Medicine High-tech Zone, Taizhou City, Jiangsu Province, PRC	3,236,234	0.08%

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering⁽¹⁾
Mr. Zhuge Wenhui (諸葛文輝)	Vice President of Sales	13-2-2, 51 Yuzhou Road, Jiulongpo District, Chongqing, PRC	1,132,682	0.03%
Mr. Chen Lin (陳林)	Vice President of Sales	Room 401, No. 257, Dalian West Road, Hongkou District, Shanghai, PRC	1,132,682	0.03%
Ms. Guo Xiaoxin ⁽²⁾	Finance Manager	Room 502, No. 27 Building 8, Lane 750, Ziwei Road, Pudong New Area Shanghai, PRC	344,297	0.01%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.
- (2) An associate of Mr. Guo Jianjun, our executive Director.
- (b) *Other Grantees*

The table below shows the details of options granted to the remainder of the other Grantees, who are not connected persons of our Group under the Listing Rules:

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering⁽¹⁾
Mr. Zhang Dapeng (張大鵬)	Director of IP Department	Room 602, No. 74, Lane 491, Xiangyin Road, Yangpu District, Shanghai	1,618,117	0.04%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering ⁽¹⁾
Mr. Yan Jun (嚴軍)	Director of Medical Department	Room 5, No. 63, Lane 1604, Sichuan North Road, Hongkou District, Shanghai	1,294,494	0.03%
Ms. Zhang Bingwei (張炳蔚)	Director of Human Resource Department	Room 201, No. 7, Lane 1313, Lijin Road, Pudong New Area, Shanghai	1,456,305	0.04%
Mr. Li Jiyang (李繼陽)	Director of Engineering Department	No. 1-17, South Yangtze River Road, Gaogang District, Taizhou City, Jiangsu Province	1,294,494	0.03%
Ms. Yuan Xiuzhen (袁秀珍)	Director of Quality Department	Room 101, No.10, Tianlin 12th Village, Xuhui District, Shanghai	1,132,682	0.03%
Ms. Ma Xuelian (馬雪蓮)	Director of Finance Department	No. 41, Wangjia Zhai, Qizao Village, Chuansha Town, Pudong New Area, Shanghai	430,371	0.01%
Mr. Zeng Zhiqiang (曾志強)	Director of IT Department	No. 20-2, Wangjia Pu, Qilihe District, Lanzhou City, Gansu Province	430,371	0.01%
Mr. Pan Yaomin (潘耀民)	Vice Manager of Legal Department	No. 888, Jiefang East Road, Nanchang District, Wuxi City, Jiangsu Province	344,288	0.01%
Ms. Chen Xinzhi (陳新芝)	Manager of Engineer Department	Room 1303, No. 10, Lane 2066, Yuqiao Road, Pudong New Area, Shanghai	602,519	0.01%
Ms. Huang Xiafei (黃夏飛)	Manager of Medical Department	Room 301, No. 63, Building 19, Jiulian New Village, Xihu District, Hangzhou City, Zhejiang Province	344,297	0.01%
Mr. Yang Yue (楊躍)	Medical Manager	No. 2-66, South Yangtze River Road, Gaogang District, Taizhou City, Jiangsu Province	344,297	0.01%
Mr. Du Li (杜荔)	Manager of Clinical Department	Xialiujia Group, Dujia Village, Xuezhang Township, Ruicheng County, Shanxi Province	774,667	0.02%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering ⁽¹⁾
Ms. Gong Hui (龔慧)	Manager of Research and Development Department	Room 301, No. 119, Jiangsu North Road, Changning District, Shanghai	774,667	0.02%
Mr. Huang Jian (黃健)	Vice Manager of Administrative Department	Room 402, Building 6, Zhibao New Village, Hailing District, Taizhou City, Jiangsu Province	172,148	0.004%
Mr. Zhang Huiyong (張慧勇)	Vice Manager of First Manufacturing Department	No. 68, Group 5, Sancao Village, Wulie Town, Dongtai City, Jiangsu Province	430,371	0.01%
Mr. Huang Xin (黃新)	Vice Manager of First Manufacturing Department	No. 6, Tangdi Street, Tangdi Town, Anlu City, Hubei Province	430,371	0.01%
Mr. Xie Shunsheng (解順生)	Vice Manager of Second Manufacturing Department	No. 900-98, Wenhua Road, Baoyan Town, Dantu District, Zhenjiang City, Jiangsu Province	688,593	0.02%
Mr. Shao Shunru (邵順儒)	Manager of Quality Control Department	No. 65-6, Yanhe Street, Huaicheng Town, Chuzhou District, Huai'an City, Jiangsu Province	430,371	0.01%
Mr. Yang Weijun (楊衛軍)	Manager of Logistic Department	No. 31, Baqian Group, Xuzhuang Village, Diaopu Town, Gaogang District, Taizhou City, Jiangsu Province	344,297	0.01%
Mr. Tang Wei (唐偉)	Manager of Public Affairs Department	No. 20, Shuiwuqiao West Street, Hailing District, Taizhou City, Jiangsu Province	344,297	0.01%
Ms. Dong Haihua (董海華)	Supervisor of Financial Department	No. 296, Fuguo Village, Gangyan Town, Chongming District, Shanghai	75,192	0.002%
Mr. Xia Jun (夏俊)	Supervisor of Procure Department	No. 417, North 5th Group, Panzhuang Village, Yuxi Town, Jiangyan City, Jiangsu Province	100,256	0.002%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering ⁽¹⁾
Ms. Ma Baojie (馬寶傑)	Project Manager	Baofeng Village, Zhenbaodao Township, Hulin City, Heilongjiang Province	100,256	0.002%
