GLOBAL OFFERING

Hansoh Pharmaceutical Group Company Limited
翰森製藥集團有限公司
(Incorporated in the Cayman Islands with Limited Liability)
Stock Code : 3692.HK

Joint Sponsors

Morgan Stanley citi

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley citi UBS Goldman Sachs CMS 招商證券國際

Joint Bookrunner and Joint Lead Manager

CICC 中金公司

Joint Lead Manager

招銀国际 CMB INTERNATIONAL

IMPORTANT

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

Hansoh Pharmaceutical Group Company Limited
翰森製藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**551,280,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**38,590,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**512,690,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$14.26 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 and subject to refund)**
Nominal value	**:**	**HK$0.00001 per Share**
Stock code	**:**	**3692**

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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 Joint Global Coordinators (on behalf of the Underwriters) on or about Wednesday, June 5, 2019 and, in any event, not later than Sunday, June 9, 2019. The Offer Price will be not more than HK$14.26 per Offer Share and is currently expected to be not less than HK$13.06 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$14.26 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$14.26 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators (on behalf of the Underwriters) on or before Sunday, June 9, 2019 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Global Coordinators (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 on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at www.hspharm.com not later than the morning of the last day for ledging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and Conditions 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 Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in 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 (i) within the United States solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

May 31, 2019

Latest time for completing electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk**[2] ..... 11:30 a.m. on Wednesday, June 5, 2019

Application lists open[3] ..... 11:45 a.m. on Wednesday, June 5, 2019

Latest time for lodging **WHITE** and **YELLOW** Application Forms ..... 12:00 noon on Wednesday, June 5, 2019

Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) ..... 12:00 noon on Wednesday, June 5, 2019

Latest time for giving **electronic application instructions** to HKSCC[4] ..... 12:00 noon on Wednesday, June 5, 2019

Application lists close[3] ..... 12:00 noon on Wednesday, June 5, 2019

Expected Price Determination Date[5] ..... Wednesday, June 5, 2019

(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our company at **www.hspharm.com** on or before ..... Thursday, June 13, 2019

(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 "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results" in this prospectus ..... Thursday, June 13, 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function from	Thursday, June 13, 2019
Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6]	Thursday, June 13, 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[7]	Thursday, June 13, 2019
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at	9:00 a.m. on Friday, June 14, 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.hkeipo.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 Wednesday, June 5, 2019, the application lists will not open on that day. See "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to "How to Apply for 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 Wednesday, June 5, 2019 and, in any event, not later than Sunday, June 9, 2019. If, for any reason, the Offer Price is not agreed by Sunday, June 9, 2019 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Thursday, June 13, 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 or around Friday, June 14, 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.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessfully applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The above expected timetable is a summary only. You should refer to "Structure and Conditions 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 Hansoh Pharmaceutical Group Company 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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, and the Joint Lead Managers, 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.hspharm.com, does not form part of this prospectus.

CONTENTS

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.

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 one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. We have a broad, diversified and leading drug portfolio in (i) central nervous system ("**CNS**") diseases, (ii) oncology, (iii) anti-infectives, and (iv) diabetes. We also focus on the gastrointestinal and cardiovascular therapeutic areas. Together, these six therapeutic areas accounted for 62.5% of the total sales revenue of pharmaceuticals in China in 2018 and grew faster than the Chinese pharmaceutical industry as a whole, which grew at 8.1% on average from 2014 to 2018. Please see "Industry Overview — Pharmaceutical Market in China by Therapeutic Areas" for more information on the historical and forecast growth rates of each of the six therapeutic areas.

Our diversified product portfolio includes eight main products with established market-leading positions and track record, which we refer to as our core products, and five other main products we launched more recently with strong growth potential. These thirteen main products accounted for 83.4%, 85.7% and 89.5% of our revenue in 2016, 2017 and 2018, respectively. Most of these products are in the CNS diseases, oncology, anti-infectives and diabetes areas, the four therapeutic areas we strategically target. In addition, we have one main product in the gastrointestinal area. Among our main products, Mailingda is a Category 1.1 innovative drug, Oulanning, Ameining, Pulaile, Zefei, Xinwei, Xintai, Zetan, Hengjie, Hengsen, Fulaidi and Ruibote are first-to-market generic drugs, and Xinmei is a generic drug. Furthermore, we target to launch nearly 30 drug candidates from 2019 to 2020, including 15 drug candidates that we think have high growth potential, which comprise four candidates of Category 1.1 innovative drugs with NMEs and eight potential first-to-market generic drugs. As of the Latest Practicable Date, we launched four of these 15 drug candidates between December 2018 to May 2019, including one Category 1.1 innovative drug, polyethylene glycol loxenatide, launched in May 2019. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

We have a proven track record of over 20 years of R&D experience, as evidenced by our top-two ranking as of June 30, 2018 in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. We began our development of Category 1.1 innovative drugs in 2002. As of the Latest Practicable Date, we are one of the few Chinese pharmaceutical companies that have successfully developed and marketed two Category 1.1 innovative drugs with new molecular entities ("**NMEs**"), including our pipeline Category 1.1 innovative drug polyethylene glycol loxenatide, launched in May 2019. We have a pipeline of six Category 1.1 innovative drugs that have entered into Phase II clinical trials or more advanced stages of development, including four drug candidates which we expect to launch from 2019 to 2020 in multiple therapeutic areas, among which our polyethylene glycol loxenatide was launched in May

2019. Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, chemistry & manufacturing controls ("**CMC**") as well as clinical development, which enable our high efficiency in developing new drugs. We have developed various proprietary technologies, including a proprietary PEGylation technology, which we used to develop Category 1.1 innovative long-acting drugs. We also launched more than 30 first-to-market generic drugs as of the Latest Practicable Date. Our track record of successful commercialization has enabled us to continue to make significant investments into our R&D pipeline. Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments, including the consistency evaluation requirements imposed by the NMPA since 2016.

Our large portfolio of marketed drugs has enabled us to achieve strong financial results. Our revenue was RMB5,433.0 million, RMB6,185.5 million, and RMB7,722.3 million in 2016, 2017 and 2018, respectively, representing a year-on-year growth of 13.9% and 24.8%, respectively, from 2016 to 2018. Our net profit was RMB1,476.0 million, RMB1,595.5 million, and RMB1,903.0 million in 2016, 2017 and 2018, respectively, representing a year-on-year growth of 8.1% and 19.3%, respectively, from 2016 to 2018. For 2016, 2017 and 2018, our gross profit margin was 92.7%, 92.6% and 92.2%, respectively, and our net profit margin was 27.2%, 25.8% and 24.6%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths include the following:

- one of the few R&D-driven Chinese pharmaceutical companies with a broad, diversified and leading drug portfolio in multiple large and fast-growing therapeutic areas;
- superior R&D capabilities as evidenced by our top-two ranking in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011;
- strong portfolio of marketed drugs and pipeline drugs targeting six therapeutic areas with significant unmet clinical needs;
- effective in-house sales force with therapeutic area focus and strong academic promotion capabilities;
- U.S. FDA-certified manufacturing quality management system enabling us to export injectable pharmaceuticals to developed markets; and
- a visionary management team with deep insights into the industry and a strong sense of mission.

OUR STRATEGIES

We aim to extend our market leadership in our focused therapeutic areas in China. Over the long term, our objective is to become a global innovative pharmaceutical company and address significant unmet clinical needs. To achieve these goals, we intend to pursue the following strategies:

- strengthen research and development of our innovative drug candidates;
- continue to strengthen our first-to-market generic drug portfolio;
- continue to optimize our integrated and specialized academic sales and marketing system;
- maintain world-class facilities and manufacturing quality management system;
- train and recruit high-caliber talent; and
- expand our business and product portfolio through selective acquisitions and strategic investments.

OUR PRODUCTS

CNS Disease Products

According to Frost & Sullivan, we were China's largest psychotropic pharmaceutical company in terms of sales revenue in 2018, with a 9.2% market share, and have consistently been ranked first in China in terms of sales revenue of psychotropic drugs for five consecutive years since 2014. We currently market and sell four CNS disease drugs, including two main products: Oulanning, our core product, and Ameining, our main product with strong growth potential. In 2016, 2017 and 2018, our revenue from sales of CNS disease drugs was RMB1,473.3 million, RMB1,681.7 million and RMB1,941.5 million, respectively.

Oncology Products

According to Frost & Sullivan, we were the fifth largest oncology pharmaceutical company in China based on sales revenue in 2018, with a 2.5% market share. We primarily focus on drugs for the treatment of solid tumors with high incidence such as lung cancer and breast cancer as well as hematological cancer for which treatment options are relatively limited. We currently market and sell seven oncology drugs, including five main products: our core products Pulaile, Zefei, Xinwei and Xinmei, and our main product with strong growth potential Xintai. In 2016, 2017 and 2018, our revenue from sales of oncology drugs was RMB2,026.9 million, RMB2,443.7 million and RMB3,518.2 million, respectively.

Anti-infective Products

According to Frost & Sullivan, our antibiotics targeting anti-Gram-positive multi-drug resistant bacteria, a new generation anti-infective therapy, have shown strong growth potential since their launches. We ranked third in the anti-Gram-positive multi-drug resistant bacteria antibiotics drug market in China in 2018 based on sales revenue, with a market share of 14.1%. We currently market and sell nine anti-infective drugs, including four main products: our core product Zetan, and our main products with strong growth potential Mailingda, Hengjie, and Hengsen. In 2016, 2017 and 2018, our revenue from sales of anti-infective drugs was RMB847.4 million, RMB986.2 million and RMB1,273.1 million, respectively.

Diabetes Products

According to Frost & Sullivan, our oral antidiabetic products ranked sixth among domestic Chinese pharmaceutical companies in 2018 based on sales revenue. We currently market and sell four diabetes drugs, including our core product Fulaidi. In 2016, 2017 and 2018, our revenue from sales of diabetes drugs was RMB479.6 million, RMB480.3 million and RMB440.9 million, respectively.

Gastrointestinal Products

We currently market and sell three gastrointestinal drugs, including our core product Ruibote. In 2016, 2017 and 2018, our revenue from sales of gastrointestinal drugs was RMB530.5 million, RMB528.1 million and RMB461.3 million, respectively.

Other Products

We also market and sell drugs in other therapeutic areas, including in the cardiovascular therapeutic area. In 2016, 2017 and 2018, our revenue from these other therapeutic areas was RMB75.4 million, RMB65.6 million and RMB87.4 million, respectively.

The following table sets forth selected information relating to our main products as of the Latest Practicable Date:

Therapeutic area	Main product+	Classification	Time of approval for sales in China	Status of consistency evaluation***	Time of inclusion in NRDL****
CNS diseases	Oulanning (olanzapine tablets)*†	First-to-market generic drug	2001	Passed in May 2018	2004
	Ameining (agomelatine tablets)	First-to-market generic drug	2014	Preparing for application	2017
Oncology	Pulaile (pemetrexed disodium for injection)*	First-to-market generic drug	2005	Application filed	2017
	Zefei (gemcitabine hydro chloride for injection)*	First-to-market generic drug	2001	Application filed	2004
	Xinwei (imatinib mesylate tablets)*†	First-to-market generic drug	2013	Passed in May 2018	2017
	Xinmei (decitabine for injection)*	Generic drug	2013	Application filed	2017
	Xintai (bortezomib for injection)	First-to-market generic drug	2017	Application filed	2017
Anti-infectives	Mailingda (morinidazole sodium chloride injection)	Category 1.1 innovative drug	2014	N/A	2017
	Zetan (tigecycline for injection)*	First-to-market generic drug	2012	Application filed	2017
	Hengjie (linezolid glucose injection)	First-to-market generic drug	2015	Application filed	2009**
	Hengsen (micafungin sodium for injection)	First-to-market generic drug	2018	Preparing for application	2009**
Diabetes	Fulaidi (repaglinide tablets)*	First-to-market generic drug	2000	Passed in December 2018	2004
Gastrointestinal	Ruibote (rabeprazole sodium enteric-coated tablets)*	First-to-market generic drug	2002	Preparing for application	2004

* indicates a core product

** Linezolid and micafungin were included in the NRDL in 2009. Under PRC law, any generic drug that has the same dosage form and main chemical name with the generic name included in the NRDL will be automatically included in the NRDL. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products" for more information.

*** Our generic drugs which had obtained approval for marketing prior to December 31, 2018, which include all generic drugs in our main products, are required to undergo and pass the consistency evaluation pursuant to the relevant PRC regulations. All generic drugs in our main products shall complete the consistency evaluation within three years from the respective date the first generic drug of the same variety (e.g., of the same generic name, dosage form, specification and

indication) has passed the consistency evaluation. We may apply for an extension with the NMPA's local counterpart if we have assessed and considered relevant generic drugs are of limited market availability and have unmet clinical demand, and the NMPA's local counterpart may grant the appropriate extention after evaluation and consultation with relevant public health administration authorities. For more information, please refer to "Regulatory Overview — The Quality and Efficacy Consistency Evaluation and The Bioequivalence Test of Generic Drugs — The Quality and Efficacy Consistency Evaluation of Generic Drugs". As of the Latest Practicable Date, other than olanzapine, imatinib and repaglinide, with respect to which we were the first to pass the consistency evaluation, none of the generic drugs of the same variety (e.g., of the same generic name, dosage form, specification and indication) as our respective main products had passed the consistency evaluation.

**** All our 13 main products are Category B drugs under the NRDL. Patients purchasing Category B drugs are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentages of reimbursement for Category B drugs differ from region to region in the PRC. Please refer to "Regulatory Overview — PRC Laws and Regulations In Relation to the National Medical Insurance and Price of Pharmaceutical Products — National Basic Medical Insurance, Industrial Injury Insurance and Maternity Insurance Drug Catalogue" for more information.

+ None of these main products were included in the National Essential Drugs List (2012 Edition), while Oulanning, Pulaile, Zefei, Xinwei and Fulaidi have been subsequently included in the National Essential Drugs List (2018 Edition).

† As of the Latest Practicable Date, we won the bid to supply two of our first-to-market generics, Oulanning (olanzapine tablets) and Xinwei (imatinib mesylate tablets) to public medical institutions in "4+7" cities under the national pilot scheme for drugs centralized tendering with minimum procurement quantities. We agreed to supply our olanzapine tablets with a minimum quantity of 19,390,950 tablets (calculated at the specification of 10mg per tablet) in the "4+7" cities at a discount of 27.2% per unit. We agreed to supply our imatinib mesylate tablets with a minimum quantity of 2,536,600 tablets in the "4+7" cities at a discount of 26.0% per unit. Furthermore, there are uncertainties with respect to future drug coverage of this national pilot scheme. As a result, there can be no assurance that we may have additional drugs added to this national pilot scheme in the future. For more information, please refer to "Risk Factors — Risks Relating to our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease", "— We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may adversely affect our profitability or impose additional compliance burdens on us", and "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products — The Drug Centralized Procurement in '4+7 Cities'."

OUR PRODUCTS UNDER DEVELOPMENT

Our strong R&D capabilities have yielded a diversified pipeline of Category 1.1 innovative drugs and potential first-to-market generic drug candidates in different stages of development spanning our key therapeutic areas. As of the Latest Practicable Date, we had a pipeline of nearly 100 drug candidates, six of which are Category 1.1 innovative drugs with NMEs that have entered into Phase II clinical trial or more advanced stages. We target to launch nearly 30 drug candidates from 2019 to 2020, including 15 drug candidates that we think have high growth potential, which comprise four candidates of Category 1.1 innovative drugs with NMEs and eight potential first-to-market generic drugs. Of these four candidates of Category 1.1. innovative drugs, polyethylene glycol loxenatide, a GLP-1 receptor agonist, is a long-acting Category 1.1 innovative drug indicated for the treatment of Type-II diabetes. It was developed using our proprietary PEGylation technology and we obtained its NDA approval in May 2019. Polyethylene glycol loxenatide only needs one injection per week to achieve a long-term effect as a result of its molecular structure, compared to currently available comparable treatment options in the market, which require daily injection. As of the Latest Practicable

Date, we are the only domestic company that has obtained an NDA approval for the innovative long-acting GLP-1 drug that had been independently developed in the Chinese market according to Frost & Sullivan. Our late stage pipeline also includes HS-10296, a Category 1.1 innovative oncology drug indicated for the treatment of NSCLC. HS-10296 is a third-generation EGFR tyrosine kinase inhibitor. In vitro pharmacodynamic studies have shown that HS-10296 has a potent inhibitory effect on the enzymatic activity of EGFR T790M resistance mutations. Pharmacokinetic studies have shown that HS-10296 lacks a demethylated metabolic pathway, thereby avoiding possible skin and gastrointestinal damage caused by wild-type EGFR inhibition. In April 2019, we completed NDA submission of HS-10296. See "Business — Our Products under Development" for more information.

RESEARCH AND DEVELOPMENT

We have a proven track record of over 20 years of R&D experience, as evidenced by our top-two ranking as of June 30, 2018 in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. We began developing Category 1.1 innovative drugs in 2002. As of the Latest Practicable Date, we are one of the few Chinese pharmaceutical companies that have successfully developed and marketed two Category 1.1 innovative drugs with NMEs, including our pipeline Category 1.1 innovative drug polyethylene glycol loxenatide, launched in May 2019. Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, chemistry & manufacturing controls ("**CMC**") as well as clinical development, which enable our high efficiency in developing new drugs. We have developed various proprietary technologies, including a proprietary PEGylation technology, which we used to develop Category 1.1 innovative long-acting drugs. Our track record of successful commercialization has enabled us to continue to make significant investments into our R&D pipeline. Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments, including the consistency evaluation requirement imposed by the NMPA since 2016. For the years ended December 31, 2016, 2017 and 2018, our research and development costs were approximately RMB403.1 million, RMB575.5 million and RMB881.3 million, respectively.

SALES, MARKETING AND DISTRIBUTION

We market and sell our products through our in-house team of approximately 4,500 sales professionals as of December 31, 2018. Our patient-centric and clinical-data-driven academic promotion increases the knowledge and awareness of the clinical benefits of our products and enhances our brand awareness among doctors and other medical professionals. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas. Our marketing strategies are implemented by our in-house sales and marketing team that are aligned across various therapeutic areas and geographic regions. Our in-house sales and marketing team generates market demand for our products among medical professionals primarily through its academic promotion efforts to enhance medical professionals' knowledge and understanding of the usage, clinical effects and advantages of our drug products. For more information of our in-house sales and marketing team, please see "Business — Sales, Marketing and Distribution — Sales and Marketing."

We sell our products to pharmaceutical product distributors, who are our customers. Our distributors are not engaged to provide marketing and promotional services for our products. We enter into annual distribution agreements with our distributors. We believe this distribution model helps extend our coverage while allowing us to retain proper control over our distribution network. We cover over 1,900 class-III hospitals, 5,000 class-II hospitals, and other medical institutions across China. In our key therapeutic areas, we cover substantially all provincial and municipal level oncology hospitals and provincial, municipal, and county-level psychiatric hospitals across China. In 2016, 2017 and 2018, our revenue from sales to our top five distributors accounted for 13.8%, 13.6% and 11.4% of our total revenue, respectively. In the same periods, sales to our single largest distributors during each period accounted for 4.7%, 4.0% and 3.6% of our total revenue. For more information of our distributors, please see "Business — Sales, Marketing and Distribution — Distribution."

Many of our distributors are members of larger national pharmaceutical distributorship groups in China. Our business relationship with our top five distributors exceeds 10 years on average.

Our distributor management division, which is part of our in-house sales and marketing team, is responsible for the overall management of our distributors, which includes screening, selecting, reviewing and risk management with respect to our distributors.

PRODUCT PRICING

Prices of most pharmaceutical products in China are determined through a competitive centralized tender process at the provincial level. Our market entry department analyzes government policies and regulations in order to develop our product pricing strategies for the centralized tender process in China and our products' entry onto the NRDL or into other government-sponsored medical insurance programs at appropriate pricing levels. The centralized tender process can create pricing pressure among substitute products or products that are perceived by the market to be substitute products, including our products. During the Track Record Period, prices of most of our main products decreased primarily due to downward pricing pressure from the centralized tender process in various provinces across China. Our bidding strategy generally focuses on differentiating our products, instead of competing solely based on pricing.

Pricing Regulation Affecting Our Main Products

Prior to June 1, 2015, our pharmaceutical products included in a medical insurance catalogue were subject to pricing regulation mainly in the form of fixed or maximum retail prices at which our pharmaceutical products may be sold to patients through hospitals and pharmacies.

As a result of regulatory changes in the PRC, price controls on pharmaceutical products (other than narcotic drugs and Class I psychiatric drugs) were lifted since June 1, 2015, allowing for a more market-based drug pricing system. The PRC government continues to regulate prices mainly through a centralized tender process, revising medical insurance reimbursement standards and strengthening

regulation of medical and pricing practices. Despite the regulatory changes, the new regulations could still exert downward pressure on pricing from participation in the centralized tender process and, if significant, could have a corresponding impact on the prices at which we sell such products to our distributors, and consequently our gross profits and gross profit margins. In addition, innovative drugs included in any national medical insurance negotiation list generally need to undergo a pricing negotiation process with the government. As of the Latest Practicable Date, one of our main products, Mailingda, has entered into the NRDL via pricing negotiation, which resulted in a decrease of its price in certain provinces. During the Track Record Period, the NDRC price adjustments, the centralized tender process or the inclusion in the NRDL did not have a material negative impact on our results of operations as the increases in sales volume offset the price declines, and as we had a diverse portfolio and did not rely on any single product, and strategically structured our product portfolio to focus on higher margin products. For more information, please refer to "Risk Factors — Risks Relating to Our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease.", "Regulatory Overview — PRC Laws and Regulations In Relation to the National Medical Insurance Program and Price of Pharmaceutical Products," and "Business — Product Pricing — Pricing Regulation Affecting Our Main Products."

RAW MATERIALS AND SUPPLIERS

The principal raw materials used for our finished pharmaceutical products are the necessary active pharmaceutical ingredients. During the Track Record Period, we produced the majority of our active pharmaceutical ingredients in-house, including all active pharmaceutical ingredients for our main products, except for Ruibote. We have worked together with the majority of our top five raw material suppliers for an average of more than ten years. In 2016, 2017 and 2018, our purchases from our five largest raw material suppliers were RMB117.2 million, RMB100.5 million and RMB101.4 million, accounting for approximately 29.5%, 22.1% and 16.8% of our total cost of sales, respectively. Our purchases from our largest suppliers during each year, all of whom were our suppliers of raw materials for the manufacturing of certain active pharmaceutical ingredients, were RMB64.5 million, RMB33.4 million and RMB33.9 million, accounting for approximately 16.2%, 7.3% and 5.6% of our total cost of sales, respectively. For more information on our suppliers, please see "Business — Production and Quality Control — Raw Materials and Suppliers."

PRODUCTION SITES AND FACILITIES

We currently carry out our production activities at our facilities at three sites: Lushan Road site and Dongjin Road site for the production of pharmaceutical products and Kaitai Road site for the production of active pharmaceutical ingredients. All of our production sites and facilities are located in Lianyungang, Jiangsu. For 2016, 2017, and 2018, the utilization rates of our workshops for our finished dose pharmaceutical products were (i) 68.3%, 76.3%, and 53.9%, respectively, in the case of injectables, and (ii) 62.6%, 69.3% and 54.3%, respectively, in the case of oral tablets and capsules. For more information on the designed production capacity, actual production volume and utilization rates of our production workshops for our finished-dose pharmaceutical products, please see "Business — Production and Quality Control — Our Production Sites and Facilities."

We plan to increase our production capacity by constructing new production lines, as well as upgrading existing production lines and production facilities, to meet demand for our products. Based on our experience, it would usually take around three years to plan and construct production facilities, including obtaining the relevant PRC licenses and completing the required GMP inspections. For more information, please refer to "Business — Production and Quality Control — Our Production Sites and Facilities."

COST STRUCTURE

Our cost structure consists of cost of sales and operating expenses. Our cost of sales primarily includes material costs, staff costs, depreciation and utilities and others. Our cost of sales as a percentage of revenue accounted for 7.3%, 7.4% and 7.8% in 2016, 2017 and 2018, respectively. Our operating expenses include selling and distribution expenses, administrative expenses, research and development costs and finance costs. Selling and distribution expenses are the largest component of our operating expenses, representing 43.8%, 43.7% and 41.6% of our revenue in 2016, 2017 and 2018, respectively.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2016, 2017 and 2018, extracted from the Accountants' Report set out in Appendix I to this prospectus.

Summary of Consolidated Statement of Profit or Loss and Other Financial Information

The following tables set forth, for the years indicated, our consolidated results of operations, revenue breakdown by therapeutic area, and revenue from each of our core products. Percentages shown are a percentage of revenue for the years indicated.

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Revenue	5,432,960	100.0	6,185,537	100.0	7,722,278	100
Cost of sales	(397,279)	(7.3)	(455,171)	(7.4)	(603,100)	(7.8)
Gross profit	5,035,681	92.7	5,730,366	92.6	7,119,178	92.2
Other income	85,811	1.6	93,230	1.5	77,953	1.0
Selling and distribution expenses	(2,378,040)	(43.8)	(2,704,200)	(43.7)	(3,208,680)	(41.6)
Administrative expenses	(537,972)	(9.9)	(614,075)	(9.9)	(790,158)	(10.2)
Research and development costs	(403,065)	(7.4)	(575,544)	(9.3)	(881,288)	(11.4)
Other gains/(expenses), net	5,274	0.1	3,014	0.0	(7,680)	(0.1)
Finance costs	(3,411)	(0.1)	—	—	—	—
Profit before tax	1,804,278	33.2	1,932,791	31.2	2,309,325	29.9
Income tax expense	(328,244)	(6.0)	(337,318)	(5.4)	(406,277)	(5.3)
Profit for the year	1,476,034	27.2	1,595,473	25.8	1,903,048	24.6

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Therapeutic Area						
CNS diseases	1,473,305	27.1	1,681,680	27.2	1,941,495	25.1
Oncology	2,026,873	37.3	2,443,708	39.5	3,518,159	45.6
Anti-infective	847,390	15.6	986,175	15.9	1,273,110	16.5
Diabetes	479,555	8.8	480,331	7.8	440,855	5.7
Gastrointestinal	530,462	9.8	528,067	8.5	461,258	6.0
Others	75,375	1.4	65,576	1.1	87,401	1.1
Total	5,432,960	100.0	6,185,537	100.0	7,722,278	100.0

	Year ended December 31,					
	2016		2017		2018	
	RMB (MM)	*%*	*RMB (MM)*	*%*	*RMB (MM)*	*%*
Core Product						
CNS diseases						
Oulanning	1,413.7	26.0	1,598.5	25.8	1,785.4	23.1
Oncology						
Pulaile	879.8	16.2	1,088.7	17.6	1,547.7	20.0
Zefei	747.2	13.8	899.0	14.5	1,026.0	13.3
Xinwei	228.2	4.2	244.8	4.0	321.2	4.2
Xinmei	66.6	1.2	87.9	1.4	127.9	1.7
Anti-infectives						
Zetan	185.3	3.4	233.5	3.8	376.5	4.9
Diabetes						
Fulaidi	471.7	8.7	470.1	7.6	428.9	5.6
Gastrointestinal						
Ruibote	438.6	8.1	435.4	7.0	386.1	5.0
Total	4,431.1	81.6	5,057.9	81.8	5,999.7	77.7

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Current Assets	3,463,699	4,417,867	6,684,185
Current Liabilities	1,811,964	1,227,674	4,503,785
Net Current Assets	1,651,735	3,190,193	2,180,400
Non-Current Assets	1,357,252	1,456,181	1,730,186
Non-Current Liabilities	34,649	127,684	1,442,688
Total Equity	2,974,338	4,518,690	2,467,898

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the periods or as of the dates indicated:

	Year ended or as of December 31,		
	2016	2017	2018
Current ratio[(1)]	1.9	3.6	1.5
Return on total assets (%)[(2)]	26.2	29.8	26.6
Net profit margin (%)[(3)]	27.2	25.8	24.6

Notes:

(1) Current assets divided by current liabilities.

(2) Profit for the year divided by average assets (the arithmetic mean of the opening and closing balance of assets) and multiplied by 100%.

(3) Profit for the year divided by revenue.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Stellar Infinity will be interested in approximately 68.35% of our issued share capital (assuming the Over-Allotment Option is not exercised). Stellar Infinity is wholly-owned by Sunrise Investment, which in turn is wholly-owned by the Sunrise Trust Trustee. Ms. Zhong is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed in respect of the Sunrise Trust. As a result, Ms. Zhong, Stellar Infinity and Sunrise Investment are considered as our Controlling Shareholders immediately after the Global Offering.

RECENT DEVELOPMENTS

In May 2019, we obtained NDA approval for our polyethylene glycol loxenatide (聚乙二醇洛塞那肽), a GLP-1 receptor agonist and a long-acting Category 1.1 innovative drug indicated for the treatment of Type-II diabetes.

In April 2019, we completed NDA submission of HS-10296, a Category 1.1 innovative oncology drug indicated for the treatment of NSCLC.

In March 2019, we obtained NDA approval for our vildagliptin (維格列汀), the first to market generic of vildagliptin, which is a new type of antidiabetic drug and belongs to the class of dipeptidyl peptidase-IV(DPP-IV) inhibitors for the treatment of type II diabetes. In the same month, we also submitted an NDA to the NMPA for our potential first-to-market generic of paliperdone (帕利哌酮), a dual dopamine D2/5-HT2 receptor antagonist used to treat schizophrenia in adults and adolescents.

In January 2019, we obtained NDA approval for our apixaban (阿哌沙班), the first to market generic of apixaban, which is a factor Xa inhibitor and is used to prevent venous thromboembolic events (hip or knee arthroplasty).

Pursuant to a resolution of the Board of our Company and a resolution of the shareholders of our Company dated May 27, 2019, we declared another special dividends to our existing shareholders (the "**Second Unpaid Dividends**," together with the RMB4,000.0 million dividends we declared on July 31, 2018, or the "**First Unpaid Dividends**," the "**Unpaid Dividends**"). The Second Unpaid Dividends are declared out of, and expected to represent, approximately 90% of our cumulative distributable profits as of April 30, 2019. In that connection, we will engage our auditor to perform a special audit post listing (the "**Special Audit**") of our accounts for the period from January 1, 2019 to April 30, 2019, which is currently expected to be completed by the end of August 2019, and we will announce the amount of the Second Unpaid Dividend payable determined by the Special Audit. See "Financial Information — Dividend." A majority of the Unpaid Dividends were not settled as of Latest Practicable Date.

We had net asset of RMB2,467.9 million as of December 31, 2018, as compared to net asset of RMB4,518.7 million as of December 31, 2017. This change was primarily due to a decrease of RMB4,000 million in our net assets resulting from the declaration of our First Unpaid Dividends, which is partially offset by an increase of RMB1,903.0 million from our net profit in 2018.

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 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 as set out in Appendix I to this prospectus.

POST-IPO RSU SCHEME

We have conditionally approved and adopted the Post-IPO RSU Scheme. As of the Latest Practicable Date, no RSU had been granted or agreed to be granted by our Company pursuant to the Post-IPO RSU Scheme. The principal terms of the Post-IPO RSU Scheme are set out in the section headed "Statutory and General information — D. Post-IPO RSU Scheme" in Appendix IV to this prospectus.

LISTING EXPENSES

Assuming an Offer Price of HK$13.66 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately HK$214.9 million. We have charged approximately HK$63.7 million listing expenses to profit or loss in 2018. We expect to charge approximately HK$9.2 million of the estimated listing expenses to profit or loss and to capitalize approximately HK$142.0 million in 2019.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Capitalization Issue and the Global Offering are completed, 551,280,000 Offer Shares are issued in the Global Offering and the Over-allotment Option is not exercised:

	Based on an Offer Price of HK$13.06 per Offer Share	Based on an Offer Price of HK$14.26 per Offer Share
Market Capitalization of our Shares[(1)]	HK$74,519 million	HK$81,366 million
Unaudited pro forma adjusted net tangible assets per Share as of December 31, 2018[(2)]	HK$1.72	HK$1.84

Notes:

(1) The calculation of market capitalization is based on 5,705,919,200 Shares in issue and outstanding immediately following the completion of the Global Offering.

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share as of December 31, 2018 are calculated after making the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus and on the basis that 5,705,919,200 Shares are issued and outstanding immediately following the completion of the Global Offering.

FUTURE PLANS AND 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	Assuming the Over-allotment Option is exercised in full
	(HK$ in millions)	
Assuming an Offer Price of HK$13.66 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	7,315.57	8,424.73
Assuming an Offer Price of HK$14.26 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	7,646.34	8,805.11
Assuming an Offer Price of HK$13.06 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	6,984.80	8,044.34

Assuming an Offer Price of HK$13.66 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and no exercise of the Over-allotment Option, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK$7,530.48 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$7,315.57 million. We intend to use the net proceeds of the Global Offering for the following purposes:

(i) approximately 45%, or HK$3,292.01 million, on R&D, including on our existing and future domestic and overseas drug development programs, expanding our R&D team, and investment in technologies to further enhance our R&D capabilities and enrich our product pipeline;

(ii) approximately 25%, or HK$1,828.89 million, on our manufacturing system to construct new production lines, and upgrade and further automate our existing production facilities to prepare for the potential increase in demand for our current products and the launch of new product, taking into account (i) our existing designed production capacities and utilization rates, (ii) the size of the addressable markets for our main products and key pipelines we expect to launch from 2019 to 2020, and the expected demand of our products, and (iii) the general timeframe for construction of production facilities, which may take around three years, including obtaining the relevant PRC licenses and completion of the required GMP inspections. We intend to constantly improve the production capabilities and the automation of our production facilities located in Lianyungang, Jiangsu. We also intend to establish a new factory and a new R&D center in Changzhou, Jiangsu, for the production of pharmaceuticals with high technical barriers;

(iii) approximately 20%, or HK$1,463.11 million, on sales and academic promotion to support the launch of new products, in particular, four innovative drugs to be launched from 2019 to 2020; and

(iv) the remaining amount of approximately 10%, or HK$731.56 million, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

Please refer to the section headed “Future Plans and Use of Proceeds” for further details.

DIVIDEND

We paid dividends of RMB3,474.6 million, RMB404.1 million, and RMB nil to our then shareholders in 2016, 2017, and 2018, respectively. In 2016, 2017, and 2018, we declared dividends of RMB nil, RMB nil, and RMB4,000.0 million, respectively. Pursuant to a resolution of the Board of our Company and a resolution of the shareholders of our Company dated May 27, 2019, we declared special dividends, or the Second Unpaid Dividends, to our existing shareholders. The Second Unpaid Dividends are declared out of, and expected to represent, approximately 90% of our cumulative distributable profits as of April 30, 2019. In that connection, we will engage our auditor to perform the Special Audit of our accounts for the period from January 1, 2019 to April 30, 2019, which is currently expected to be completed by the end of August 2019, and we will announce the amount of the Second Unpaid Dividends payable determined by the Special Audit. A majority of the Unpaid Dividends were not settled as of the Latest Practicable Date.

We expect to settle the majority of the Unpaid Dividends in installments within two years after Listing with our financial resources and cash flow from operations. In May 2019, we paid the first installment of RMB600 million of the Unpaid Dividends to our existing shareholders. Based on available information and our best estimate, we expect to make the payments of approximately RMB1,100 million after Listing by the end of the third quarter of 2019, approximately RMB1,100 million around December 2019, and the remaining balance of the Unpaid Dividends in 2020, subject to our then available fund resources, financial position, business prospects and anticipated capital requirements.

The preliminary payment schedule was estimated by the Company taking into account various factors, including our available financial resources, cash flows forecast, potential savings in interest expenses and other financial costs (which may be incurred if the Unpaid Dividends were to be paid immediately), and administrative procedures and related processing time for capital movements and dividend payments. The Unpaid Dividends are not payable upon demand and no interest will be charged on any unsettled balance.

Although we expect to settle the majority of the Unpaid Dividends after Listing, our Directors consider we will (i) have sufficient funds to make payment of the Unpaid Dividends, (ii) record retained profits after declaration of the Unpaid Dividends, and (iii) continue to have sufficient working capital upon the full payment of the Unpaid Dividends without using any of the net proceeds from the Global Offering. As of March 31, 2019, we had cash and cash equivalent of RMB1,482.8 million, financial assets at fair value through profit or loss of RMB2,456.4 million, other financial assets of RMB1,379.4 million, bills receivable of RMB1,090.2 million, and unutilized bank facilities of RMB3,900.0 million.

Our unaudited pro forma adjusted net tangible asset per Share as of December 31, 2018 is set forth in the tables below:

	Based on an Offer Price of HK$13.06 Per Offer Share	Based on an Offer Price of HK$14.26 per Offer Share
Unaudited pro forma consolidated net tangible assets per Share as of December 31, 2018	HK$1.72	HK$1.84
Unaudited pro forma consolidated net tangible assets per Share as of December 31, 2018, taking into account the Second Pre-IPO Investment	HK$2.05	HK$2.18

Please also refer to "Financial Information — Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets" for more details. After taking into account the declaration of the Second Unpaid Dividends, there will be (i) a decrease in our unaudited pro forma consolidated net tangible assets per Share as of December 31, 2018 taking into account the Second Pre-IPO Investment; and (ii) a significant increase in our consolidated non-current liabilities, while our consolidated current liabilities and consolidated net current assets will not be affected. We confirm that the payment of the Unpaid Dividends will not affect the sufficiency of our working capital taken as a whole having considered that we have sufficient cash surplus to finance our operations from internally generated cash flows and to maintain a satisfactory financial position derived from our business growth. In addition, we do not expect any impairment to our ability to pay dividends to public shareholders after the Listing as a result of the settlement of the Unpaid Dividends, and the future dividend payment to public shareholders is not conditional upon the full settlement of the Unpaid Dividends.

Except as disclosed in this section, we had not made any payment of, or had set any payment schedule for, dividends as of the Latest Practicable Date.

After Listing, the payment and the amount of any dividends will be at the discretion of our Directors and will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders, if required.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into: (i) risks relating to our business and industry, (ii) risks relating to conducting operations in the PRC, and (iii) risks relating to the Global Offering and our Shares. We believe the most significant risks we face include:

- If our products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, our sales 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 process, we will lose market share and our revenue and profitability could be adversely affected;

- The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease;

- We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may adversely affect our profitability or impose additional compliance burdens on us; and

- Developments of new pharmaceutical products, in particular innovative drugs, is time-consuming and costly and the outcome is uncertain; if we fail to develop and commercialize new pharmaceutical products, our business prospects could be adversely affected.

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

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

"Accountants' Report"	the report of our Company's reporting accountant, Ernst & Young, dated May 31, 2019, the text of which is set out in Appendix I of this prospectus
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Apex Medical"	APEX MEDICAL COMPANY LTD., a company incorporated in the BVI as a limited liability company on December 2, 2015 and wholly-owned by Mr. Cen Junda
"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 our Company (as amended from time to time), conditionally adopted on May 27, 2019, a summary of which is set out in Appendix III to this prospectus
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Boyu"	Catalunya Heritage Limited, a company incorporated under the laws of the Cayman Islands with limited liability on January 23, 2019, and a Shareholder holding approximately 3.00% of the issued share capital of our Company immediately prior to the Global Offering
"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 an aggregate of 5,154,639,200 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 Reorganization — The Capitalization Issue"

"Cayman Companies Law" or "Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
"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
"Changzhou Hengbang"	Changzhou Hengbang Pharmaceutical Company Limited (常州恒邦藥業有限公司), a company incorporated in the PRC on April 2, 2018 and an indirect wholly-owned subsidiary of our Company
"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"	Hansoh Pharmaceutical Group Company Limited (翰森製藥集團有限公司), a company incorporated in the Cayman Islands with limited liability on December 2, 2015
"Controlling Shareholder(s)"	has the meaning ascribed thereto in the Listing Rules and, unless the context otherwise requires, refers to Stellar Infinity, Sunrise Investment and Ms. Zhong
"core products"	Oulanning, Pulaile, Zefei, Xinwei, Xinmei, Zetan, Fulaidi and Ruibote, which are our eight main products with established market leadership positions and track record

"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), which came into effect on January 1, 2008 and was last revised on December 29, 2018
"First Pre-IPO Investment"	the subscription by Hillhouse for 300 preference shares issued by our Company in accordance with the First Pre-IPO Investment Agreement
"First Pre-IPO Investment Agreement"	the investment agreement entered into between Hillhouse and our Company on February 19, 2016, pursuant to which our Company allotted and issued to Hillhouse, and Hillhouse subscribed for 300 preference shares of a par value of US$0.01 each of our Company
"Fortune Peak"	Fortune Peak (HS) Company Limited, a company incorporated in the BVI as a limited liability company on December 2, 2015 and a direct wholly-owned subsidiary of our Company
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research consultant, which is an Independent Third Party
"Frost & Sullivan Report"	an industry report dated May 17, 2019 commissioned by us and issued by Frost & Sullivan, a private independent research firm, containing an analysis of the pharmaceutical market in the PRC and other relevant economic data, as referred to in the section headed "Industry Overview" in this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"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)
"Hansoh International"	Hansoh Pharma International Limited (翰森製藥國際有限公司), a company incorporated in Hong Kong as a limited liability company on December 3, 2015 and an indirect wholly-owned subsidiary of our Company

"Hillhouse"	Hillhouse SuperX Holdings Limited, a limited liability company incorporated under the laws of the BVI on July 2, 2015, and a Shareholder holding approximately 2.91% of the issued share capital of our Company immediately prior to the Global Offering
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of HK eIPO White Form at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website **www.hkeipo.hk**
"HK$" or "Hong Kong dollar(s)" or "cent"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 38,590,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation, as described in the section headed "Structure and Conditions of the Global Offering"
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Takeovers Code" or "Takeovers Codes"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus

"Hong Kong Underwriting Agreement"	the underwriting agreement dated May 30, 2019 relating to the Hong Kong Public Offering and entered into by our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters
"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
"International Offer Shares"	the 512,690,000 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, as described in the section headed "Structure and Conditions of the Global Offering"
"International Offering"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act
"International Underwriters"	a group of international underwriters, led by the Joint Global Coordinators, that is expected to enter in to the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, us, the Joint Global Coordinators and the International Underwriters on or about June 5, 2019
"Jiangsu Hansoh"	Jiangsu Hansoh Pharmaceutical Group Co., Ltd. (江蘇豪森藥業集團有限公司), a company incorporated in the PRC on July 26, 1995 and an indirect wholly-owned subsidiary of our Company
"Jiangsu Hengbang"	Jiangsu Hengbang Pharmaceutical Company Limited (江蘇恒邦藥業有限公司), a company incorporated in the PRC on April 10, 2018 and an indirect wholly-owned subsidiary of our Company

"Jiangsu Hengte"	Jiangsu Hengte Pharmaceutical Sales Company Limited (江蘇恒特醫藥銷售有限公司), a company incorporated in the PRC on July 19, 2006 and an indirect wholly-owned subsidiary of our Company
"Joint Bookrunners"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), UBS AG Hong Kong Branch, Goldman Sachs (Asia) L.L.C., China Merchants Securities (HK) Co., Limited and China International Capital Corporation Hong Kong Securities Limited
"Joint Global Coordinators"	Morgan Stanley Asia Limited, Citigroup Global Markets Asia Limited, UBS AG Hong Kong Branch, Goldman Sachs (Asia) L.L.C. and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to the International Offering), UBS AG Hong Kong Branch, Goldman Sachs (Asia) L.L.C., China Merchants Securities (HK) Co., Limited, China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and Citigroup Global Markets Asia Limited
"Kangchen"	Lianyungang Kang Chen Management Consultancy Company Limited (連雲港康辰管理諮詢有限公司), a company incorporated in the PRC on December 31, 2011 and an indirect wholly-owned subsidiary of our Company
"KOL"	key opinion leader
"Latest Practicable Date"	May 24, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