Ms. Xiao Yang (肖揚)	Senior Inspector	Group 5, Committee 18, Taonan Street, Taoshan District, Qitaihe City, Heilongjiang Province	100,256	0.002%
Mr. Zhao Feifei (趙飛飛)	Project Manager	No. 160, Jiefang East Street, Urban Area, Changzhi City, Shanxi Province	100,256	0.002%
Ms. Li Qin (李秦)	Senior Inspector	No. 85-24-6, Hongzaofang Main Street, Shapingba District, Chongqing	100,256	0.002%
Ms. Xu Yinghui (許映輝)	Assistant Project Manager	No.9, Agricultural Science and Technology Institute, Ridge 12, Xiju Committee, Ducheng Town, Yunan County, Yunfu City, Guangdong Province	100,256	0.002%
Mr. Zhou Feng (周鋒)	Culturing Supervisor	No. 211, Group 14, Dongjiao Village, Longqiu Town, Gaoyou City, Jiangsu Province	125,319	0.003%
Ms. Jiang Limei (江麗梅)	Culturing Supervisor	No. 38, East 4th Xu, Xinyi Village, Shengci Town, Jingjiang City, Jiangsu Province	125,319	0.003%
Ms. Zhang Hui (張蕙)	Purification Supervisor	No. 14-1, Group 2, Tianzhuang Village, Wantou Town, Guangling District, Yangzhou City, Jiangsu Province	125,319	0.003%
Mr. Han Lei (韓磊)	Biologics Supervisor	No. 2-253, South Yangtze River Road, Gaogang District, Taizhou City, Jiangsu Province	100,256	0.002%
Ms. Xu Ping (徐萍)	Biologics Supervisor	No. 5, Group 17, Tianhe Village, Kou'an Street, Gaogang District, Taizhou City, Jiangsu Province	100,256	0.002%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering ⁽¹⁾
Mr. Li Fuchun (李富春)	Biologics Supervisor	No. 7, West 11th Group, Xuzhuang Village, Kou'an Town, Gaogang District, Taizhou City, Jiangsu Province	100,256	0.002%
Mr. Yang Xu (楊旭)	EHS Supervisor	No. 23, Group 5, Zhuangyuan Village, Qiaotou Town, Jiangyan City, Jiangsu Province	75,192	0.002%
Mr. Liu Liangjian (劉良健)	Operation Supervisor	No. 40, Taidong Group, Longkou Village, Kou'an Street, Gaogang District, Taizhou City, Jiangsu Province	75,192	0.002%
Mr. Xue Yun (薛贇)	Operation Supervisor	No. 9, Miaojiaxiang, Hailing District, Taizhou City, Jiangsu Province	75,192	0.002%
Ms. Yuan Haiyan (袁海燕)	Biological Test Supervisor	No. 2-10, Zaozhi Neighbourhoods, Sankongqiao Community, Nantong Farm, Development Zone, Nantong City, Jiangsu Province	100,256	0.002%
Ms. Zhang Juan (張娟)	Physical and Chemical Supervisor	No. 355, Honglian Village, Xinba Town, Yangzhong City, Jiangsu Province	100,256	0.002%
Ms. Zhang Fenlan (張粉蘭)	Microorganisms Supervisor	No. 13, Beiye Temple, Yuduo Town, Jiangyan City, Jiangsu Province	100,256	0.002%
Mr. Zhang Jingcheng (張鏡成)	Document Management Supervisor	No. 3, Xu 14, Sanxu Village, Shengci Town, Jingjiang City, Jiangsu Province	100,256	0.002%
Ms. Chen Xianqiong (陳賢瓊)	Registration Supervisor	Room 201, No. 26, Lane 266, Jiaodong Road, Pudong New Area, Shanghai	75,192	0.002%
Ms. Li Juan (李娟)	Human Resource Supervisor	Room 1106, Building 40, Top City of Dongrun, Medical High-Tech Zone, Taizhou City, Jiangsu Province	100,256	0.002%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Name of Grantees	Position held with our Group	Residential Address	Number of Shares under the options granted taking into account of the Capitalization Issue	Approximate percentage of issued Shares immediately after completion of the Capitalization Issue and the Global Offering ⁽¹⁾
Mr. Yang Haopeng (楊昊澎)	IT Supervisor	Room 102, No.131, Yingchun East Road, Hailing District, Taizhou City, Jiangsu Province	75,192	0.002%
Mr. Shi Feng (時鳳)	Procure Supervisor	No. 37, Group 1, Shizhuang Village, Dasi Town, Jiangyan City, Jiangsu Province	75,192	0.002%
Mr. Wang Shengyu (王盛煜)	Artificial Engineer	Room 502, No. 27, Jiabao 3rd Village, Minhang District, Shanghai	74,208	0.002%
Ms. Ren Shuang (任爽)	Engineer	Commune 2, Yuanjia Village, Wujiazhan Town, Fuyu County, Jilin Province	74,208	0.002%
Mr. Song Yili (宋毅立)	Engineer	Room 202, No. 25, Lane 280, Wenxi Road, Zhabei District, Shanghai	68,500	0.002%
Ms. Shi Caihong (施彩虹)	Engineer	No. 219, Wangzhuang East Road, New District, Wuxi City, Jiangsu Province	62,791	0.002%
Ms. Gu Juan (顧娟)	On-site monitoring assistant	No.26, Group 24, Huzhuang Village, Qutang Town, Hai'an County, Jiangsu Province	57,083	0.001%
Ms. Wang Minhua (王敏華)	Assistant Engineer	No. 62, Group 7, Dongjin Village, Jinhai Town, Qidong City, Jiangsu Province	57,083	0.001%
Mr. Long Jie (龍傑)	IT Engineer	No. 928, Minyi Village, Liuzao Town, Pudong New Area, Shanghai	57,083	0.001%
Mr. Liu Chunjun (劉春軍)	Administrative Assistant	No. 33, Anzhuang Village, Lun Town, Yucheng City, Shandong Province	85,625	0.002%