"Lianyungang Hansoh Bio"	Lianyungang Hansoh Bio Technology Company Limited (連雲港豪森生物科技有限公司), a company incorporated in the PRC on December 17, 2015 and deregistered on October 15, 2018
"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
"Listing Date"	the date, expected to be on or about June 14, 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)
"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
"main products"	our core products and certain of our other products with strong growth potential, namely, Ameining, Xintai, Mailingda, Hengjie and Hengsen
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended from time to time), conditionally adopted on May 27, 2019, a summary of which is set out in Appendix III to this prospectus
"Miss Sun"	Miss Sun Yuan (孫遠小姐), an executive Director and an authorized representative of our Company
"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)

"Ms. Zhong"	Ms. Zhong Huijuan (鍾慧娟女士), the founder of our Group, Chairlady, an executive Director and a Controlling Shareholder of our Company
"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%)
"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 Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 82,692,000 Shares at the Offer Price to cover over-allocations in the International Offering, if any
"Post-IPO RSU Scheme"	the scheme conditionally approved and adopted by our Company on May 27, 2019 for the grant of restricted share units following the completion of the Global Offering, the details of which are described in the section headed ″Statutory and General Information″ in Appendix IV to this prospectus
"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
"Pre-IPO Investments"	the First Pre-IPO Investment and the Second Pre-IPO Investment
"Pre-IPO Investment Agreements"	the First Pre-IPO Investment Agreement and the Second Pre-IPO Investment Agreement
"Price Determination Date"	the date, expected to be on or about June 5, 2019, on which the Offer Price will be determined and, in any event, not later than June 9, 2019
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act

"Remuneration Committee"	the remuneration committee of our Board
"Reorganization"	the corporate reorganization undergone by our Group in preparation for the Listing as described in the section headed "History, Development and Reorganization — Reorganization" in this prospectus
"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 (中華人民共和國外匯管理局)
"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
"sales revenue"	sales revenue with respect to a product or therapeutic area refers to actual sales based on wholesale prices to all healthcare institutions and pharmacies
"Second Pre-IPO Investment"	the subscription by Boyu for 309.2784 preference shares issued by our Company in accordance with the Second Pre-IPO Investment Agreement
"Second Pre-IPO Investment Agreement"	the investment agreement entered into between Boyu and our Company on January 25, 2019, pursuant to which our Company allotted and issued to Boyu, and Boyu subscribed for 309.2784 preference shares of a par value of US$0.01 each of our Company
"Shanghai Hansen"	Shanghai Hansen Technology Company Limited (上海翰森生物醫藥科技有限公司), a company incorporated in the PRC on October 13, 2011 and an indirect wholly-owned subsidiary of our Company
"Shanghai Jiesen"	Shanghai Jiesen Technology Company Limited (上海捷森醫藥科技有限公司), a company incorporated in the PRC on November 5, 2009 and an indirect wholly-owned subsidiary of our Company
"Share(s)"	ordinary share(s) in the capital of our Company with nominal value of HK$0.00001 each

"Shareholder(s)"	holder(s) of Shares
"Shareholders Agreement"	the amended and restated shareholders agreement entered into among Apex Medical, Stellar Infinity, Hillhouse, Boyu and our Company on February 12, 2019
"Stabilizing Manager"	Morgan Stanley Asia Limited
"State Council"	the PRC State Council (中華人民共和國國務院)
"Stellar Infinity"	Stellar Infinity Company Ltd., a company incorporated in the BVI as a limited liability company on December 14, 2015 and held as to 100% by Sunrise Investment
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Apex Medical and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Strategy and Development Committee"	the strategy and development committee of the Board
"Sunrise Investment"	Sunrise Investment Advisors Limited, a company incorporated in the BVI with limited liability on January 29, 2016 and held as to 100% by the Sunrise Trust Trustee
"Sunrise Trust"	The Sunrise Trust, a discretionary trust set up by Miss Sun, of which the Sunrise Trust Trustee acts as the trustee pursuant to a trust deed dated January 28, 2016
"Sunrise Trust Trustee"	the trustee of the Sunrise Trust, which is now known as Harmonia Holding Investing (PTC) Limited
"Track Record Period"	the three financial years ended December 31, 2016, 2017 and 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$"	U.S. dollars, the lawful currency of the United States of America
"U.S." or "United States"	the United States of America

"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"**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
"**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

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.

This 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.

"active pharmaceutical ingredient", or "API"	the substance in a pharmaceutical drug that is biologically active
"agomelatine"	an anti-depressant
"anemia"	a condition characterized by a deficiency of red cells or haemoglobin in the blood, resulting in pallor, weariness and even more serious conditions such as multiple organ failure
"antibiotics"	a substance, such as penicillin or streptomycin, produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"anti-coagulant"	a chemical substance that prevent or reduce coagulation of blood, prolonging the clotting time
"anti-depressant"	a drug used to prevent or treat clinical depression
"anti-emetics"	a drug that is effective against vomiting and nausea
"anti-flatulent"	a drug used for the alleviation or prevention of excessive intestinal gas
"anti-infective"	an agent that is capable of acting against infection, either by inhibiting the spread of an infectious agent or by killing the infectious agent outright; anti-infectives can be further classified into anti-fungal, anti-bacterial, anti-viral and other types
"anti-ulcerant"	a class of drugs, exclusive of the antibacterial agents, used to treat ulcers in the stomach and the upper part of the small intestine
"apixaban"	a factor Xa inhibitor used to prevent venous thromboembolic events and hip or knee arthroplasty
"Bcr-Abl"	a fusion gene formed by the ABL gene from chromosome 9 joining to the BCR gene on chromosome 22, which is found in most patients with chronic myelogenous leukemia (CML), and in some patients with acute lymphoblastic leukemia (ALL) or acute myelogenous leukemia (AML)

"bioequivalence"	the relationship between two preparations of the same drug in the same dosage form that have a similar bioavailability
"bipolar affective disorder"	a mood disorder that causes radical emotional changes and mood swings, from manic, restless highs to depressive, listless lows
"bortezomib"	an anticancer drug
"canagliflozin"	a medication used for the treatment of type II diabetes
"cancer"	cancer is not just one disease, but a large group of almost 100 diseases. Its two main characteristics are uncontrolled growth of the cells in the human body and the ability of these cells to migrate from the original site and spread to distant sites
"capsules"	very small containers that are filled with medicine and swallowed whole
"cardiovascular"	pertaining to the heart and blood vessels
"Category 1.1"	under the NMPA classification system, Category 1.1 refers to innovative drugs that contain new chemical entities with clinical value and have never been marketed anywhere in the world. In the past, innovative new molecular entities were classified as Category 1.1 innovative drugs. On March 4, 2016, the NMPA reformed its classification system to incorporate the previous category 1.1 innovative drugs into a newly created Category 1. For purposes of this prospectus and in order to highlight our research and development focus with regards to innovative drugs, we have retained the old classification system and refer to our innovative drugs and drug candidates as Category 1.1 innovative drugs
"central nervous system", or "CNS"	the brain and spinal cord; in this prospectus, CNS also refers to the therapeutic area dealing with the brain and spiral cord diseases, as appropriate, which is in line with the Anatomical Therapeutic Chemical Classification, an internationally accepted classification system for medicines that is maintained by the World Health Organization
"CDE"	Center for Drug Evaluation, a division of the NMPA
"cGMP"	current Good Manufacturing Practice
"chemotherapy"	the therapeutic use of chemical agents to treat cancers

"chronic eosinophilic leukemia"	a disease in which too many eosinophils are found in the bone marrow, blood, and other tissues
"class I hospitals"	the smaller local hospitals designated as class I hospitals by the NHFPC hospital classification system, typically having fewer than 100 beds and primarily providing more basic healthcare services limited to the surrounding community
"class II hospitals"	the regional hospitals designated as class II hospitals by the NHFPC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"class III hospitals"	the largest and best regional hospitals in China designated as class III hospitals by the NHFPC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"compounds"	a substance consisting of two or more elements in union
"CML"	chronic myelogenous leukemia, a kind of bone marrow proliferative malignant tumor characterized by the formation of Bcr-Abl fusion gene
"dabigatran etexilate"	a direct thrombin inhibitor
"decitabine"	an anticancer chemotherapy drug
"depression"	a mental state of altered mood characterized by feelings of sadness, despair, and discouragement
"dexlansoprazole"	a second-generation proton pump inhibitor
"diabetes"	a chronic disease that occurs either when the pancreas does not produce enough insulin or when the body cannot effectively use the insulin it produces
"dopamine antagonist"	a type of drug which blocks dopamine receptors by receptor antagonism
"EDQM"	European Directorate for the Quality of Medicines
"EGFR"	epidermal growth factor receptor

"enteric-coated"	coated with a material that permits transit through the stomach to the small intestine before the medications is released
"first-to-market generic drug"	generic drugs that first received approval to be marketed
"flumatinib mesylate"	a tyrosine kinase inhibitor, and it is the second-generation TK inhibitor drug targeting Bcr-Abl, a certain type of gene
"fulvestrant"	an anticancer drug
"gastrointestinal"	a subspecialty of internal medicine concerned with the study of the physiology and diseases of the digestive system
"gemcitabine hydrochloride"	an anticancer drug
"generic drug"	a drug that is no longer under patent protection, which may be produced by any manufacturer which follows good manufacturing protocols
"GMP"	Good Manufacturing Practice, guidelines and regulations issued from time to time pursuant to the PRC Law on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) as part of quality assurance which ensures that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use
"HS-10234"	a nucleoside reverse transcriptase inhibitor expected to be used for the treatment of hepatitis B
"HS-10296"	a third-generation EGFR tyrosine kinase inhibitor that is expected to be used for the treatment of non-small cell lung cancer
"imatinib mesylate"	an anticancer drug
"indication"	a valid reason to use a certain test, medication, procedure or surgery
"inhibitor"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"injectables"	a form in which medicines may be delivered via injection into the human body in a sterile liquid form

"injection"	sterile solution injection, emulsion injection or suspension injection which can be applied by way of intramuscular injection, intravenous injection or intravenous drip
"insulin"	a substance that the human body makes and uses to turn sugar into energy
"intermediates"	the complex chemical compounds used in producing active pharmaceutical ingredients
"KFDA"	Korea Food and Drug Administration
"lenalidomide"	an anticancer drug
"leukemia"	cancer that starts in blood-forming tissue, such as the bone marrow, and causes large numbers of abnormal blood cells to be produced and enter the bloodstream
"linezolid"	an antibiotic
"lung cancer"	cancer that forms in tissues of the lung, usually in the cells lining air passages
"lurasidone hydrochloride"	an antidepressant
"lymphoma"	any neoplastic disorder of lymphoid tissue
"lyophilized powder"	soluble drug in powder form for injection which is prepared through the process of freezing, sublimation and dehydration under low temperature and low pressure conditions
"melatonin"	a hormone secreted by the pineal gland in the brain
"metabolism"	the sum of all the physical and chemical processes by which living organized substance is produced and maintained (anabolism), and also the transformation by which energy is made available for the uses of the organism (catabolism)
"metastasis"	the spread of cancer from one part of the body to another
"micafungin"	an anti-infective drug
"morinidazole"	an anti-infective drug
"multiple myeloma"	a cancer of plasma cells in which antibody-producing plasma cells grow in an uncontrolled and invasive or malignant manner

"myelodysplastic syndromes"	a group of bone marrow disorders characterized by the underproduction of one or more types of blood cells due to dysfunction of the marrow
"NDA"	new drug application
"NMEs"	new molecular entities
"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
"non-small cell lung cancer" or "NSCLC"	any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung cancer
"NRDL"	China's National Reimbursement Drug List
"olanzapine"	an atypical antipsychotic
"oncology"	the branch of medicine dealing with the physical, chemical, and biological properties of tumors, including study of their development, diagnosis, treatment, and prevention
"paliperidone"	a dual dopamine D2/5-HT2 receptor antagonist used to treat schizophrenia in adults and adolescents
"pancreas"	a gland organ in the digestive and endocrine system
"pemetrexed"	a chemotherapy drug
"Phase I clinical trials"	Phase I clinical trials aim to test the safety of a new medicine
"Phase II clinical trials"	Phase II clinical trials test the new medicine on a larger group of people who are ill, to get a better idea of whether it works and how well it works in the short-term
"Phase III clinical trials"	Phase III clinical trials are for medicines that have already passed Phases I and II which test medicines in larger groups of people who are ill, and compare a new medicine against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
"PMDA"	Pharmaceuticals and Medical Devices Agency of Japan
"pneumonia"	an infection of one or more lungs which is usually caused by bacteria, viruses or fungi

"polyethylene glycol loxenatide"	a GLP-1 receptor agonist that is expected to be used for the treatment of type II diabetes
"provincial medical insurance catalogue"	the basic medical insurance, work injury insurance and maternity insurance drugs catalogue, issued by the provincial, municipal or autonomous region's human resource and social security agency
"prucalopride succinate"	a highly selective 5-HT4 receptor agonist for the treatment of severe chronic constipation
"rabeprazole"	an anti-ulcerant
"repaglinide"	an antidiabetic drug
"rivaroxaban"	a factor Xa inhibitor for the treatment and prevention of adult deep venous thrombosis and pulmonary embolism
"schizophrenia"	a psychotic disorder (or a group of disorders) marked by severely impaired thinking, emotions, and behaviors
"tablets"	a medicinal formulation made of a compressed powdered substance containing an active drug and excipients
"tigecycline"	an antibiotic
"TKI" or "TK inhibitor"	tyrosine kinase inhibitor
"translational medicine"	an area of research that aims to improve human health and longevity by determining the relevance to human disease of novel discoveries in the biological sciences
"treatment rate"	an indicator calculated by dividing the number of patients receiving any treatment regime by the total number of patients
"tumors"	an abnormal growth of tissue resulting from uncontrolled, progressive multiplication of cells
"U.S. FDA"	U.S. Food and Drug Administration
"vildagliptin"	a new type of antidiabetic drug that belongs to the class of dipeptidyl peptidase-IV (DPP-IV) inhibitors for the treatment of type II diabetes

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" "vision", "aspire", "target", "schedules" 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:

- our business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- 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;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- 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;

- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments; and
- our dividend policy.

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 may 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.

You should carefully read and consider all of the information in this prospectus including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result you may lose part or all of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If our products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, our sales and profitability could be adversely affected.

Under medical insurance programs in the PRC, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in the NRDL, relevant provincial medical insurance catalogues or included in provincial insurance schemes regarding special medications for the treatment of major diseases. Consequently, the inclusion or exclusion of a pharmaceutical product in or from any of these medical insurance catalogues or any limitation imposed on the coverage of a pharmaceutical product will significantly affect patient demand in the PRC.

As of the Latest Practicable Date, 30 of our pharmaceutical products, including our thirteen main products, were included in the NRDL. In 2016, 2017 and 2018, our revenue from sales of these thirteen products accounted for approximately 83.4%, 85.7% and 89.5% of our total revenue for the respective periods.

The inclusion of pharmaceutical products by the relevant authorities into a medical insurance catalogue in the PRC is based on a variety of factors, including efficacy, safety and price, which may be outside of our control. Moreover, the relevant PRC government authorities may also, from time to time, review and revise, or change the scope of reimbursement for, the products that are listed in any medical insurance catalogue. There can be no assurance that any of our products currently listed in these medical insurance catalogues will remain listed, or that changes in the scope of reimbursement will not negatively affect our product sales. If any of our products or their indications are removed from any medical insurance catalogue, or if the scope of reimbursement is reduced, demand for our products may decrease and our revenues 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 process, we will lose market share and our revenue and profitability could be adversely affected.

The majority of the pharmaceutical products we sell to our distributors are then sold to public hospitals and other medical institutions in China. Each public medical institution in China must generally procure drugs through a provincial centralized drug purchase platform, and make substantially all of its purchases of pharmaceutical products through a centralized tender process. We submit bids in a centralized tender process to supply our products to these institutions at specified prices. Our 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 is the primary determinant of the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. For details, please refer to "Business — Product Pricing — Centralized Tender Process."

Our sales volumes and profitability 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 process at profitable levels. If we are unable to do so, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant PRC public hospitals and other medical institutions, which may have a material and adverse impact on our market share and results of operations.

We may fail to win bids in a centralized tender process due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet tender requirements, the relevant product is perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive. If our products are not selected in the centralized tender process 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.

The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease.

It is typical in China that the prices of pharmaceutical products will decline over the life of the product as a result of, among other things, the centralized tender process, regulation on price by the PRC government, or increased competition from substitute products, including due to voluntary price adjustments by pharmaceutical companies, including producers of the originator brands, whether or not voluntary or as a result of government regulations or policies. The importation 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 products.

Unapproved imports of prescription drugs from foreign countries are illegal under the 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 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, there can be no assurance that relevant government authorities will not change regulations or policies in the future with respect to imports of prescription drugs from foreign countries.

Prior to June 1, 2015, pricing regulation in the PRC pharmaceutical industry was mainly in the form of maximum retail prices on pharmaceutical products included in the relevant national or provincial medical insurance catalogues. These retail price ceilings were historically determined by the NDRC based on a variety of factors, including the profit margins enjoyed by manufacturers and deemed reasonable by the relevant government authorities, the product's type, quality and production costs, as well as the prices of substitute pharmaceutical products. Although there is no control over the wholesale prices at which pharmaceutical manufacturers in the PRC sell their products to distributors, control over and downward adjustments on retail prices of our products could increase pricing pressure in any subsequent centralized tender process at the provincial level and indirectly limit the wholesale prices at which we can sell the relevant products to our distributors.

In May 2015, pursuant to a notice issued by seven PRC state agencies, including the NDRC and the NMPA, government price controls on most pharmaceutical products were lifted effective as of June 1, 2015. As a result, prices of pharmaceutical products are currently determined mainly by market competition through the centralized tender process at the provincial level, without being subject to price ceilings set by the NDRC. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the same 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, some new methods are used in recent centralized tender process at the provincial level, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by the statutory tender process, which may further increase pricing pressure. See "— If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender process, we will lose market share and our revenue and profitability could be adversely affected." There is no guarantee that the new policies would not create any downward pressure on the prices of our existing and future products.

The prices of our products have been susceptible to pricing pressure coming from manufacturers of competing products. In addition, the lifting of price ceilings, which provided more incentives for manufacturers to develop innovative products, could also adversely affect the wholesale prices at which we can sell the relevant products to our distributors. Under the terms of our distributorship agreements, we and the relevant distributor may adjust the price of our products in the event of a price

change as a result of regulatory or policy changes or bidding. Under such circumstances, we bear the upside potential as well as the downside risk from such price changes for products delivered prior to such price change but not yet sold to hospitals by the time of such price change. The financial impact of such price adjustments is generally less than 1% of our total revenue in each period during the Track Record Period.

In November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance published the Papers on Centralized Drug Procurement in "4+7" Cities (the "Papers"), which launched the national pilot scheme for tendering with minimum procurement quantities. The Paper listed 31 drugs for this pilot scheme together with an intended quantity commitment for each drug. The manufacturers and importers of the drugs are invited to bid to supply the drugs to public medical institutions in the "4+7" cities. The move is aimed at reducing drug prices and may potentially impact how generic drugs are priced and procured in China. 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》). 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. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products — The Drug Centralized Procurement in '4+7 Cities'."

As of the Latest Practicable Date, we won the bid to supply two of our first-to-market generics, Oulanning (olanzapine tablets) and Xinwei (imatinib mesylate tablets) to public medical institutions in "4+7" cities. We agreed to supply our olanzapine tablets with a minimum quantity of 19,390,950 tablets (calculated at the specification of 10mg per tablet) in the "4+7" cities at a discount of 27.2% per unit. We agreed to supply our imatinib mesylate tablets with a minimum quantity of 2,536,600 tablets in the "4+7" cities at a discount of 26.0% per unit. As of the Latest Practicable Date, we cannot ascertain the actual procurement quantities of these two products. As a result, there are uncertainties with respect to the impact of the implementation of this centralized procurement scheme on the sales of the above products and their revenue. Furthermore, there are uncertainties with respect to future drug coverage of this national pilot scheme. As a result, there can be no assurance that we may have additional drugs added to this national pilot scheme in the future, which may result in increased pricing pressure on us.

In addition, drugs included in the national medical insurance negotiation list must undergo a pricing negotiation process with the PRC government. As of the Latest Practicable Date, Mailingda has entered into the NRDL through pricing negotiation, which resulted in a decrease of its price in certain provinces.

If the retail prices of our products decline due to government pricing regulation, competition or other factors, there can be no assurance that we will be able to mitigate the adverse effects of such price reductions without incurring substantial expenses to improve our products, and our margins and profitability could be materially and adversely affected.

We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may adversely affect our profitability or impose additional compliance burdens on us.

The pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by various government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs, quality control, pricing of pharmaceutical products and environmental protection. Any violation of relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of our products, such as those relating to procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, retail pharmacies, government funding for private healthcare and medical services, and the inclusion of products in national or provincial medical insurance drug catalogues. In addition, the pharmaceutical manufacturing, pharmaceutical distribution, pharmaceutical retail, healthcare services and medical device industries in China are each subject to extensive and changing government regulations and supervision. Any unfavorable regulatory changes in these industries may increase our compliance burden and materially and adversely affect our business, profitability and prospects. In addition, we cannot assure you that the PRC government will adopt policies supporting the pharmaceutical industry in China.

For example, since July 2015, the NMPA has introduced a number of measures to deal with the drug applications backlog. On July 22, 2015, the NMPA issued the Notice in relation to the Self-review of Clinical Trials Data of Pharmaceutical Products (關於開展藥物臨床試驗數據自查核查工作的公告) (the "**NMPA Notice No. 117 (2015)**"), which required applicants to self-review the clinical trials data of 1622 listed drugs with pending applications for manufacturing or importation approval. On July 31, 2015, the NMPA issued the Consultation on Policies in relation to Swiftly Resolving Drug Applications Backlog (關於徵求加快解決藥品註冊申請積壓問題的若干政策意見的公告) (the "**NMPA Notice No. 140 (2015)**"), according to which the NMPA planned to apply the most stringent standards to review and approve current drug applications. In addition, on November 11, 2015, the NMPA issued Certain Policies in relation to the Review and Approval of Drug Applications (關於藥品註冊審評審批若干政策的公告) (the "**NMPA Notice No. 230 (2015)**"), which set out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trial data, drug effectiveness and consistency between the originator version and the generic version as demonstrated in consistency evaluations. The combination of these policies indicates that pharmaceutical companies need to conduct self-review of their drug applications and data to determine if they meet the stringent standards set by the NMPA. Failure to meet NMPA requirements could result in the relevant applicant having to withdraw its drug application and resubmit the relevant drug application only when NMPA requirements are met. The more stringent standards in respect of drug applications may delay our applications in relation to our future products or require us to withdraw our applications.

In March 2016, the General Office of the State Council issued the Opinion on Conducting the Consistency Evaluation of the Quality and Efficacy 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) (the "**March 2016 Opinion**"), which requires pharmaceutical manufacturers to evaluate the quality and efficacy of certain of their generic drugs within the prescribed time limits. Failure to timely complete such evaluation could make them ineligible for re-registration for sale. In August 2017, the NMPA issued the Announcement of the China Food and Drug Administration on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs (國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告) (the "**NMPA Notice No. 100 (2017)**"), which sets out procedures for the application, approval, inspections and test of the consistency evaluation as required under the March 2016 Opinion. In December 2018, the NMPA issued the Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》) ("**NMPA Notice No.102 (2018)**") which removed the uniform timelines for the oral solid preparations of chemical generic drugs included in the National Essential Drugs List (2012 Edition) to complete the consistency evaluation. As these are new regulations, there remains significant uncertainty relating to the substantive and procedural requirements of the evaluation process, the interpretation of such written requirements and procedures as well as associated costs, including costs in relation to conducting consistency evaluations. If we fail to timely complete the consistency evaluation for our generic drugs within the prescribed timeframe, we may not be able to re-register such drugs for sale, or participate in the centralized tender process. If we fail to complete the bioequivalence test study, we may fail to pass the clinical trial application and drug registration application, as a result of which, we cannot start production and sale of the relevant drugs. All of these may materially and adversely affect our business, financial condition, results of operations and prospects. Please refer to "Regulatory Overview — The Quality and Efficacy Consistency Evaluation and The Bioequivalence Test of Generic Drugs — The Quality and Efficacy Consistency Evaluation of Generic Drugs" for more information.

In addition, in November 2018, the Joint Procurement Office led by the State Administration for Medical Insurance launched a national pilot scheme for tendering with minimum procurement quantities. The implementation of this procurement scheme may result in increased pricing pressure on us. See "— The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease".

Legal and regulatory changes may lead to significant changes in the PRC pharmaceutical industry, and could result in increased costs and lowered profit margins for manufacturers, distributors and retailers of pharmaceutical products. Any legal and regulatory changes could also lead to a decrease in the amount of products purchased by our customers and/or the price of our products. We cannot assure you that we will be able to sufficiently and promptly respond to regulatory changes in the future, and such failure may have a material and adverse effect on our business, financial condition, results of operations and profitability.

Developments of new pharmaceutical products, in particular innovative drugs, is time-consuming and costly and the outcome is uncertain; if we fail to develop and commercialize new pharmaceutical products, our business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new pharmaceutical products. We intend to continue investing in innovative drugs and to ensure in-house innovation leveraging our strong R&D and drug discovery capabilities to support organic growth of our product portfolio. The development process of pharmaceutical products, in particular innovative drugs, is time-consuming and costly, and there can be no assurance that our research and development activities will enable us to successfully develop new pharmaceutical products. Our research and development expenses accounted for 7.4%, 9.3% and 11.4% of our revenue in 2016, 2017 and 2018, respectively.

There is an inherent risk of failure for each of our drug candidates. We cannot predict when or if any of our drug candidates will prove effective and safe for 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 we must then conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical testing is expensive, difficult to design and implement, and can take many years to complete. The outcomes of pre-clinical development testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their drug candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain regulatory approval of their drug candidates. Since relatively few research and development programs in the pharmaceutical industry produce a commercially viable product, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons. For example:

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

- 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;

- we may fail to conduct a companion diagnostic test to identify patients who are likely to benefit from our drug candidates;
- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators, suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements, undesirable side effects or unexpected characteristics, 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 necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate;
- we may fail to obtain approvals for intended indications from relevant regulatory bodies, such as the NMPA;
- we may fail to manufacture and commercialize;
- third parties may hold proprietary rights, such as patent rights related to our product candidate and they may refuse to sell or license such rights to us on reasonable terms, or at all or may include restrictive terms in their license; and
- there may be changes in the applicable regulatory framework, which may make our research and development process more time-consuming and costly. See "— We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may adversely affect our profitability or impose additional compliance burdens on us."

New pharmaceutical products must be approved by the NMPA before they can be marketed and sold in China. The NMPA requires successful completion of clinical trials and demonstration of manufacturing capabilities before granting approval and it often takes several years before a medicine can be ultimately approved by the NMPA. In addition, the NMPA and other regulatory authorities may apply more stringent standards in reviewing the applications. For example, in 2015, the NMPA introduced certain new measures in connection with reviewing IND and NDA applications, which, among others, required that applicants conduct a self-review of clinical trial data to ensure safety and efficacy, accuracy of clinical trial data and consistency in quality with the originator drugs. See "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — New Measures by the NMPA." Complying with existing or potential new standards may be time-consuming and expensive and could result in delays or preclude us from obtaining NMPA approval for our product candidates.

Even if we do obtain regulatory approvals, the process may take longer than expected, or such approvals may be subject to limitations on the indicated uses for which we may market the relevant product, therefore restricting its market size, which in turn could adversely affect our business, results of operations and growth prospects.

If we fail to achieve product development milestones, as disclosed in this prospectus or subsequent public disclosures, it could adversely affect 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 regulatory approval for the manufacture and sale of a product. After Listing, as a publicly listed company we may continue to make such disclosures of our expectations in this respect. However, the successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including, product development risk, the availability of funds, competition, grants of relevant approvals and permits and regulation, which we will re-evaluate from time to time based on the regulation, government policies and the continued growth of the pharmaceutical market.

The actual timing for achieving 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 our research collaborators or actual or potential co-development partners, the 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 assurance that our pre-clinical studies or clinical trials will be completed as planned or at all or 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.

According to the Opinions on Implementing Priority Review and Approval to Encourage Drug Innovation (《關於鼓勵藥品創新實行優先審評審批的意見》, the "**Prioritized Evaluation and Approval Opinions**"), which was promulgated and implemented as of December 21, 2017 by the NMPA, the NMPA conducts priority review and approval for the following new drug registration applications: (1) registration application for innovative drugs that are not marketed within or outside the territory of China and have apparent clinical value; registration application for innovative drugs for which manufacturing is transferred to China; registration applications for drugs with advanced formulation techniques, innovative treatment means and significantly improved efficacy; clinical trial applications for drugs with patents to expire in three years, and manufacturing applications for drugs with patents to expire in one year; domestic clinical trial applications for new drugs for which clinical trial application has been filed and approved in the U.S. or EU; registration applications for drugs manufactured in China and for which marketing application has been filed to the drug review and approval authority in the U.S. or EU and have passed related field inspections; registration applications for traditional Chinese medicine with clear clinical directions in the treatment of severe diseases; and registration application for drugs under special scientific and technological research programs or key research and development plans of China, and for which a clinical trial was conducted

by the National Clinical Medical Research Center and was acknowledged by its management department; or (2) registration application for drugs treating AIDS, pulmonary tuberculosis, viral hepatitis, rare diseases, malignant tumors and pediatric and geriatric drugs and have obvious advantages in clinic treatment.

The Prioritized Evaluation and Approval Opinions provide that for drugs responding to clinical demand for treating fatal diseases that do not have effective treatment options, applicants may apply for face-to-face communication with the CDE at any time after adequate preparation, and the reviewers will arrange a meeting within ten working days. The CDE will establish a communication and meeting system in the clinical trial period, guide and promote the progress of the clinical trials of new drugs, and conditionally approve the marketing of new drugs before the third-phase clinical validation trial if their clinical benefits and advantages over existing treatment means can be reasonably predicted or foreseen from the earlier clinical trial data. There can be no assurance that any of our drug candidates, 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 any of our drug candidates are eligible to file for special examination and approval, such designation may not increase the likelihood that our drug candidates will receive regulatory approval and we cannot assure you that we will be able to maintain these designations, in which case our business and results of operations may be materially and adversely affected.

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability.

We operate in a highly competitive environment. Our products primarily compete on the basis of efficacy, price and general market acceptance. Our key competitors are large national and regional manufacturers of pharmaceutical products, including large state-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies.

Our competitors may be able to successfully develop or market effective substitutes for our products for a number of reasons, including:

- the patents for our current products, as well as a substantial portion of the product candidates we intend to develop, generally relate to the products' delivery systems, compositions, preparation methods or production processes, and do not cover the underlying active pharmaceutical ingredients. Therefore, our competitors may formulate substitute products utilizing the same active pharmaceutical ingredients;

- certain of our main products have been sold in the PRC market for more than 14 years, which makes these products susceptible to substitute products that are more effective clinically or cost-wise as a result of technological developments, changes in treatment protocols and other medical advances that have occurred subsequent to the initial development of our products;

- our products typically target conditions that are in high demand for medical treatment in China, and, as a result, our competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, some of whom may have greater financial and research and development resources than us, may elect to focus these resources on developing, importing or in-licensing and marketing products in the PRC that are substitutes for our products or in areas where we are developing product candidates or new indications for our existing products; and

- many of our competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies have more extensive sales and marketing resources than us, which enables them to have better access to hospitals and medical institutions in order to gain market acceptance for their substitute products.

Many of our products are first-to-market generic drugs based on originator drugs, and the protection or monitoring period, if any, for many of our products has lapsed, and they face strong competition with the originator drug and other generic products in the PRC market. Manufacturers of originator drugs may decide to lower their prices, which may put pricing pressure on the generic version of that drug. Some of these competing products have experienced rapid growth in recent years, particular in lower-tier markets. If we fail to protect our products from competition and remain competitive, our revenue and profitability may be materially and adversely affected.

Our products may also face increased competition from substitute products manufactured by overseas pharmaceutical companies that are seeking to access or further penetrate the PRC market. To the extent that our competitors' substitute products are, or are perceived to be, more clinically or cost effective than ours, or otherwise gain wider market acceptance than any of our pharmaceutical products, this could adversely affect our sales volumes and pricing levels for the relevant products. If pharmaceutical products manufactured overseas are perceived more favorably than products manufactured domestically in the PRC, it could erode our market share and have a material and adverse impact on our results of operations and prospects.

In addition, there may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant market share. If we fail to effectively compete with our competitors or adjust to structural changes in the pharmaceutical industries, our revenue and profitability may be materially and adversely affected.

If we are unable to conduct effective promotion or maintain a qualified sales force, the sales volume of our products and our business prospects could be adversely affected.

Successful sales and marketing are crucial for us to increase the market penetration of our existing products, expand our coverage of hospitals and other medical institutions and promote new products in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales volumes and business prospects could be adversely affected.

In particular, our sales and marketing strategies consist of raising awareness and knowledge of our products and product candidates among medical professionals, hospitals and other medical institutions throughout China. Therefore, our sales and marketing force must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the relevant therapeutic areas and products, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales representatives and evaluate their academic marketing performances, our sales and marketing may be less successful than desired. For further information, please see "Business — Sales, Marketing and Distribution."

Moreover, our ability to attract, motivate and retain a sufficient number of qualified sales professionals is especially important because we primarily rely on our in-house sales force to market and sell our products. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of marketing, promotion and sales professionals, sales volume of our products may be adversely affected and we may be unable to expand our hospital coverage or increase our market penetration as contemplated.

Failure to attain market acceptance for our products among the medical community in China, including existing or future products, would have an adverse impact on our operations, profitability and future prospects.

The commercial success of our products, including existing or future products, depends on the degree of market acceptance they achieve among the medical community, particularly medical professionals and hospitals. The acceptance of any of our products among the medical community will depend upon several factors, including but not limited to:

- the safety and efficacy of the product;
- the cost of the product;
- the effectiveness of our efforts to market the product to hospitals and medical professionals; and
- the perceived advantages and disadvantages of the product, including the prevalence and severity of side effects, relative to competing products or treatments.

In addition, market acceptance of a product is also affected by whether it is included in the national and provincial medical insurance drug catalogues. See "— If our products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, our sales and profitability could be adversely affected." above.

If our products fail to achieve or maintain widespread market acceptance, or if new products introduced by our competitors are perceived more favorably by healthcare practitioners and patients, are more cost-effective or otherwise render our products obsolete, the demand for our products may decline and our business and profitability may be materially and adversely affected.

If we fail to maintain, expand and optimize an effective distribution network for our pharmaceutical products, our business could be adversely affected.

As of December 31, 2018, we had a network of 433 distributors across China which we rely on to distribute our pharmaceutical products in order to meet market demand and maintain our market share in the PRC. Our ability to maintain and expand our business and satisfy the demand for our drugs will depend on our ability to maintain, expand and optimize a distribution network that timely delivers our products throughout China where we generate market demand through our sales and marketing activity, or otherwise. However, our distributors are all third parties over whom we have limited control. Our distributors may not distribute our pharmaceutical products in the manner we contemplate, which may impair the effectiveness of our distribution network. Since our distributors do not sell our products on an exclusive basis, our products also compete with similar products from our competitors sold by our distributors.

Moreover, in line with industry practice, we typically enter into agreements with our distributors for a term of one year, which requires us to continually renew distribution agreements across our distribution network in order to maintain the relationship with our distributors. Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons, including in the event that PRC pricing regulations or other factors limit the margins our distributors can obtain through the resale of our pharmaceutical products to hospitals and other medical institutions. Our strategies contemplate expansion of our sales and distribution network by increasing our presence in county-level and community hospitals. We may not be able to establish relationships on commercially acceptable terms with new distributors to cover these areas. In the event that a significant number of our distributors terminate their relationships, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected. Additionally, in the event that a significant number of our distributors cease or reduce their purchases of our products or fail to meet the terms in our distribution agreements, our business, financial condition and results of operations may be materially and adversely affected. For further information, please see "Business — Sales, Marketing and Distribution — Distribution."

If we or parties on whom we rely fail to maintain the necessary licenses for the development, production, promotion, sale and distribution of our products, our ability to conduct our business could be materially impaired and our revenue and profitability could be adversely affected.

We are required to obtain, maintain and renew various permits, licenses and certificates in order to develop, produce, promote and sell our pharmaceutical products, and the third parties on whom we may rely to develop, produce, promote, sell and distribute our products may be subject to similar

requirements. See "Business — Legal and Compliance — Licenses and Permits." We and parties on whom we rely, such as distributors and suppliers may be subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certifications may change from time to time, and there can be no assurance we or the parties on whom we rely will be able to meet new criteria that may be imposed in order to obtain or renew the necessary permits, licenses and certifications. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certifications, it could materially impair our ability to conduct our business. While we have always been able to maintain and renew our material permits, licenses and certifications, there is no assurance that we will be able to continue doing so in the future.

Any changes in the standards used by governmental authorities in considering whether to renew or reassess our licenses, permits and certifications, as well as any enactment of new regulations that may restrict the conduct of our business, may also decrease our revenue and increase our costs, which in turn could materially and adversely affect our profitability and prospects. Furthermore, if the interpretation or implementation of existing laws and regulations changes, or new regulations come into effect, so as to require us or parties upon whom we rely to obtain any additional permits, licenses or certifications that were previously not required to operate our business, there can be no assurances that we or parties upon whom we rely will successfully obtain such permits, licenses or certifications.

We are dependent on a limited number of main products. If we are unable to maintain the sales volume, pricing levels and profit margins of our main products, our revenue and profitability could be adversely affected.

Our revenue generated from our thirteen main products accounted for approximately 83.4%, 85.7% and 89.5% of our total revenue in 2016, 2017 and 2018, respectively. Our top three main products in terms of revenue contribution, Oulanning, Zefei and Pulaile, accounted for 56.0%, 58.0% and 56.4% in aggregate of our total revenue in 2016, 2017 and 2018, respectively. Oulanning, our top product in terms of revenue contribution, accounted for 26.0%, 25.8% and 23.1% of our total revenue in 2016, 2017 and 2018, respectively.

As our revenue is, and we expect will continue to be, concentrated in a limited number of main products, and we may be particularly susceptible to factors adversely affecting the sales volume, pricing level or profitability of any of our main products. Factors that could adversely affect the sales volume, pricing level and profitability of our main products include the following: exclusion from, or reduced coverage under, the national, provincial or other government-sponsored medical insurance programs, the impact of government pricing regulations, competition and lack of success in the centralized tender process necessary for sales to PRC public hospitals and other medical institutions, sale of substitute products by competitors, interruptions in the supply of raw materials, increases in the cost of raw materials, issues with product quality or side effects, intellectual property

infringements, adverse changes in sales and distribution network, and unfavorable policy, regulatory or enforcement changes. Many of these factors are outside of our control, and any factor adversely affecting the sales volumes and pricing levels of our main products may cause our revenues and profitability to decline.

If our products cause, or are perceived to cause, severe side effects, our revenue and profitability could be adversely affected.

Our pharmaceutical products may cause severe side effects as a result of a number of factors, many of which are outside of our control. These factors include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable.

In addition, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products cause or are perceived to have caused severe side effects, or if one or more regulators, such as the NMPA, U.S. FDA, the PMDA in Japan or the European Medicines Agency, or an international institution, such as the WHO, determines that products containing the same or similar pharmaceutical ingredients as our products could cause or lead to severe side effects.

If our products cause, or are perceived to cause, severe side effects, we may face a number of consequences, including but not limited to:

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Company;
- stricter and more frequent regulatory inspections of our production facilities and products;
- removal of relevant products from any medical insurance catalogues or provincial lists of special medications related to the severe diseases insurance;

- inability to participate in the centralized tender process; and

- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties.

As a result of these potential consequences, our revenue and profitability could be adversely affected.

If our products are not produced to the necessary quality standards, it could harm our business and reputation, and our revenues and profitability could be adversely affected.

Our 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 — Production and Quality Control — Quality Management" 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. We may fail to detect or cure quality defects as a result of a number of factors, many of which are outside our control, including but not limited to:

- manufacturing errors;

- technical or mechanical malfunctions in the manufacturing 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, when we expand our manufacturing capacity in the future, we may not be able to ensure consistent quality between products manufactured in the 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.

We do not maintain any product liability insurance to cover damages that may arise from product liability claims. If we are subject to product liability claims, it could expose us to costs and liabilities and adversely affect our reputation, revenues and profitability.

We are exposed to product liability risks as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the PRC and other jurisdictions in which our pharmaceutical products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. There can be no assurance that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management, which might incur substantial costs and lead to diversion of resources. It may also result in damage to our reputation, product recalls and loss of our revenue and capability to commercialize our products. If we are unable to defend ourselves against such claims in the PRC, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our pharmaceutical products are found to be defective. In addition, we may be required to recall the relevant pharmaceutical products, suspend sales or cease sales. Other jurisdictions in which our products are, or may in the future be, sold, in particular in more developed markets including the U.S., 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. We do not maintain any product liability insurance to cover damages that may arise from 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.

PRC laws and regulations currently do not require us to, nor do we, maintain liability insurance to cover product liability claims. Our 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 products that we develop. See "— Our insurance coverage is limited; if we experience uninsured losses it could adversely affect our financial condition and results of operations."

If we suffer substantial disruption to any of our production sites or encounter problems in manufacturing our products, our business and results of operations could be adversely affected.

During the Track Record Period, we generated substantially all of our revenue from sales of products produced at our three production sites, all of which are located in Lianyungang, Jiangsu Province. The continued operation of our production sites and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of

which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or other natural disasters, as well as loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities or their vicinity and regulatory changes.

If the operation of any of our three production sites is substantially disrupted, we may not be able to replace the equipment or inventories at such facilities, or use different sites or a third party contractor to continue our production in a legal, timely and cost-effective manner or at all. Although we maintain property insurance for our production facilities and equipment, we do not maintain business interruption insurance and the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our production sites. Problems may also 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 sites or the expansion of our existing production sites, including changes in 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. As a result of disruption to any of our production sites or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability could be adversely affected.

If we fail to increase our production capacity, our business prospects could be adversely affected.

We plan to increase our production capacity by constructing new production lines, as well as upgrading existing production lines and production facilities, to meet demand for our products. See "Business — Production and Quality Control — Future Expansion and Upgrade Plan" for further details. However, our ability to successfully implement our expansion plan for increasing production capacities is subject to a number of risks and uncertainties, including, but not limited to, our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the increase in our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacities in the manner we contemplate, or at all. In the event we fail to increase our production capacities, we may not be able to capture the potential growth in demand for our products, or to successfully commercialize additional products, each of which could adversely affect our results of operations and business prospects. Moreover, our plans to increase our production capacities require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could adversely affect the return on our expenditure. Our expansion plans may also increase our operating costs, such as higher staff costs as well as depreciation and utility costs.

Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are required to maintain optimal inventory levels in order to satisfy demand coming from our extensive distribution network and successfully meet our customers' demand. However, we are exposed to inventory risk as a result of rapid changes in product life cycles, changing clinical demands, uncertainty of product developments and launches as well as the volatile economic environment in China. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking our products. Further, demand for products could change significantly between the time when the products are ordered and the time they are ready for delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately. For details, please refer to "Business — Production and Quality Control — Inventory Management."

We have an extensive product portfolio and maintain significant inventory levels for a substantial portion of our products for sales into our distribution network. We may be unable to sell such inventory in sufficient quantities. Inventory levels in excess of demand may result in inventory write-downs, expiration of our products or an increase in inventory holding costs and a potential negative effect on our liquidity.

In addition, if we underestimate demand, we may experience inventory shortages which may, in turn, result in unfulfilled customer orders, leading to a negative impact on our customer relationships. There can be no assurance that we will be able to maintain proper inventory levels of our products, and any such failure may have a material and adverse effect on our business, financial condition, results of operations and prospects.

If we, our employees, distributors or suppliers engage, or are perceived to engage, in misconduct or breaches, including corrupt practices or leakage of confidential information, our business or reputation could be harmed and we could be exposed to regulatory investigations, costs and liabilities.