Notes:

- (1) Assuming the Over-allotment Option is not exercised, and without taking into account any Shares to be issued upon the exercise of options granted under the Pre-IPO Share Option Scheme.

Each Option granted under the Pre-IPO Share Option Scheme has a 10-year exercise period from the Listing Date provided that none of the options (whether exercised or not) shall be exercisable prior to the Listing.

Save as disclosed above, no option has been granted by our Company to any Director, senior management, connected person and other Grantee, on an individual basis, who has the right to subscribe any Shares under the Pre-IPO Share Option Scheme.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands or PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Application for Listing

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares into CCASS.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Options under the Pre-IPO Share Option Scheme). The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The fees payable to the Sole Sponsor in respect of its services as sponsor for the Listing are approximately US\$1.0 million and are payable by us.

5. Preliminary Expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US\$3,130 and were paid by us.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Commerce & Finance Law Offices	PRC Legal Advisors
Deloitte Touche Tohmatsu	Certified Public Accountants, Hong Kong
China International Capital Corporation Hong Kong Securities Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on future contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Walkers (Hong Kong)	Cayman Islands legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

8. Consents of Experts

Each of Commerce & Finance Law Offices, Deloitte Touche Tohmatsu, China International Capital Corporation Hong Kong Securities Limited, Walkers (Hong Kong) and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Hong Kong Taxation

(a) Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of the Shares. Trading gains from the sale of the Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax.

(b) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of the Shares. The duty is charged at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares.

In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required). Where a sale or purchase of the Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

(c) Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

11. Reserves available for distribution

As of December 31, 2018, our Group had no retained profits under IFRSs as reserves available for distribution to our Shareholders.

12. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of the Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in the Company or any of its subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.
- (c) Our Directors confirm that:
- (i) there has been no material adverse change in the financial or trading position or prospects of the Group since December 31, 2018 (being the date to which the latest audited consolidated financial statements of the Group were prepared); and
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this prospectus.
- (d) Our principal register of members will be maintained by our principal registrar, Walkers Corporate Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.
- (e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) The English 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).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to the section headed “Statutory and General Information—B. Further Information About Our Businesses—1. Summary of Material Contracts” in Appendix IV to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—8. Consents of Experts” in Appendix IV to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong) at 37/F, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the accountants’ report for the years ended December 31, 2017 and 2018 issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Company for the years ended December 31, 2017 and 2018;
- (d) the report on the unaudited pro forma financial information from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the legal opinions issued by Commerce & Finance Law Offices, our PRC Legal Advisors, in respect of certain aspects of the Group and the property interests of the Group;
- (f) the letter of advice issued by Walkers (Hong Kong), our Cayman legal advisors, in respect of certain aspects of the Cayman Companies Law referred to in Appendix III to this prospectus;
- (g) the Cayman Companies Law;
- (h) the Frost & Sullivan Report;

APPENDIX V**DOCUMENTS DELIVERED TO THE REGISTRAR
OF COMPANIES AND AVAILABLE FOR INSPECTION**

- (i) the material contracts referred to the section headed “Statutory and General Information—B. Further Information About Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (j) the written consents referred to in the section headed “Statutory and General Information—E. Other Information—8. Consents of Experts” in Appendix IV to this prospectus;
- (k) service contracts and appointment letters entered into between the Company and each of the Directors; and
- (l) the rules of the Pre-IPO Share Option Scheme and the full list of all the Grantees of the Pre-IPO Share Option Scheme containing all the details in respect of each option required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Listing Rules.



邁博藥業

MABPHARM LIMITED

迈博药业有限公司