We are subject to risks in relation to actions taken by us, our employees, distributors or affiliates that constitute violations of PRC anti-corruption and other related laws. There have been several instances of corrupt practices in the pharmaceutical industry recently, including, among other things, receipt of kickbacks, bribes or other illegal gains or benefits by pharmacies hospitals and medical practitioners from manufacturers, distributors and retail pharmacies in connection with the prescription of pharmaceutical products. Any allegations of such behavior against us, our employees, distributors or affiliates or the pharmaceutical industry in general could generate negative publicity and materially and adversely affect our reputation and business prospects.

We do not and cannot fully control the conduct of our employees, distributors or suppliers. Our employees or distributors may, in their interactions with hospitals, medical institutions and medical professionals, attempt to increase the sales volume of our products through means that constitute violations of the PRC anti-corruption and other related laws. If our employees or distributors 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. While we have implemented specific measures against corruption and bribery, there can be no assurance that we were or are able to entirely prevent our employees or distributors from engaging in such activities in the past or in the future. We may be held liable for actions taken by our employees or distributors, which could expose us to regulatory investigations and penalties. Actions taken by PRC regulatory authorities or the courts that provide an interpretation of PRC laws and regulations that differs from our interpretation or that adopt additional anti-bribery, anti-corruption laws and regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we, our employees, distributors or suppliers fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, distributors or affiliates, which may in turn have a material adverse effect on our results of operations and prospects.

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Purchase and Sales of Medicines (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), which was promulgated by the NHFPC on December 25, 2013, and came into effect on March 1, 2014, 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 are listed in the adverse records of commercial briberies twice within five years, our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to Commercial Briberies with Respect to Pharmaceutical Industry" for further details of relevant PRC regulations on commercial briberies.

In addition, our business may be materially and adversely affected if our employees breach the non-disclosure, non-compete and non-solicitation clauses in their employment agreements.

If we experience delays in collecting payment from distributors, it could adversely affect our operations and cash flow.

We generally grant our distributors credit terms of approximately 60 days to 180 days. As of December 31, 2016, 2017 and 2018, our trade receivables were RMB1,572.3 million, RMB1,371.7 million and RMB1,604.8 million, respectively. The average turnover days of our trade receivables for the same periods were 109.5 days, 87.8 days and 70.8 days, respectively. See "Financial Information — Selected Items of Consolidated Statements of Financial Positions — Trade and Bills Receivables."

If our distributors' cash flow, working capital,financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flow, and we could be required to terminate our relationships with distributors in a manner that impairs the effective distribution of our pharmaceutical products.

If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, which may have a material adverse impact on our business and results of operations.

As of the Latest Practicable Date, we had 107 main patents in application, including five patents on chemical compounds, and had been granted 119 main patents in China, including 10 patents involving chemical compounds. In addition, as of the Latest Practicable Date, we had been granted 41 patents, including 21 patents involving chemical compounds abroad. We also had 189 main registered trademarks in China, applied for 77 registered trademarks, and two main registered domain names. Our commercial success depends in part on our ability to protect our existing intellectual property and to obtain additional patents or other intellectual property, in particular to protect our products from direct substitute products. Please refer to "Business — Our Products" and Appendix IV to this prospectus for further details of our material intellectual property including patents and copyrights.

If we do not adequately protect our intellectual property, competitors may be able to imitate or copy our products, use our technologies and erode or negate any competitive advantage we may have, which could harm our business and ability to achieve profitability. Furthermore, the process of seeking patent protection in the PRC can be lengthy and expensive and there is no assurance that any of our pending patent applications will mature into issued patents, or that such patents, if issued, will provide us with adequate proprietary protection or competitive advantages. The scope of protection for issued patents may also vary across different jurisdictions. The PRC has adopted a first to file system for patent applications, meaning whoever files an application for the same invention first will be awarded the patent. As a result, a third party may be granted a patent relating to a technology we believe we invented.

There are a number of factors that could cause our existing patents or other intellectual property to become invalid or unenforceable, including known or unknown prior art, deficiencies in patent applications and lack of originality in the underlying technologies. Certain of our patented technologies are utilized in a number of our products and product candidates and if the patents relevant to these technologies were to be declared invalid or unenforceable, it could have an adverse impact on the sales volumes and pricing levels for such products and our ability to successfully commercialize such product candidates.

In addition, the patents and patent applications for our current products, as well as a substantial portion of the product candidates we intend to develop, generally relate to the compositions including NMEs, delivery systems, preparation methods, production processes, or formulation of the relevant products and do not cover the active, underlying pharmaceutical ingredients. Therefore, such patents may be insufficient to protect us from the development of substitute products by competitors, who may be able to do so by designing around our products using the same active pharmaceutical ingredients. In addition, patents covering preparation methods and formulation may not create sufficient technical barriers to prevent other drug developers from developing substitute products.

Furthermore, the patents that we hold, including the patents for each of our key products, are for a finite duration. Following the expiration of the relevant patents, our existing or future competitors may be able to develop and introduce direct substitute products to our key products which may be identical in formulation. In particular, one patent we hold with respect to Mailingda will expire in 2023. In the event that our competitors introduce direct substitutes for these products, it could have an adverse impact on the sales volumes and pricing levels for such products.

Moreover, intellectual property rights protection in China may not be as effective as in developed countries. Detecting and policing unauthorized use of proprietary technology are difficult and expensive. We may need to resort to litigation to enforce or defend patents issued to us or determine the enforceability, scope and validity of our proprietary rights or those of others. An adverse determination in any such litigation could materially impair our intellectual property rights. If our intellectual property rights are inadequate as a result of the narrow scope of the patents granted or third parties' infringement, or we otherwise fail to sufficiently protect our intellectual property, our business, financial condition and results of operations could be adversely affected.

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 or other business activities and/or our ability to commercialize our drug candidates.

Our 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 pharmaceutical industry is 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 patents or other proprietary rights that we currently hold or may be granted in the future, regardless of their merit. We have received in the past, and may receive in the future, notices that claim our technologies or certain other aspects of our business have infringed, misappropriated or misused other parties' intellectual property rights. Whether or not 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 on a third party's intellectual properties, 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 costly and time consuming;

- 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.

Some of our competitors are larger than we are and 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 material adverse effect on our business, financial condition, results of operations, and prospects. Even if we are successful in litigation or administrative proceedings, such litigation 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.

If we or our brand names fail to maintain a positive reputation, many aspects of our business and our business prospects could be adversely affected.

We depend on our reputation and the brand names of our products in many aspects of our business, including but not limited to:

- to gain access to, and for our products to be perceived favorably by, hospitals and medical professionals that drive and affect patient demand for pharmaceutical products in the PRC;
- to effectively work with the relevant authorities that regulate various aspects of our business;
- to gain the trust of patients and consumers of our products;
- to competitively position ourselves in the centralized tender process required for our pharmaceutical products to be sold to public hospitals and medical institutions in the PRC;
- to successfully attract employees, distributors, and other partners to work with us; and
- to increase market share of our products through brand recognition.

However, there can be no assurance that we will be able to maintain a positive reputation or brand name for all our products in the future. Our reputation and the brand names of our products may be adversely affected by a number of factors, many of which are outside our control, including but not limited to:

- adverse associations with our products, including with respect to their efficacy or side effects;
- the effects of counterfeit products purporting to be our products;
- lawsuits and regulatory investigations against us or otherwise relating to our products or industry;
- improper or illegal conduct by our employees, distributors and suppliers, whether or not authorized by us; and
- adverse publicity that is associated with us, our products or our industry, whether founded or unfounded.

If we or the brand names of our products fail to maintain a positive reputation as a result of these or other factors, our products may be perceived unfavorably by hospitals, medical professionals, regulators and patients, and our business and business prospects could be adversely affected.

In addition, despite our internal guidelines and supervision efforts, our employees or distributors may fail to follow such guidelines, which may adversely affect our sales and reputation. For example, our employees or distributors may fail to provide accurate and complete information about our products, as a result of which hospitals, medical institutions, doctors and patients may misunderstand or misuse our products. Such misunderstanding or misuse could result in our products being less effective, or cause severe adverse effects that could otherwise be avoided. As a result, the sales volume and reputation of our products could be adversely affected and we could be exposed to product liability lawsuits or regulatory investigations, resulting in penalties, fines or other disruptions to our operations.

We are subject to environmental regulations; if we fail to comply with such regulations or such regulations change, it may impair our ability to conduct our business and we may be exposed to liability and potential costs for environmental compliance.

Our pharmaceutical manufacturing process involves the handling, production and use of substances and compounds that may be considered toxic or hazardous within the meaning of environmental laws. We are subject to PRC laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substances during our manufacturing processes, and may become subject to similar laws, rules and regulations in other jurisdictions in the future. In addition, we are required to obtain clearances and authorizations from relevant PRC government authorities for the treatment and disposal of such discharge. The cost of complying with current and future environmental laws, rules and regulations and the liabilities, which may potentially arise from the discharge of effluent water and solid waste, as well as the disposal of hazardous substances, may increase our costs and have an adverse effect on our profitability. There can be no assurance that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures, among other things, which in turn may materially and adversely affect our business, financial condition and results of operations. We may face civil liability for any alleged personal injury or property damage due to exposure to compounds or other hazardous substances at our production facilities or compounds which we otherwise produce or handle. Such claims can be substantial and could in the future materially and adversely affect our business and results of operation, if it is not adequately covered by insurance.

Furthermore, the PRC government may take steps towards the adoption of 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 change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to curtail or cease certain of our pharmaceutical manufacturing business. In addition, if we become subject to any significant environmental-related liabilities, it could adversely affect our financial condition and results of operations.

We may fail to sufficiently and promptly respond to rapid scientific and technological changes, clinical demand and market changes in the pharmaceutical industry.

The PRC pharmaceutical industry is characterized by rapid advances in science and technology and the continuous emergence of new treatment options. Our future success depends on our ability to launch new products that meet evolving market demands, in particular, new drugs, that are effective in treating and/or diagnosing new diseases and illnesses. We cannot assure you that we will be able to respond to emerging or evolving trends by improving our product portfolio and services in a timely manner, or at all.

In addition, clinical demand for pharmaceutical products may change rapidly. Our success depends on our ability to anticipate product offering lead-time and demand, identify customer preferences and adapt our products to these preferences. We may need to adjust our research and development plan, production scale and schedule, product portfolio, and inventory levels based on customer demand, sales trends and other market conditions. There can be no assurance that we will be able to sufficiently and promptly respond to changes in clinical demand and purchasing patterns in the future, and such failure may have a material and adverse effect on our business, financial condition, results of operations and profitability.

We depend on the supply of certain raw materials, and a decrease in the supply, or an increase in the cost, of raw materials could severely disrupt our business as well as materially reduce our revenue and profit.

Purchase of raw materials accounted for a significant portion of our total cost of sales during the Track Record Period. In order to manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. While we produced the majority of the active pharmaceutical ingredients used to produce our pharmaceutical products in-house during the Track Record Period, we also sourced active pharmaceutical ingredients and other raw materials used to produce our pharmaceutical products from independent third parties.

See "Business — Production and Quality Control — Raw Materials and Suppliers." For instance, we rely on third party suppliers to provide us with the active pharmaceutical ingredient for one of our main products, Ruibote. We typically do not enter into long-term supply agreements with raw material suppliers and as a result are vulnerable to supply shortages and fluctuations in market prices. Should any of our suppliers fail to supply sufficient quantities of raw materials of an acceptable quality in the future, we may be unable to obtain substitute raw materials elsewhere in a timely manner, or at all. We may also be forced to obtain raw materials from different suppliers, who may require us to pay prices that are not commercially reasonable or may provide us with raw materials that are not of an acceptable quality. Although we have not experienced interruptions in our raw material supplies in the past, any potential interruption in our supply of raw materials could delay the production and delivery schedules of the relevant products, which may result in the loss of customers and revenue. In addition, the market prices of raw materials may be subject to significant fluctuations due to various factors. We cannot assure you that we would be able to pass on any increase in raw material costs to our customers, and any substantial fluctuation in market prices of raw materials may materially increase our costs and impact our profitability.

If counterfeit versions of our products become available in the market, it could affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Certain products distributed or sold in the pharmaceutical markets in the PRC and overseas may be manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content or manufacturer. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as the PRC, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products, including those imitating our products. Consequently, certain pharmaceutical products sold in the PRC and other markets may be counterfeit products.

Since counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and are in some cases very similar in appearance to authentic pharmaceutical products, counterfeit products imitating our own pharmaceutical products can quickly erode our sales volume of the relevant product. Moreover, counterfeit products may or may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The appearance of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in the pharmaceutical market from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like us, particularly in overseas markets.

As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and the brand names for the relevant

products and expose us to liability claims. We have in the past become aware of some limited instances of counterfeit version of some of our products. Although these instances have not had a material adverse effect on our business and operations, there can be no assurances that instances of counterfeit version of our products in the future will not have a material adverse effect on us or we will be able to prevent future occurrences in the PRC.

In addition, any negative publicity relating to counterfeit products concerning us, any other company in the pharmaceutical industry in China or in general, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicity about us would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

We plan to expand our international business. If we are unsuccessful in our plans, it could have an adverse effect on our business prospects.

We sell pharmaceutical products and active pharmaceutical ingredients to certain overseas markets including the U.S., Japan and the European Union through our international business department and plan to further expand our international business. For further information, see "Business — Sales, Marketing and Distribution — International Marketing, Promotion, Sales and Distribution." However, our limited experience in overseas markets may expose us to risks and uncertainties, including but not limited to:

- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, which may differ materially from those in the PRC, in order to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;

- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products; and

- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sale of pharmaceutical products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities.

Our plans may require significant investment but may fail to generate the level of returns we expected. If we are unable to expand our international business effectively or at all, our business prospects may be adversely affected.

We may grow our business through acquisitions in the future. If we fail to identify suitable targets and complete planned acquisitions, our business prospects may be adversely affected.

We intend to accelerate our business growth by taking advantage of consolidation opportunities in the fragmented PRC pharmaceutical industry through selective acquisitions of suitable pharmaceutical companies. However, our ability to successfully complete and realize the intended benefits of any acquisition is subject to a number of risks and uncertainties, including but not limited to:

- we may not be able to identify suitable acquisition targets or have to engage in intense competition for attractive acquisition targets, which may make it difficult to consummate acquisitions on commercially acceptable terms or at all;

- we may not have access to financing for acquisitions on acceptable terms or at all;

- we may fail to obtain or secure governmental approvals and third party consents necessary to consummate any proposed acquisition which may result in liabilities, fines or penalties arising directly from such inability;

- we may have to manage a larger, growing business, operating in new geographical regions and optimizing the allocation of resources and operational efficiency;

- we may fail to effectively integrate research and development functions; and

- we may fail to retain the management team or research and development professionals of the acquired businesses.

Moreover, the process of seeking and consummating acquisitions, whether or not they are successful, may divert our resources and management attention from our existing businesses and impair our ability to successfully manage and grow our business organically.

If our preferential tax treatments, tax concessions and tax allowances are not received, become unavailable or otherwise change or terminate, it could adversely affect our profitability.

Historically, we have benefited from a number of preferential tax treatments, as well as tax concessions and tax allowances. The preferential income tax rate applicable to certain subsidiaries, in aggregate, had resulted in tax savings in the amount of RMB164.0 million, RMB168.4 million, and RMB194.6 million in 2016, 2017 and 2018, respectively. In particular, Jiangsu Hansoh was qualified as a High and New Technology Enterprises and was eligible for a preferential income tax rate of 15%, compared to the 25% income tax rate generally applicable to PRC resident enterprises under the EIT law during the Track Record Period.

The eligibility of Jiangsu Hansoh for the preferential income tax rate as a High and New Technology Enterprises expires in November 2020. Unless it is eligible for other preferential tax treatments, Jiangsu Hansoh will only continue to receive preferential tax treatment if the relevant authorities determine that it continues to qualify, which depends on a number of factors, including, but not limited to, whether its products fall within the scope of supported high and new technology, whether its research and development expenses as a percentage of revenue reaches certain threshold percentages and whether its research and development staff as a percentage of total number of staff reaches certain threshold percentages. If the qualifications are not renewed due to one or more of these or other factors, it will no longer enjoy the 15% preferential income tax rate currently applicable to them and will be subject to the 25% income tax rate. As a result, our post-tax profitability may be adversely affected.

The additional deductible allowance for qualified research and development costs had resulted in tax savings in the amount of RMB39.9 million, RMB71.9 million, and RMB91.1 million in 2016, 2017 and 2018, respectively. The current or future preferential tax treatments, tax concessions and tax allowances applicable to our Company and our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. Our post-tax profitability may be adversely affected as a result of one or more of these or other factors.

Our business depends on our key senior management members, key research and development personnel and key marketing and sales personnel; if we lose and are unable to replace their services, our business prospects could be adversely affected.

Our success depends heavily upon the continued services of our key senior management personnel, key research and development personnel and key sales and marketing personnel. In particular, the industry experience, management expertise and contributions of our Executive

Directors and other members of our senior management are crucial to our success. Our research and development team is critical to the development and commercialization of our products and realization of the potential benefits of our intellectual property. In addition, success in the pharmaceutical distribution and pharmaceutical retail of our products depends on the dedication and skills of our sales and marketing personnel. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness. If we lose the services of any key personnel, we may be unable to recruit a suitable or qualified replacement and may incur additional expense to recruit and train new personnel, which could disrupt our business and growth. Furthermore, as we expect to continue expanding our operations and product portfolio, we will need to continue attracting and retaining experienced management personnel with extensive managerial, technical, research and development or sales and marketing experience. Competition for these individuals in the pharmaceutical industry is intense, and the availability of suitable and qualified candidates in China is limited. Competition for these individuals could cause us to offer higher compensation and other benefits in order to attract and retain them, and consequently increase our operating costs and in turn, materially and adversely affect our financial condition and results of operations. We may be unable to retain these key personnel required to achieve our business objectives, and failure to do so could adversely affect our business prospects.

The implementation of our strategies and other aspects of our business will require significant funding; if we do not have access to sufficient funding, it could adversely affect our business prospects.

The implementation of many aspects of our strategies will require significant funding, including, but not limited to:

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion of our portfolio in our key therapeutic areas, namely CNS diseases, oncology, anti-infectives, diabetes, gastrointestinal and cardiovascular;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow our business internationally through drug development programs for overseas markets; and
- the capital expenditure required to increase our production capacity and to make upgrades and enhancements.

In addition, many aspects of our general business operations have ongoing funding requirements that may increase over time.

Over the longer term, we expect that the implementation of our strategy and business plans may require us to rely in part on external financing sources. However, our ability to obtain external financing on commercially reasonable terms, or at all, will depend on a number of factors, many of which are outside of our control, including our financial condition, results of operations and cash flows, China's economic condition, industry and competitive conditions, interest rates, prevailing conditions in the credit markets and government policies on lending. If we cannot obtain sufficient external funding on commercially acceptable terms, or at all, to implement our strategies and business plans as currently contemplated, we could be required to revise our strategies and business plans, which could adversely affect our business prospects.

If we become party to litigation, legal disputes, claims or administrative proceedings, it may divert our management's attention, result in costs and liabilities and damage our reputation.

We may from time to time become party to litigation, legal disputes, claims or administrative proceedings arising in the ordinary course of our business. Involvement in litigation, legal disputes, claims or administrative proceedings may distract our management's attention and consume our time and other resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate due to the various factors involved, such as the facts and circumstances of the cases, the likelihood of winning or losing, the monetary amount at stake and the parties concerned, and such factors may result in these cases becoming of material importance to us.

For example, we failed to conduct certain completion-based checks and acceptance procedures. We are currently in the process of applying for the relevant permits, and communicating with the competent authorities regarding a possible penalty (monetary or otherwise) and the issuance of relevant certificates. However, there can be no assurance that we will be successful in obtaining the relevant permits or avoid any possible penalties or fines.

In addition, negative publicity arising from litigation, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss.

During the Track Record Period, we had certain financial assets at fair value through profit or loss for cash management purposes, which mainly included investments in financial products issued

by banks which can be redeemed at any time with principal protected but returns not guaranteed, and investments in listed ordinary shares. As of December 31, 2016, 2017 and 2018, our financial assets at fair value through profit or loss amounted to RMB268.3 million, RMB607.7 million and RMB2,016.4 million, respectively. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains or losses, and therefore directly affect our results of operations. During the Track Record Period, we realized net fair value gains on financial assets at fair value through profit or loss of RMB7.5 million, RMB8.3 million, and RMB31.8 million, respectively. However, we cannot assure you that market conditions and regulatory environment will continue to create such fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Our results of operations, financial conditions and prospects may be adversely affected if our other financial assets are impaired.

During the Track Record Period, we had other financial assets comprising financial products issued by banks that are principle protected and have guaranteed returns. These other financial assets are measured at amortized cost. As of December 31, 2016, 2017 and 2018, these other financial assets amounted to RMB867.1 million, RMB849.4 million and RMB511.8 million, respectively. A gain or loss on these financial assets measured at amortized cost is recognized in our consolidated statement of profit or loss, and therefore directly affects our results of operations. We assess on a forward-looking basis the expected credit losses associated with our financial assets carried at amortized cost. During the Track Record Period, we did not incur any impairment charges on other financial assets. However, we cannot assure you that we will not incur any such impairment charges in the future as a result of changes in market conditions, regulatory environment and other factors. If we incur such losses, our results of operations, financial condition and prospects may be adversely affected.

Our insurance coverage is limited; if we experience uninsured losses it could adversely affect our financial condition and results of operations.

Our insurance coverage is limited, and we do not maintain product liability insurance or business interruption insurance. Please refer to "Business — Insurance" for further details of our insurance coverage. If we experience product liability claims or disruptions to our business, we might incur substantial costs and diversion of resources, which may not be fully covered by insurance. In addition, there are certain types of losses, such as losses from war, acts of terrorism, health or public security hazards, earthquakes, typhoons, flooding and other natural disasters, as for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could suffer financial losses, lose all or a portion of our production capacity, as well as future revenue anticipated to be derived from the manufacturing activities conducted at that property. If we experience uninsured losses or losses in excess of our insurance coverage, it could adversely affect our financial condition and results of operations.

If our internal risk management and control system is not adequate or effective, and if it fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

As of the Latest Practicable Date, we have an internal control system in place to monitor and control potential risk areas relevant to our business operations. In connection with the Global Offering, we have examined our internal control system and made certain enhancements where appropriate, in order to satisfy our internal control requirements after the completion of the Global Offering. However, due to the inherent limitations in the design and implementation of our internal control system, our internal control system may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place.

Further, integration of various business operations from potential future acquisitions may give rise to additional internal control risks that are currently unknown to us, despite our efforts to anticipate such issues. If our internal control system fails to detect potential risks in our business as intended, or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be materially and adversely affected.

Our risk management and internal controls also depend on effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended, or such implementation will not be subject to human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by the relevant authorities.

We may be subject to penalties and other liabilities under relevant PRC laws and regulations due to failure to make full social security and housing fund contributions for some of our employees.

In the past, contributions by our PRC subsidiaries for some of their employees to the social security and housing funds may not have been in compliance with relevant PRC regulations. Pursuant to the Regulation on the Administration of Housing Accumulation Funds, as amended in 2002 and 2019, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit. Pursuant to the PRC Social Insurance Law promulgated in 2010, the social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit and penalty interest, and may impose penalties if there is a failure to do so. Although we have made what we believe to be sufficient accruals to address these risks, some of our PRC subsidiaries may be required to pay outstanding contributions and penalties to the extent they did not make full contributions to the social security and housing funds.

If we suffer failures in our information and data management systems, it could adversely affect our ability to effectively manage our business operations.

We make use of information and data management systems to obtain, process, analyze and manage data. We use these systems to, among other things, monitor the daily operations of our business, maintain operating and financial data, manage our distribution network as well as manage our production operations and quality control systems. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt our normal operations. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to restore our operational capacity in a timely manner to avoid disrupting our business. The occurrence of any of these events could adversely affect our ability to effectively manage our business operations. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

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 located in China, and substantially all of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in China.

The Chinese economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- the allocation of resources;
- an evolving regulatory system; and
- the level of transparency in the regulatory process.

Although China has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008 and its annual GDP growth rate has declined from 7.3% in 2014 to 6.9% in 2015, 6.7% in 2016, 6.9% in 2017 and 6.4% in 2018. There is no assurance that future growth will be sustained at similar rates or at all.

The Chinese government implements various measures intended to encourage economic growth and guide the allocation of resources. These measures may include differential policies towards specific groups of pharmaceutical companies, such as promotion of traditional medicines or state-owned companies, or investments in biopharmaceutical companies competing with us, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in China could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in China, which in turn could lead to a reduction in demand for our products and consequently have a material adverse effect on our business.

The Chinese economy has been transitioning from a planned economy to a more market-oriented economy. Although the Chinese government has implemented reform measures allowing for an increasingly market-based economy, reduced state ownership of productive assets and established sound corporate governance practices in business enterprises, a substantial portion of the productive assets in China is owned by the Chinese government. The continued control of these assets and other aspects of the national economy by the Chinese government could materially and adversely affect our business. The Chinese government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Changes and developments in China's economic, political and social conditions could adversely affect our financial condition and results of operations. For example, the pharmaceutical market may grow at a slower pace than expected, which could adversely affect our business, financial condition or results of operations.

Our operations are subject to the uncertainties and particularities associated with the legal system in China, which could adversely affect our business, or limit the legal protection available to us or to existing or potential investors.

We conduct our business through our operating subsidiaries in China, which are governed by PRC law. China is a civil law jurisdiction based on written codes and statutes. Unlike common law jurisdictions, prior court decisions may be cited as persuasive authority but do not have legally binding force. The PRC government has promulgated laws and regulations in relation to economic matters in general, such as foreign investment, corporate organization and governance, commerce,

taxation and trade, with a view to establishing a comprehensive legal system conducive to investment activities. However, the implementation, interpretation and enforcement of these laws and regulations may cause greater uncertainty compared to those in common law jurisdictions due to a relatively short legislative history, limited volume of court cases and their non-binding nature. Furthermore, many laws, regulations and legal requirements have only recently been adopted by the central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for guidance. PRC administrative and court authorities also have significant discretion in interpreting and enforcing statutory and contractual terms. It thus may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection available than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into with our business partners, customers and suppliers. Depending on the government agency or how an application or a case is presented to such agency or other factors, we may receive less favorable application of law. In addition, any litigation or legal proceeding in China may be protracted and result in substantial legal costs and diversion of resources and management attention. We cannot predict the effect of future legal developments in China, including promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local rules and regulations by national law, the overturn or modification of the lower-level authority's decisions at the higher level, or the changes in judiciary and administrative practices. As a result, there is substantial uncertainty as to the legal protection available to us or to our investors.

Future changes in laws, regulations or enforcement policies in China could adversely affect our business.

Laws, regulations or enforcement policies in China, including those regulating healthcare and the pharmaceutical industry, are evolving and subject to frequent changes. Currently, the PRC pharmaceutical industry is highly regulated and many aspects of our business depend on the receipt of the relevant government authorities' approvals and permits. Further, regulatory agencies in China may periodically, and sometimes abruptly, change their enforcement practices. Therefore, prior enforcement activity, or lack of enforcement activity, is not necessarily predictive of future actions. Any enforcement actions against us could have a material adverse effect on us. Any litigation or governmental investigation or enforcement proceedings in China may be protracted and may result in substantial cost and diversion of resources and management attention, negative publicity, and damage to reputation. In addition, such changes may be applied retroactively and thus subject our business and operations to increased uncertainties and risks.

For example, on November 11, 2015, the NMPA issued Certain Policies in relation to the Review and Approval of Drug Applications (關於藥品註冊審評審批若干政策的公告) (the "**NMPA Notice No. 230 (2015)**"), which set out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trials data, effectiveness of the drug and consistency between the original innovative version and the generic version of a product as demonstrated in comparability studies. Our future drug applications are now subject to more strict approving standard.

Since late 2015, the PRC regulatory authority has promulgated a series of regulations setting forth the requirements of consistency evaluation for generic drugs, including the Opinion of the General Office of the State Council on Conducting the Consistency Evaluation of the Quality and Efficacy 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》), the Announcement on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs (《國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告》) and the Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》), which set forth timelines for completion of consistency evaluation and consequences for failure to timely complete the evaluation. For more information, see "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — The Quality and Efficacy Consistency Evaluation and The Bioequivalence Test of Generic Drugs — The Quality and Efficacy Consistency Evaluation of Generic Drugs."

There are significant uncertainties under the EIT Law of the PRC with respect to our PRC enterprise income tax liabilities, and with respect to possible PRC withholding tax imposed upon our shareholders.

There are significant uncertainties under the EIT Law, which came into effect on January 1, 2008, and amended as of February 24, 2017 and December 29, 2018, and its implementation rules.

Under the EIT Law and its implementation rules, enterprises organized under the laws of jurisdictions outside the PRC with their "*de facto* management bodies" located within the PRC may be considered "PRC resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "*de facto* management body" as "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, properties and other assets of an enterprise." The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining Place of Effective Management (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), which was promulgated on April 22, 2009 and was amended on January 29, 2014 by The Determination of Resident Enterprises Based on the Standards of Actual Management Institutions (《國家税務總局關於依據實際管理機構標準實施認定有關問題的公告》), and has been partially abolished on December 29, 2017, by the SAT pursuant to Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated (《國家税務總局關於公佈失效廢止的税務部門規章和税收規範性文件目錄的決定》) and the Administrative Measures on the Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得税管理辦法 (試行)》) issued on July 27, 2011, and amended on April 17 2015, June 15, 2018, and partially abolished on June 28, 2016, respectively, set out certain criteria for what constitutes a "*de facto* management body" in respect of enterprises that are established offshore by PRC enterprises, which could be applied in determining the tax resident status of non-PRC enterprises.

As substantially all of the operational management of our Company is currently based in the PRC, we and our offshore subsidiaries may be deemed to be "PRC resident enterprises" for the purpose of the EIT Law. If we or our offshore subsidiaries are deemed PRC resident enterprises, we could be subject to EIT tax at 25% on our global income, except that the dividends we receive from our PRC subsidiaries may be exempt from the EIT to the extent such dividend income constitutes "the qualified dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." It is, however, unclear what type of enterprise would be deemed a "PRC resident enterprise" for such purposes. If we are deemed a PRC resident enterprise and earn significant income other than exempted dividends from our PRC subsidiaries, the EIT on our global income could significantly increase our tax burden and adversely affect our cash flows and profitability.

Further, pursuant to the EIT Law and its implementation rules, PRC income tax at the rate of 10% is generally applicable to PRC source dividends paid by "PRC resident enterprises" to investors that are "non-PRC residents." Similarly, any gain realized on the transfer of the shares of "PRC resident enterprises" by such investors is also subject to PRC income tax, usually at the rate of 10% unless otherwise reduced or exempted by relevant tax treaties or similar arrangements, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends payable to our foreign investors or gains our foreign investors may realize from the transfer of the Shares may be treated as income sourced within the PRC and be subject to PRC income tax. Accordingly, if we are deemed a PRC resident enterprise under the EIT Law, our shareholders that are "non-PRC resident enterprises" could be subject to the withholding income tax upon the dividends payable by us or upon any gains realized from the transfer of our Shares at the rate of 10% unless otherwise reduced or exempted. Meanwhile pursuant to the Individual Income Tax law, dividends or gains received by non-PRC resident individuals may be subject to PRC individual income tax at a rate of 20%.

It is unclear whether, if we and our offshore subsidiaries are deemed a PRC resident enterprise, our shareholders would be able to claim the benefit of income tax treaties entered into between China and other countries or regions. If dividends payable to our shareholders that are "non-PRC residents," or gains from the transfer of our Shares are subject to PRC tax, the value of such shareholders' investment in our Shares may be materially and adversely affected.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

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 Enterprises* (the "**Circular 7**") (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》), which abolished certain provisions in the *Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises* (the "**Circular 698**") (《國家税務總局關於加強非居民企業股權轉讓所得企業所得税管理的通知》), which was previously issued by the State

Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets, when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such 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. 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.

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

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》) (the "**Circular 37**"), issued and effective on July 4, 2014, Circular on Promulgation of Administrative Measures on Foreign Exchange of Direct Investment by Foreign Investors and Ancillary 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》) issued on May 11, 2013, effective on May 13 2013, Notice on Further Improving and Adjusting Foreign Administration Policies for Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), issued on November 19, 2012 and effective on December 17, 2012, and Notice on Further Simplifying and Improving Policies for

the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**"), issued on February 13, 2015 and effective on June 1, 2015. 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 Circular 37 as a "special purpose vehicle". Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. Circular 13 cancels two administrative approval items, i.e., confirmation of foreign exchange registration under domestic direct investment, and confirmation of foreign exchange registration under overseas direct investment. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

Subsequent regulations further clarified that PRC subsidiaries of a special purpose vehicle are required to urge its PRC resident shareholders and beneficial owners to update their registrations with local branches of the SAFE. Please refer to the section headed "Regulatory Overview — PRC Laws and Regulations in Relation to the Foreign Exchange Control" in this prospectus. If our Shareholders or beneficial owners who are PRC citizens or residents do not complete their registration with the local SAFE branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liabilities for our PRC subsidiaries under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period 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 (ii) 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. Furthermore, the persons-in-charge and other persons at our PRC subsidiaries who are held directly liable for the violations may be subject to criminal sanctions.

We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. However, we may not always be able to compel them to comply with Circular 37 or other related regulations. As a result, there can be no assurance that all of our current or future Shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 37 or other related regulations. Failure by any such Shareholders or beneficial owners 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.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of the Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and U.S. dollar, has been based on fixed rates set by the People's Bank of China (the "**PBOC**"). The PRC government, however, has, with effect from July 21, 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On July 21, 2005, this revaluation resulted in the Renminbi appreciating against the U.S. dollar and the Hong Kong dollar by approximately 2% on that date. On September 23, 2005, the PRC government widened the daily trading band for the Renminbi against non-U.S. dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On June 19, 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On March 17, 2014, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the U.S. dollar in the inter-bank spot foreign exchange market from 1% to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. However, it remains unclear how this flexibility might be implemented. The Renminbi was added to its group of global reserve currencies by The International Monetary Fund on November 30, 2015, which makes Renminbi to some extent more susceptible to market forces as the PRC government loosens some of its currency controls.

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi. Therefore, we mainly rely on dividends and other fees paid to us by our PRC subsidiaries. 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, an 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.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has in the past been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation. For example, the PRC government introduced measures in certain sectors to avoid overheating of the economy, including tighter bank lending policies and increases in bank interest rates. The effects of the stimulus measures implemented by the PRC government since the global economic crisis that unfolded in 2008 may have contributed to the occurrence of, and continuing increase, in inflation in China. If such inflation is allowed to proceed without mitigating measures by the PRC government, our cost of sales would likely increase, and our profitability would be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers. If the PRC government implements new measures to control inflation, these measures may also slow economic activity and reduce demand for our products and services and severely hamper our growth.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilizing the proceeds of this offering in the manner described in the section headed "Future Plans and Use of Proceeds", as an offshore holding company, we may extend loans to our PRC subsidiaries, establish new subsidiaries, make additional capital contributions to our PRC subsidiaries or acquire, in offshore transactions, offshore entities with business operations inside China. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans we extended to our PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart.

In addition, on August 29, 2008, the SAFE promulgated Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (the "**Circular 142**")(《國家外匯管理局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》), which requires that any Renminbi obtained from the settlement of the capital of a foreign-invested enterprise shall be used for purposes within the business scope approved by the applicable government authority. Without a special governmental approval pursuant to Circular 142, we may not utilize our existing PRC subsidiaries to apply the settlement of capital for domestic equity investments. We may, however, use proceeds from this offering for equity investments through acquisitions of offshore entities with business operations in China or establish new subsidiaries with an appropriate business scope to engage in equity investment activities in China.

On March 30, 2015, the SAFE promulgated Reforming the Management Approach Regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (the "**Circular 19**")(《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》), which became effective on June 1, 2015 to reform the administration of conversion of foreign currency registered capitals of foreign-invested enterprises. According to Circular 19, Circular 142 will be repealed simultaneously when Circular 19 comes into effect. Circular 19 adopts a concept of "discretionary settlement" as opposed to settlement on a payment basis as set forth in Circular 142. Discretionary settlement is defined in Circular 19 as the settlement of a foreign-invested enterprise's foreign currency registered capital in accordance with the enterprise's actual business needs. No review of the purpose of the funds is required at the time of settlement under Circular 19. However, use of any Renminbi funds converted from its registered capital shall be based on true transactions, and the Renminbi funds obtained by foreign-invested enterprises from the discretionary settlement of foreign currency registered capitals shall be managed under the accounts pending for foreign currency settlement payment. In addition, equity investments using converted registered capital are no longer prohibited under Circular 19. However, due to the differences regarding the understanding towards Circular 19 by the local regulatory departments and towards the operating calibers, there are still uncertainties in its implementation.

Furthermore, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of foreign-invested enterprises. Circular 19 regulates clearly the prohibition of such RMB capitals in use, i.e., such Renminbi may not be used directly or indirectly for purposes out the range of the foreign invested enterprise's approved business scope or for purposes prohibited by the laws and regulations, and also, may not be used to repay Renminbi loans.

We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

As a holding company, we conduct substantially all of our business through our consolidated subsidiaries incorporated in China. We rely on dividends paid by these PRC subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any foreign currency debt we may incur and to make any offshore acquisitions. The payment of dividends by entities established in China is subject to limitations. Regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside (i) at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve funds until the aggregate amount of such reserves reaches 50% of its respective registered capital; and (ii) discretionary reserve funds as approved by its shareholders meeting. As a result, our PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to us in the form of dividends, loans or advances. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their

respective after-tax profits to their statutory reserves. In addition, certain loan agreements signed by our PRC subsidiaries may contain covenants that restrict their ability to pay out dividends. These limitations on the ability of our PRC subsidiaries to transfer funds to us limit our ability to receive and utilize such funds.

There may be difficulties in effecting services of process and seeking recognition and enforcement of foreign judgments in China.

Substantially all of our assets are located in China, and most of our senior management members and directors reside in China. However, China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by the courts of the U.S. or many other jurisdictions. As a result, it may be difficult or impossible for investors to effect service of process or enforce court judgments against our PRC subsidiaries, our assets, senior management members or directors in China.

On July 14, 2006, Hong Kong and the PRC 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) (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 pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC 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 the 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 PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

No public market currently exists for our Shares; the market price for our Shares may be volatile and an active trading market for our Shares may not develop.

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 Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for

the listing of, and permission to deal in, the Shares. A listing on the 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.

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

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in China's healthcare market;
- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

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

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 to HK$1.78 per Share, based on the mid-point of the Offer Price range of HK$13.66. There can be no assurances that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may 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.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make such rights available to persons in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the U.S. Securities Act. Accordingly, you may be unable to participate in our rights offerings in the future and may experience dilution in your holdings.

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, or issuance by us of significant amounts of our Shares after the Global Offering, could result in a significant decrease in the prevailing market prices 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 for 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 interests of our other Shareholders.

Immediately following the Global Offering, our Controlling Shareholders will hold in aggregate approximately 68.35% of our Shares, assuming the Over-allotment Option is not exercised. 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. 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 Stock Exchange until they are delivered, which is expected to be not more than five 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.

There can be no assurances that we will 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 refers 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 HKFRS. 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 HKFRS. 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.

Please refer to "Financial Information — Dividend" for further details of our dividend policy. There can be no assurances that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

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 or the Joint Global Coordinators nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this prospectus relating to the PRC economy and the healthcare industry in China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurances 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.

We cannot guarantee the accuracy of official government facts, forecasts and other statistics with respect to China, the Chinese economy and China's pharmaceutical and healthcare industries contained in this prospectus.

Official government facts, forecasts and other statistics in this prospectus relating to China, the Chinese economy and China's pharmaceutical and healthcare industries have been derived from official government publications. We believe that the sources of such information are appropriate sources, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Joint Sponsors or any other party involved in the Global Offering, and no representation is given as to its accuracy. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such official government facts, forecasts or statistics.

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industries and the Global Offering.

There has 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/or media regarding us, our business, our industry and the Global Offering. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares. None of us, the Joint Sponsors, or any other person involved in the Global Offering have authorized the disclosure of any such information in the press or media and none of these parties accept any responsibility for the accuracy or completeness of the information contained in such press articles and/or other media or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industries or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with certain provisions of the Listing Rules.

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 PRC, 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 Miss Sun and Ms. Li Yan Wing Rita;

(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) Guotai Junan 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 refer to 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.

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 (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

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 SFO, 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 Ms. Zhong Shengli and Ms. Li Yan Wing Rita as our joint company secretaries. Ms. Li is a chartered secretary, a chartered governance professional and a fellow of both of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Ms. Zhong Shengli joined the Group in July 2010 and has gained a thorough understanding of the internal administration and business operation of the Group. Please refer to the section headed "Directors and Senior Management — Joint Company Secretaries" in this prospectus for details about Ms. Zhong Shengli's qualifications. By virtue of Ms. Zhong Shengli's experience and familiarity with our Group, our Company believes Ms. Zhong Shengli is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company. Further, given that our main operation is in the PRC, we believe that it would be in the best interests of our Company and our corporate governance to have Ms. Zhong Shengli with the relevant background and experience in the PRC to act as our joint company secretary.

Since Ms. Zhong Shengli does not possess all the academic and professional qualifications required of a company secretary under Note 1 to Rule 3.28 of the Listing Rules, we have sought and obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Zhong may be appointed as our joint company secretary. The waiver has been granted for a 3-year period on the condition that we engage

Ms. Li as a joint company secretary to assist Ms. Zhong Shengli in discharging her duties and responsibilities as a joint company secretary of a Hong Kong listed company and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Li ceases to provide such assistance. In addition, Ms. Zhong Shengli will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date. Our Company will further ensure that Ms. Zhong Shengli has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Hong Kong Stock Exchange. Prior to the end of the 3-year period, we must liaise with the Hong Kong Stock Exchange which will re-visit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the Hong Kong Stock Exchange that Ms. Zhong Shengli, having had the benefit of Ms. Li's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

Our Company has applied to the Stock Exchange to request the Stock Exchange to exercise its discretion under 8.08(1)(d), and the Stock Exchange has granted our Company a waiver from strict compliance with the requirements of Rule 8.08(1)(a) of the Listing Rules.

Rule 8.08(1)(a) of the Listing Rules requires that there shall be an open market for the securities for which listing is sought, and that a sufficient public float of an issuer's listed securities shall be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% and 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

Based on the low end of the Offer Price range and assuming no exercise of the Over-allotment Option, we expect that our market capitalization will be no less than HK$10 billion at the time of Listing.

Accordingly, our minimum public float shall be the highest of:

(i) 15% of our Company's total issued share capital;

(ii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised); and

(iii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (as increased by the Shares to be issued upon any exercise of the Over-allotment Option) provided that the highest of (i), (ii) and (iii) above is below the minimum public requirement of 25% under Rule 8.08(1) of the Listing Rules.

In order to support the application of this waiver, we have confirmed that:

(i) we will have an expected market capitalization at the time of Listing of over HK$10 billion;

(ii) there will be an open market in the Shares, and the quantity and scale of the Shares and the extent of distribution of the Shares would enable the market to operate properly with a lower percentage of public float;

(iii) we will make appropriate disclosure of the lower percentage of public float as approved by the Stock Exchange in this prospectus;

(iv) we will confirm sufficiency of public float in our successive annual reports after the Listing; and

(v) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

WAIVER AND CONSENT IN RELATION TO SUBSCRIPTION OF THE OFFER SHARES BY HILLHOUSE AND BOYU

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if the conditions in Rule 10.03(1) and (2) are satisfied. The requirements of Rule 10.03 of the Listing Rules are that (1) no securities are offered to the existing shareholder on a preferential basis and no preferential treatment is given to the existing shareholder in the allocation of the securities; and (2) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rule prohibits allocation of shares in a global offering to existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless the conditions in Rules 10.03 and 10.04 are fulfilled or prior written consent of the Stock Exchange has been obtained.

Each of Hillhouse (an investment vehicle affiliated to Hillhouse Capital Management, Ltd.) and Boyu (an investment vehicle affiliated to Boyu Capital Group Management Ltd.), is an existing Shareholder who, as of the date of this prospectus, holds approximately 2.91% and 3.00% of the Shares of our Company, respectively. Pursuant to the Shareholders Agreement, each of Hillhouse and Boyu was granted, among others, an anti-dilution right to subscribe, at the Offer Price, for such number of Shares to be issued by our Company (the "**Entitled Shares**") as part of the qualified IPO so as to maintain Hillhouse's and Boyu's respective percentages of shareholding interest in our

Company (on a fully-diluted and as-converted basis) as at immediately before the qualified IPO (the "**Anti-Dilution Right**"). The Anti-Dilution Right may also be exercised by affiliates of Hillhouse and Boyu. Please refer to the section headed "History, Development and Reorganization — Pre-IPO Investments — Rights of Pre-IPO Investors" for further details of the Anti-Dilution Right.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the exercise of the Anti-Dilution Right by Hillhouse's affiliate as a cornerstone investor based on the following reasons and/or conditions:

1. the exercise of the Anti-Dilution Right by Hillhouse's affiliate shall be made in compliance with the Guidance Letter HKEx-GL43-12:

   (a) the allocation to Hillhouse's affiliate is necessary in order to give effect to the Anti-Dilution Right under the Shareholders' Agreement and such allocation will not affect our Company's ability to satisfy the public float requirement;

   (b) a full disclosure of the Anti-Dilution Right and the number of shares to be subscribed for by Hillhouse's affiliate will be made in this prospectus and the allotment results announcement and the placees lists to be submitted to the Stock Exchange before Listing;

   (c) Hillhouse's Entitled Shares will be subscribed for by Hillhouse's affiliate at the Offer Price and, in any event, will not result in the shareholding interest percentage held by Hillhouse (together with its affiliate) in our Company increasing above the percentage interest held by Hillhouse immediately prior to the Global Offering;

2. Hillhouse (together with its affiliate) is not a core connected person or a close associate of a core connected person;

3. Hillhouse (together with its affiliate) does not have the power to influence the allocation of the Offer Shares;

4. our Company has confirmed to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to Hillhouse's affiliate or its close associates by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under the cornerstone investment following the principles set out in HKEx-GL51-13, the cornerstone investment agreement of Hillhouse's affiliate does not contain any material terms which are more favourable to itself than those in other cornerstone investment agreements, and details of the allocation will be disclosed in this prospectus and allotment results announcement; or

5. the Joint Sponsors have confirmed to the Stock Exchange in writing that based on (i) their discussions with our Company, and (ii) the confirmation provided to the Stock Exchange by our Company (as referred to in paragraph (4) above), and to the best of their knowledge and belief, they have no reason to believe that Hillhouse's affiliate or its close associates received any preferential treatment in the IPO allocation as a cornerstone investor by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under the cornerstone investment following the principles set out in the Guidance Letter HKEx-GL51-13, and details of the allocation will be disclosed in this prospectus and allotment results announcement.

In addition to exercising its Anti-Dilution Right, Boyu's affiliate will also subscribe for additional Offer Shares at the Offer Price as a cornerstone investor (the "**Proposed Share Subscription**"). Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the exercise of the Anti-Dilution Right by Boyu's affiliate based on the following reasons and/or conditions:

1. in respect of the exercise of the Anti-Dilution Right by Boyu's affiliate, it shall be made in compliance with the Guidance Letter HKEx-GL43-12:

   (a) the allocation to Boyu's affiliate is necessary in order to give effect to the Anti-Dilution Right under the Shareholders' Agreement and such allocation will not affect our Company's ability to satisfy the public float requirements;

   (b) a full disclosure of the Anti-Dilution Right and the number of shares to be subscribed for by Boyu's affiliate will be made in this prospectus and the allotment results announcement and the placees list to be submitted to the Stock Exchange before Listing;

   (c) Boyu's Entitled Shares will be subscribed for by Boyu's affiliate at the Offer Price;

2. Boyu (together with its affiliate) is not a core connected person or a close associate of a core connected person;

3. Boyu is only a minority financial investor of our Company and has limited influence over our Company. Boyu does not have the power to influence the allocation of the Offer Shares, nor does it have the power to appoint Directors or any other special rights upon Listing;

4. the allocation to Boyu's affiliate pursuant to the Exercise of Anti-Dilution Right by Boyu's affiliate and the Proposed Share Subscription will not affect our Company's ability to satisfy the public float requirement, subject to any public float waiver that is submitted to the Stock Exchange;

5. our Company has confirmed to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to Boyu's affiliate or its close associates by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under the cornerstone investment following the principles set out in HKEx-GL51-13, the cornerstone investment agreement of Boyu's affiliate does not contain any material terms which are more favourable to itself than those in other cornerstone investment agreements, and details of the allocation will be disclosed in this prospectus and the allotment results announcement; and

6. the Joint Sponsors have confirmed to the Stock Exchange in writing that based on (i) their discussions with our Company, and (ii) the confirmation provided to the Stock Exchange by our Company (confirmation (6) above), and to the best of their knowledge and belief, they have no reason to believe that Boyu's affiliate or its close associates received any preferential treatment in the IPO allocation as a cornerstone investor by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under the cornerstone investment following the principles set out in the Guidance Letter HKEx-GL51-13, and details of the allocation will be disclosed in this prospectus and allotment results announcement.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the Proposed Share Subscription by Boyu's affiliate based on the following reasons and/or conditions:

1. Boyu (together with its affiliate) is interested in less than 5% of our Company's voting rights before listing on the Stock Exchange;

2. Boyu (together with its affiliate) is not a core connected person or a close associate of a core connected person;

3. Boyu is only a minority financial investor of our Company and has limited influence over our Company. Boyu does not have the power to influence the allocation of the Offer Shares, nor does it have the power to appoint Directors or any other special rights upon Listing;

4. the allocation to Boyu's affiliate pursuant to the Exercise of Anti-Dilution Right by Boyu's affiliate and the Proposed Share Subscription will not affect our Company's ability to satisfy the public float requirement, subject to any public float waiver that is submitted to the Stock Exchange. Boyu (together with Boyu's affiliate) would be interested in less than 5% of the Company's voting rights immediately following completion of the Global Offering;

5. our Company has confirmed to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to Boyu's affiliate or its close associates by virtue of their relationship with our Company other than the preferential treatment of assured entitlement

under the cornerstone investment following the principles set out in HKEx-GL51-13, the cornerstone investment agreement of Boyu's affiliate does not contain any material terms which are more favourable to itself than those in other cornerstone investment agreements, and details of the allocation will be disclosed in this prospectus and the allotment results announcement; and

6. the Joint Sponsors have confirmed to the Stock Exchange in writing that based on (i) their discussions with the Company, and (ii) the confirmation provided to the Stock Exchange by our Company (confirmation (5) above), and to the best of their knowledge and belief, they have no reason to believe that Boyu's affiliate or its close associates received any preferential treatment in the IPO allocation as a cornerstone investor by virtue of their relationship with our Company other than the preferential treatment of assured entitlement under the cornerstone investment following the principles set out in the Guidance Letter HKEX-GL51-13, and details of the allocation will be disclosed in this prospectus and allotment results announcement.

For further information about the cornerstone investment of Hillhouse's affiliate and Boyu's affiliate, please refer to the section headed "Cornerstone Investors" in this prospectus.

WAIVER IN RELATION TO CLAWBACK MECHANISM

Under Paragraph 4.2 of Practice Note 18 to the Listing Rules, where an initial public offering includes both a placing tranche and a public subscription tranche, the minimum allocation of shares to the public subscription tranche shall be an initial allocation of 10% of the shares offered in the initial public offering and subject to a clawback mechanism that increases the number of shares available in the public subscription tranche depending on the demand for those shares as set out in the paragraph.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 of the Listing Rules such that, in the event of over-subscription in the Hong Kong Public Offering, the Joint Global Coordinators will apply an alternative clawback mechanism following the closing of the application lists. For further information, please refer to the section headed "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Reallocation and Clawback" in this prospectus.

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 Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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 and Conditions 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 Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (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 June 5, 2019, subject to the Offer Price being agreed.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (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 refer to the section headed "Underwriting" in this prospectus.

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.

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, June 14, 2019. The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares will be 3692.

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 advisor 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.

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 Joint Global Coordinators, 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, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor 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

Solely for your convenience, this prospectus contains translations of certain RMB into Hong Kong dollars, of Hong Kong dollars into RMB, of RMB into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

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$7.8496

US$1.00: RMB6.9182

No representation is made that any amounts in RMB, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

ROUNDING

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.

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

Name	Address	Nationality
Executive Directors		
Ms. Zhong Huijuan (鍾慧娟)	Room 10 C No. 17, Lane 99 Nan Dan Dong Street Shanghai, PRC	Chinese
Mr. Lyu Aifeng (呂愛鋒)	Room 2201 Unit 3, Block 6 Hengrun Yuzhoufu Hailian Dong Road Xin Pu District, Lianyungang Jiangsu Province, PRC	Chinese
Miss Sun Yuan (孫遠)	25B, Tower 4 Hillsborough Court 18 Old Peak Road Hong Kong	Chinese
Non-executive Directors		
Ms. Ma Cuifang (馬翠芳).	Flat B, 15/F, Block 1 8 Amalfi Drive Discovery Bay, Lantau New Territories Hong Kong	Chinese
Independent Non-executive Directors		
Mr. Lin Guoqiang (林國強)	Room 1602 No. 12, Lane 88 Sanjiang Road Shanghai PRC	Chinese

Mr. Chan Charles Sheung Wai (陳尚偉)	Flat B, 10/F Kam Kin Mansion 123 Caine Road Central, Hong Kong	Canadian
Ms. Yang Dongtao (楊東濤)	Room 502, Unit 1, Block 3 Zhonghai Fenghuang Garden 1 Qingliangmen Street Nanjing, Jiangsu Province PRC	Chinese

Please refer to the section headed "Directors and Senior Management" in this prospectus for further information regarding our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Citigroup Global Markets Asia Limited** 50/F, Champion Tower 3 Garden Road Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Citigroup Global Markets Asia Limited** 50/F, Champion Tower 3 Garden Road Central Hong Kong

UBS AG Hong Kong Branch
52/F, Two IFC
8 Finance Street
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Joint Bookrunners

Morgan Stanley Asia Limited
(in relation to the Hong Kong Public Offering only)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Morgan Stanley & Co. International plc
(in relation to the International Offering only)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering only)
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

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

	UBS AG Hong Kong Branch 52/F, Two IFC 8 Finance Street Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square 8 Connaught Place Central Hong Kong
	China International Capital Corporation Hong Kong Securities Limited 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Joint Lead Managers	**Morgan Stanley Asia Limited** (in relation to the Hong Kong Public Offering only) 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Morgan Stanley & Co. International plc (in relation to the International Offering only) 25 Cabot Square, Canary Wharf London E14 4QA United Kingdom
	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering only) 50/F, Champion Tower 3 Garden Road Central Hong Kong

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

UBS AG Hong Kong Branch
52/F, Two IFC
8 Finance Street
Central
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

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

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:
Cleary Gottlieb Steen & Hamilton (Hong Kong)
37/F, Hysan Place
500 Hennessy Road
Causeway Bay
Hong Kong

	As to PRC law: **Li & Partners (Shenzhen)** 10/F, Hantang Building OCT, Nanshan District Shenzhen, PRC
	As to Cayman Islands law: **Maples and Calder (Hong Kong) LLP** 53/F, The Center 99 Queen's Road Central Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong
	As to PRC law: **Tian Yuan Law Firm** 10/F, CPIC Plaza, Tower B No. 28 Fengsheng Lane Xicheng District, Beijing PRC
Auditor and Reporting Accountant	**Ernst & Young** *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 1014-1018, Tower B No. 500 Yunjin Road Xuhui District Shanghai, 200232 PRC
Receiving Bank	**Standard Chartered Bank (Hong Kong) Limited** 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong, Kowloon Hong Kong

Registered office	P.O. Box 309 Ugland House Grand Cayman KY1-1104 Cayman Islands
Principal place of business and head office in the PRC	9 Dongjin Road Economic & Technical Development Zone Lianyungang Jiangsu, 222069, PRC
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	**www.hspharm.com** *(The information on the website does not form part of this prospectus)*
Joint Company Secretaries	Ms. Zhong Shengli (鍾勝利) Room 501 No. 79, Lane 99 Jin He Street Shanghai, PRC Ms. Li Yan Wing Rita (李昕穎) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong *Chartered secretary and a fellow member of both of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom*
Authorized Representatives	Miss Sun Yuan (孫遠) 25B, Tower 4 Hillsborough Court 18 Old Peak Road Hong Kong Ms. Li Yan Wing Rita (李昕穎) Level 54, Hopewell Centre 183 Queen's Road East Hong Kong

Audit Committee	Mr. Chan Charles Sheung Wai (陳尚偉) (Chairman)
	Ms. Ma Cuifang (馬翠芳)
	Mr. Lin Guoqiang (林國強)
Remuneration Committee	Ms. Yang Dongtao (楊東濤) (Chairlady)
	Ms. Zhong Huijuan (鍾慧娟)
	Mr. Lin Guoqiang (林國強)
Strategy and Development Committee	Ms. Zhong Huijuan (鍾慧娟) (Chairlady)
	Mr. Lyu Aifeng (呂愛鋒)
	Mr. Chan Charles Sheung Wai (陳尚偉)
	Ms. Yang Dongtao (楊東濤)
Cayman Islands Principal Share Registrar and Transfer Agent	**Maples Fund Services (Cayman) Limited** PO Box 1093 Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance Advisor	Guotai Junan Capital Limited 27th Floor, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	Lianyungang Branch of the Bank of Communications No.45 Huanghe Road Economic & Technical Development Zone Lianyungang Jiangsu

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Frost and Sullivan in connection with the Global Offering. Unless otherwise noted, Frost & Sullivan has advised us that the statistical and graphical information contained herein is drawn from its database and other sources. The following discussion includes projections for future growth, which may not occur at the rates that are projected or at all.[1] We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect. None of our Company, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any other party (excluding Frost & Sullivan) involved in the Global Offering or their respective directors, advisors and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any other party involved in the Global Offering or their respective directors, advisors and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus, which may be inaccurate, incomplete, out-of-date or inconsistent with the other information complied within or outside the PRC. For the above reasons, information contained in this section shall not be unduly relied upon. For a discussion of risks relating to our industry, please refer to the section headed "Risk Factors — Risks Relating to Our Business and Industry" in this prospectus.

THE PRC HEALTHCARE AND PHARMACEUTICAL MARKETS

Overview

According to information from the National Bureau of Statistics of China and the Economist Intelligence Unit, healthcare expenditure in China has experienced significant growth, increasing from RMB3,531.2 billion in 2014 to RMB5,870.0 billion in 2018, representing a CAGR of 13.5%. China's total healthcare expenditure is expected to continue to increase rapidly as a result of a combination of favorable factors, including the fast-growing economy of China, increasing disposable income and health awareness, aging population, increased life expectancy as well as strong PRC government support and the healthcare reform plans. Total healthcare expenditure in China is expected to grow at a CAGR of 9.8% from 2018 to 2023, and reach RMB9,352.3 billion in 2023.

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[1] We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the pharmaceutical market in the PRC for use in this prospectus. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in the prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB1,272,720, and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan Report is prepared through extrapolating publicly available data, such as information provided by the government, annual reports of public companies, trade and medical journals, industry reports and other available information gathered by non-profit organizations. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall pharmaceutical market and various segment markets in the PRC: (i) China's economy is likely to grow at a steady rate in the next decade, (ii) China's social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the pharmaceutical market, (iii) China's healthcare expenditure will continue to increase in the forecast period, which will promote the development of China pharmaceutical market, (iv) China's chronic patient pool will continue to expand, and (v) there will be no war or large-scale disaster during the forecast period.

Frost & Sullivan's projection is made based on various market determinants and their coefficients assigned to a market which indicate their relative importance. The market determinants represent both subjective assumptions and objective factors; therefore, the projected data may not be consistent with the actual data. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

Similarly, the PRC pharmaceutical market has also grown rapidly in recent years, increasing from RMB1,122.0 billion in 2014 to RMB1,533.4 billion in 2018, representing a CAGR of 8.1%, and is expected to reach RMB2,132.6 billion in 2023, representing a CAGR of 6.8% from 2018 to 2023. Ongoing healthcare reform and increased competition have led to industry consolidation, with the number of PRC pharmaceutical manufacturers decreasing from 4,875 in 2013 to 4,376 in 2017, which is expected to continue. At the same time, favorable government policies for innovative drugs and first-to-market generic drugs are expected to increase the market share of such drugs and drive the development of the PRC pharmaceutical market.

General Description of the PRC Pharmaceutical Industry

Market Fragmentation

The pharmaceutical industry in the PRC is highly fragmented. There are more than 4,000 pharmaceutical companies in the PRC. In terms of sales in 2018, the top 20 pharmaceutical companies accounted for only 21.7% of the total PRC pharmaceutical market. We believe that pharmaceutical companies with well-established nationwide distribution networks and highly competitive product portfolios and pipelines are well-positioned to seize competitive opportunities to expand and benefit from industry consolidation to become industry leaders in the PRC.

Market Entry Barriers

The development cycle of a new drug may last more than 15 years, and the development cost may exceed several hundred million RMB. Apart from R&D expenditure, significant investments are required for manufacturing facilities, quality systems and technical teams. Therefore, heavy investment and a long return period have become main barriers to entering the pharmaceutical market. In addition, for first-to-market generic drugs, any delay in R&D, and drug registration and approval processes will affect their time to market, which is critical to first-to-market generic drugs. The need for an experienced R&D team and technical team therefore creates high technical barriers for new entrants without a track record of R&D experience.

New entrants to the PRC pharmaceutical market tend to develop only a limited number of candidate drugs due to limited R&D capabilities, development cost and risk assessment. The lack of diversity means if development of any of the few candidate drugs fails, the company will suffer serious losses.

New entrants to the PRC pharmaceutical market must also navigate through a complex regulatory landscape. Pharmaceutical production in China needs to go through strict GMP certification conducted by the NMPA. Meanwhile, with increased regulatory scrutiny of drug quality in the PRC, consistency evaluations have become a compulsory requirement for generic drugs. Opinion on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs (《關於開展仿製藥質量和療效一致性評價的意見》) clarifies the time limit for the consistency evaluation of certain of generic drugs. Pharmaceutical companies that cannot meet the consistency evaluation will gradually be eliminated by the market. The strengthening of the supervision of the pharmaceutical market, including the recently promulgated Work Plan for Reforming Chemical Drugs Registration and Classification (化學藥品註冊分類改革工作方案), consistency evaluation for generic drugs, and registration system for clinical trials of drugs in the PRC may increase compliance and other costs and create a high entry barrier for new entrants. For more details on these laws, regulations and reform measures, please refer to "Regulatory Overview."

Innovative Drugs and Generic Drugs

Pharmaceutical products are categorized as either innovative drugs or generic drugs. Innovative drugs refer to drugs with active pharmaceutical ingredients that are new chemical or biochemical entities. Under the NMPA classification system, Category 1.1 innovative drugs refer to innovative drugs that contain new chemical entities with clinical value and have never been marketed anywhere in the world. Generic drugs refer to drugs with the same active ingredients as, and are considered equivalent to, an innovative drug.

The pharmaceutical market in the PRC has been dominated by generic drugs, and innovative drugs only make up a relatively small portion of the PRC pharmaceutical market. Most Chinese pharmaceutical companies manufacture and sell generic drugs, while drugs sold by multinational pharmaceutical companies are mostly innovative drugs, including those with expired patents.

First-to-Market Generic Drugs Compared to Other Generic Drugs

Compared to other generic drugs, first-to-market generic drugs face higher technical barriers in exploring technical routes of originator drugs, for instance APIs, excipients and reference drugs. R&D of first-to-market generic drugs also takes more time and is more expensive than R&D of other generic drugs. In addition, large-scale manufacturing of first-to-market generic drugs requires a highly qualified technical team to develop and optimize the production process. Any delay in the R&D or production process will affect the time to market a first-to-market generic drug.

Compared to other generic drugs, first-to-market generic drugs have first-mover advantages. Since originator drugs have usually been marketed for a long time, and doctors and patients have fully recognized their efficacy, first-to-market generic drugs have a competitive edge over subsequently approved generic drugs by taking advantage of government policies, including priority review, monitoring period protection and lower prices compared to the originator drugs, and are able to generate demand among price-sensitive patients and establishing brand awareness and patient loyalty.

Major Trends in the PRC Pharmaceutical Industry

Key Growth Drivers for the PRC Pharmaceutical Industry

According to Frost & Sullivan, key growth drivers for the pharmaceutical industry in China include the following:

- *Increasing disposable income and health awareness.* The continuous economic growth in China is expected to improve China's healthcare infrastructure and increase Chinese people's health consciousness and healthcare spending as well as improve access to healthcare services, and promote the growth of the pharmaceutical market in China as a result.

- *Aging population.* China's population aged 65 years or above has increased from 137.6 million in 2014, or 10.1% of the entire Chinese population, to 166.6 million in 2018, or 11.9% of the entire Chinese population. The accelerating aging trend, prolonged life expectancy and prevalence of chronic diseases will further drive up the demand for relevant drugs, as well as medical products and services in China.

- *Strong government policy support.* In order to promote the development of the Chinese pharmaceutical industry, the Chinese government has released several supporting policies which cover drug approval, pricing, manufacturing, as well as drug delivery and distribution, such as the lifting of price controls for drugs and implementation of new GMP Standards. These policies are geared towards a more market-oriented and consolidated market as well as healthy competition and sustainable development of the industry.

- *Increasing coverage of social medical insurance.* In order to maximize the effectiveness of its social medical insurance programs, the Chinese government has expanded both the coverage and the benefits under the social medical insurance programs, which further improves patients' affordability and drives the demand for healthcare products and services.

Encouraging Drug Innovation and Research and Development

In recent years, the PRC government adopted a series of laws, regulations and reform measures aimed at encouraging drug innovation and research and development. These include the "Guiding Opinions of the General Office of the State Council on Promoting the Healthy Development of the Pharmaceutical Industry", "Healthy China 2030", and the 13th Five-Year Plan and laws and regulations adopted in connection therewith. Among others, these laws, regulations and reform measures extended patent protection for innovative drugs and increased the affordability and availability of innovative drugs, and introduced expedited review and approval processes for new drug application.

Consistency Evaluation Promoting Improvement of Drug Manufacturing Quality and Market Concentration

In March 2016, the General Office of the State Council issued the Opinions of the General Office of the State Council on Conducting the Consistency Evaluation of the Quality and Efficacy 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》), which requires a consistency evaluation for certain generic drugs. For more details on this regulation, please refer to "Regulatory Overview." Generic drugs that have passed the consistency evaluation are entitled to certain product sale benefits, for example, preferential treatment with regards to medical insurance and the centralized tender process, among others.

As the PRC pharmaceutical market is heavily dependent on generic drugs, the consistency evaluation is vital to the PRC pharmaceutical industry. Since the implementation of consistency evaluation requirements, generic drugs failing to pass the consistency evaluation are expected to be gradually eliminated and generic drugs that are first to pass the consistency evaluation are expected to enjoy certain policy benefits, thus improving the overall quality of generic drugs in China. Meanwhile, less competitive companies will be driven out of the market while competitive companies will continue to leverage their product advantages, thereby further increasing market concentration.

PHARMACEUTICAL MARKET IN CHINA BY THERAPEUTIC AREAS

We focus on a number of fast-growing and major therapeutic areas in China, including CNS diseases, oncology, anti-infectives, diabetes, gastrointestinal, and cardiovascular. In terms of sales, these six therapeutic areas accounted for 62.5% of the pharmaceutical market in China in 2018.

The following table sets forth the growth rates of these six therapeutic areas and their market share in the pharmaceutical market in China, as well as the growth rate of the pharmaceutical market in China as a whole:

	% of the PRC pharmaceuticals market in 2018	Market growth CAGR 2014-2018	Market growth CAGR 2018-2023E
CNS diseases	12.9%	11.8%	6.7%
Oncology	10.3%	12.8%	15.0%
Anti-infectives	14.2%	4.0%	2.9%
Diabetes	3.7%	10.7%	15.6%
Gastrointestinal	8.0%	9.3%	8.4%
Cardiovascular	13.4%	9.3%	6.8%
Total PRC pharmaceutical market	—	8.1%	6.8%

CNS Diseases

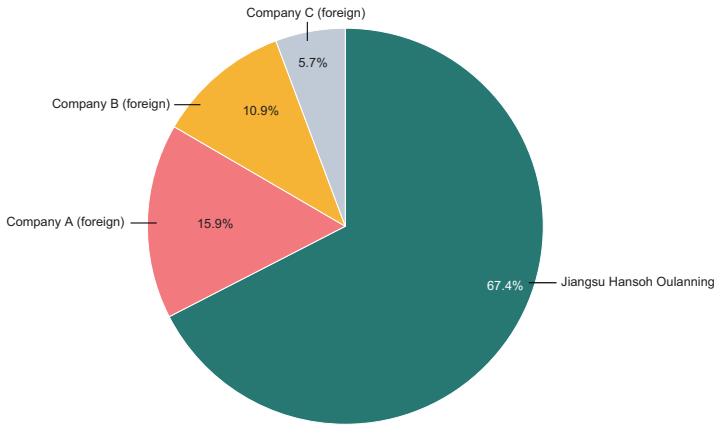
In 2018, drugs for the treatment of CNS diseases had a market size of RMB197.4 billion, representing 12.9% of the total pharmaceutical market in China, and are expected to grow at a CAGR of 6.7% from 2018 to 2023. Psychotropics drugs had a market size of RMB22.9 billion, and are the largest sub-market of CNS disease drugs, representing 11.6% of the PRC CNS disease drugs market, and are expected to grow at a CAGR of 15.5% from 2018 to 2023, much higher than the overall growth rate of central nervous system disease market. The growth of the psychotropic drug market is mainly driven by the increasing prevalence and awareness of psychiatric diseases, favorable government policies as well as the continuously developing mental healthcare service facilities in China.

Depression, schizophrenia and insomnia are common psychotropics diseases with high incidence. Depression, schizophrenia and insomnia (including sub-threshold insomnia) has a prevalence of 2.1%, 0.8% and 45.4%, respectively. We believe that the increasing awareness of the general public of mental health issues will drive the demand for drugs and medical services in respect of these diseases in the future.

Both China and the United States use chemical drugs, psychotherapy and electroconvulsive therapy for the treatment of depression and schizophrenia. Due to the difficulty in research and development and launch of psychotropics drugs as well as a more limited selection of drugs, there is still some gap between available drugs and clinical demand. As a result, patients in China are highly dependent on specific drugs.

As a second-generation drug for the treatment of schizophrenia, the sales revenue of olanzapine was RMB3.0 billion in 2018, ranking first, with a 13.2% market share, in China's psychotropic drug market, and is expected to grow at a CAGR of 12.8% from 2018 to 2023. In 2018, 42.8% of all schizophrenia patients in China were treated with olanzapine. Our core product, Oulanning, has been the best-selling olanzapine brand in China based on sales revenue since 2010, with a market share of approximately 67.4% in 2018. The following chart illustrates the market share of olanzapine by sales revenue in 2018:

Competitive landscape of China olanzapine drugs market in 2018



Oncology

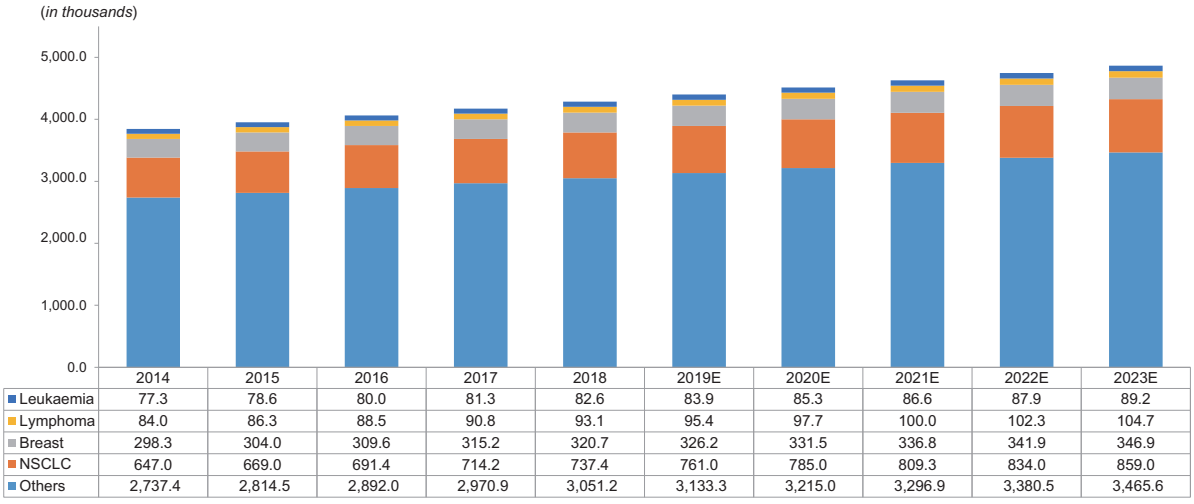
Cancer is a malignant disease with the highest incidence in China. Total diagnosed cases of oncology diseases increased from approximately 3.8 million in 2014 to approximately 4.3 million in 2018.

Targeted therapy and immunotherapy are commonly used in the United States, while chemotherapy is mainly used in China for the treatment of oncology diseases. With the increasing prevalence of cancer in China, increasing cancer diagnosis rates, and growing awareness of cancer, the demand for drugs targeting such diseases and related medical services are expected to grow continuously.

The oncology pharmaceuticals market in China was RMB157.5 billion in 2018, representing 10.3% of China's overall pharmaceutical market, and is expected to grow at a CAGR of 15.0% from 2018 to 2023. Market growth for oncology pharmaceuticals in China is mainly driven by the increasing prevalence of oncology patients, improved affordability due to NRDL coverage expansion and disposable income growth as well as continuous technological innovation to address unmet clinical needs.

The following chart sets forth the incidence by various cancer types in China.

Incidence by Cancer Types in China, 2014-2023E



	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E
Leukaemia	77.3	78.6	80.0	81.3	82.6	83.9	85.3	86.6	87.9	89.2
Lymphoma	84.0	86.3	88.5	90.8	93.1	95.4	97.7	100.0	102.3	104.7
Breast	298.3	304.0	309.6	315.2	320.7	326.2	331.5	336.8	341.9	346.9
NSCLC	647.0	669.0	691.4	714.2	737.4	761.0	785.0	809.3	834.0	859.0
Others	2,737.4	2,814.5	2,892.0	2,970.9	3,051.2	3,133.3	3,215.0	3,296.9	3,380.5	3,465.6

Non-small cell lung cancer

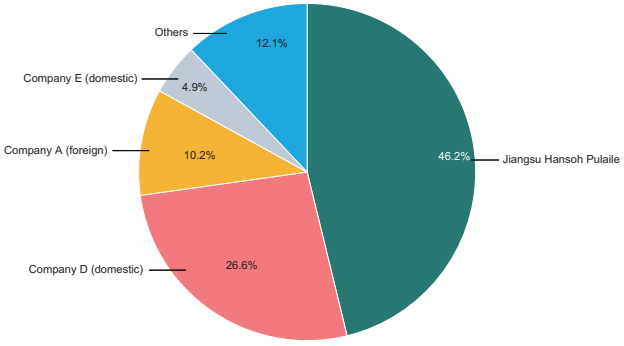
Non-small cell lung cancer ("NSCLC") has the highest incidence among all forms of cancer in China. In 2018, there were approximately 867.5 thousand new incidences of lung cancer in China, of which 737.4 thousand, or approximately 85%, new incidents were recorded as NSCLC in 2018, with a five-year survival rate of only 19.3%. In the urban population of China, NSCLC also has the highest mortality rate among all cancers. The incidence of NSCLC with EGFR mutation accounted for 39.8% of total NSCLC incidence, representing a patient population of 293.5 thousand in 2018. With the improvement of diagnosis and treatment, combination of various types of drugs, the survival period of NSCLC patient is expected to be prolonged. In conjunction with the increase in treatment rate of

NSCLC, number of patients, and patients' disposable income, the demand for NSCLC drugs is expected to grow rapidly in the future. The NSCLC market in China reached RMB25.1 billion in 2018 from RMB14.1 billion in 2014 with a CAGR of 15.6%, and is estimated to be RMB68.2 billion in 2023, increasing at a CAGR of 22.1% from 2018 to 2023.

Surgery is the main therapeutic method for lung cancer in early stage. However, 75% patients were diagnosed with NSCLC when it had already reached an advanced stage, and 50% patients were found to have metastasis, of which brain metastases accounted for approximately 30% to 40%. Chemotherapy is the first-line treatment for NSCLC and the remission rate in patients receiving chemotherapy is 40% to 50%. In the meantime, an increasing number of molecularly targeted drugs, especially TKI drugs like gefitinib and osimertinib, when used in combination with chemotherapy, have demonstrated superior efficacy and have gradually become widely accepted in clinical use.

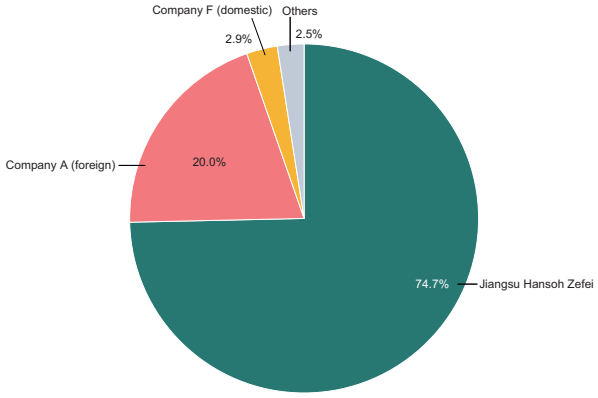
Pemetrexed disodium is suitable as a first-line treatment for NSCLC and malignant pleural mesothelioma. Its sales revenue in China in 2018 was RMB3.5 billion, ranking second in the NSCLC market, and is expected to grow at a CAGR of 15.0% from 2018 to 2023. Our core product, Pulaile, has been the best-selling pemetrexed disodium brand in China based on sales revenue since 2011, with a market share of approximately 46.2% in 2018. The following chart illustrates the market share of pemetrexed disodium by sales revenue in China in 2018:

Competitive landscape of China's pemetrexed disodium drugs market in 2018



Gemcitabine hydrochloride is suitable for the treatment of advanced NSCLC, breast cancer and pancreatic cancer. Its sales revenue in China in 2018 was RMB1.5 billion, ranking seventh in the NSCLC market, and is expected further grow to RMB2.8 billion in 2023 at a CAGR of 13.2%. In the gemcitabine market in China, the top three companies together represent 97.5% of the market, forming a highly concentrated market landscape. Our core product Zefei has consistently been the best-selling gemcitabine hydrochloride brand with the largest market share in China based on sales revenue since 2008, with a market share of approximately 74.7% in 2018. The following chart illustrates the market share of gemcitabine hydrochloride by sales revenue in China in 2018:

Competitive landscape of China gemcitabine hydrochloride drugs market in 2018



Breast cancer

Breast cancer incidence was 320.7 thousand in China in 2018, with a 5-year survival rate of 82.0%. The incidence of breast cancer is expected to increase, driving demand for breast cancer drugs.

Unlike other solid tumors, systemic drug therapies for breast cancer need combined chemotherapies like gemcitabine and endocrine therapies like fulvestrant, which is suitable for postmenopausal women under endocrine therapy. The sales revenue of fulvestrant in China in 2018 ranked fourth among endocrine therapies for the treatment of breast cancer for post-menopausal women patients. We are developing a potential first-to-market generic of fulvestrant, an estrogen receptor inhibitor used for the treatment of metastatic breast cancer.

In addition, trastuzumab, a monoclonal antibody, has demonstrated great clinical efficacy for breast cancer, and its inclusion in the NRDL in 2017 is expected to drive its sales.

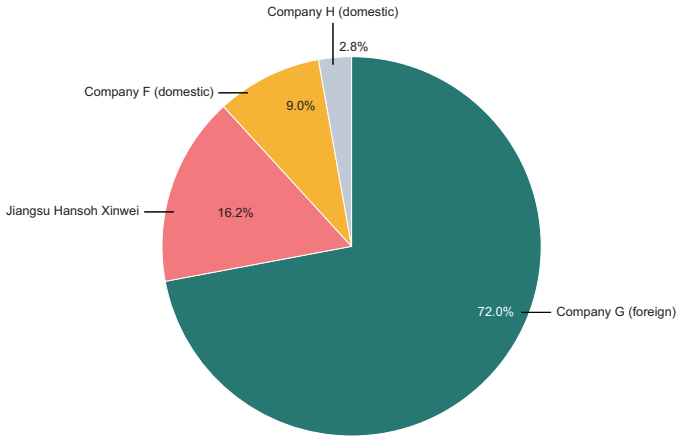
Leukemia and Lymphoma

Leukemia and lymphoma are the two main forms of hematological cancers. New incidents of leukemia and lymphoma reached 82.6 thousand and 93.1 thousand in 2018, with a five-year survival rate of 25.4% and 37.2%, respectively. The incidence of chronic myelogenous leukemia reached 13,095 in 2018. Treatment options for hematological cancers are relatively limited. The launch of high-quality generic drugs and the rising reimbursement level through medical insurance are expected to drive clinical demand for hematological cancer treatment.

Current treatment options of leukemia and lymphoma include chemotherapy, molecularly targeted drugs such as Lenalidomide, monoclonal antibody drugs such as Rituximab.

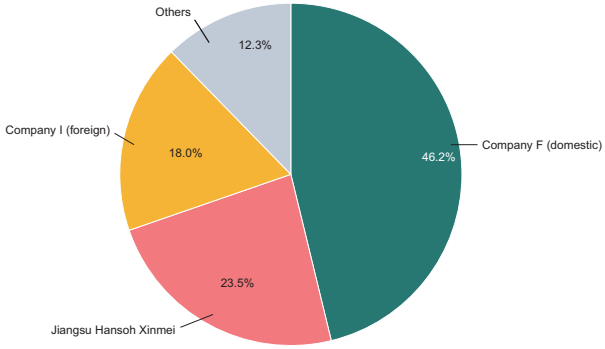
Imatinib mesylate is suitable for the targeted treatment of Philadelphia chromosome-positive chronic myelogenous leukemia and acute lymphoblastic leukemia. Its sales revenue in China was RMB3.0 billion in 2018, ranking first in the hematological cancer market. Driven by an increasing leukemia patient population and improving affordability, the Chinese market is estimated to further increase to RMB8.7 billion in 2023, representing a CAGR of 23.5% from 2018 to 2023. Our core product, Xinwei, a first-to-market generic version of imatinib, has been the best-selling imatinib brand in China based on sales volume since 2015, and the second best-selling imatinib mesylate brand in China based on sales revenue since 2013, with a market share of approximately 16.2% in 2018. The following chart illustrates the market share of imatinib mesylate in oncology drugs by sales revenue in China in 2018:

Competitive Landscape of China's Imatinib Mesylate Market in 2018



Decitabine is suitable for the treatment of myelodysplastic syndromes. It can also be used to treat acute myelord leukemia. Decitabine sales value in China in 2018 was RMB1.1 billion, ranking fourth in China's hematological cancer market, and is expected to further increase at a CAGR of 25.7% from 2018 to 2023. Our core product, Xinmei, was the second best-selling decitabine brand in China based on sales revenue, with a market share of approximately 23.5% in 2018. The following chart illustrates the market share of decitabine by sales revenue in 2018:

Competitive Landscape of China Decitabine Market in 2018



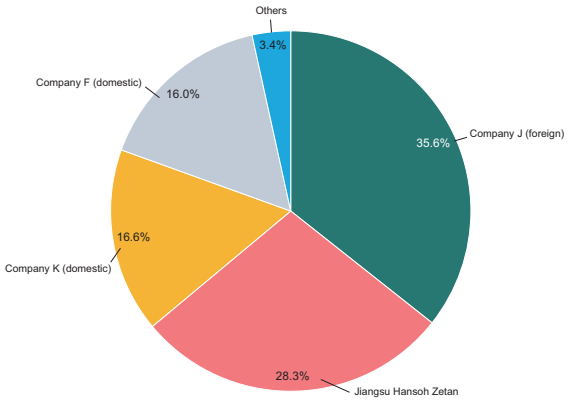
Anti-infectives

The market size of anti-infective drugs in China amounted to RMB217.9 billion in 2018, accounting for 14.2% of the entire pharmaceutical market in China, and is expected to achieve RMB251.6 billion by 2023, growing at a CAGR of 2.9% from 2018 to 2023.

The evolving resistance to anti-infective drugs of disease-causing agents has become a pressing public health issue, which has to be addressed through the prudent use of such drugs and the replacement with new anti-infective drugs. As a result, the growth rate of new anti-infective drugs characterized by the treatment of multi-drug resistant bacteria is much higher than that of the anti-infective drug market as a whole. The growth trend is expected to continue with increasing patient awareness, improving affordability and favorable government policies. The sales revenue of anti-infective drugs for the treatment of multi-drug resistant Gram-positive pathogens in China in 2018 was approximately RMB6.0 billion, representing a CAGR of 18.5% from 2014 to 2018, and is expected to grow at a CAGR of 21.2% from 2018 to 2023, exceeding the overall market growth rate of anti-infective drugs.

Tigecycline is used for treatment of infections caused by specific bacterial strains in patients 18 years of age or older. Its sales in China in 2018 was RMB1.7 billion, ranking second in China's multi-drug resistant Gram-positive pathogens anti-infective market, and is expected to continue to grow at a CAGR of 26.7% from 2018 to 2023. Our core product, Zetan, has been the best-selling tigecycline brand based on sales volume since 2015 and the second best-selling tigecycline brand based on sales revenue since 2015 in China, with a market share of approximately 28.3% in 2018. The chart below shows the market share of tigecycline by sales revenue in China in 2018:

Competitive Landscape of China's Tigecycline Market in 2018



Diabetes

There are three main types of diabetes: type I diabetes, type II diabetes, and gestational diabetes. Type II diabetes is caused by a progressive insulin secretory defect due to insulin resistance, accounting for nearly 98% of the diabetes patients in China.

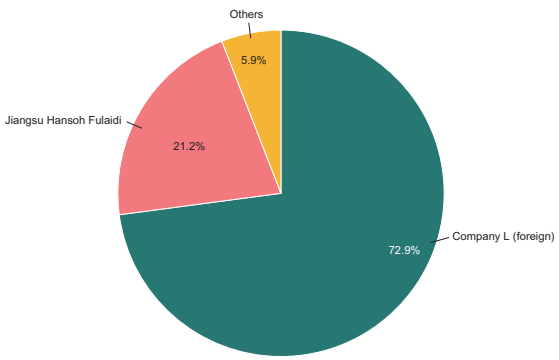
According to Frost & Sullivan, there were about 465 million diabetes patients in the world in 2018. Diabetes, if not treated timely, may lead to various complications. China has the largest number of diabetes patients, with the number reaching 125.7 million in 2018, 50.4% of which are diagnosed. The population of patients and the percentage of diagnosed cases are expected to increase rapidly to 144.3 million and 67.9% in 2023, respectively.

The market of antidiabetic drugs amounted to RMB57.3 billion in 2018, accounting for 3.7% of the entire pharmaceutical market in China. The market is expected to grow at a CAGR of 15.6% from 2018 to 2023. The increasing population of diabetes patients, the rising awareness of healthcare and the improving financial conditions of patients are expected to drive the demand for antidiabetic drugs and medical services in China in the future.

Most antidiabetic drugs currently available in the market in China are traditional drugs, including sulfonylureas, glinides, bguanides, α-glucosidase inhibitors and insulin sensitizer. In recent years, innovative drugs with new mechanism of action, including DPP-4 inhibitors, GLP-1 agonists and SGLT-2 inhibitors, also enter into the antidiabetic drug market. According to Frost & Sullivan, for patients with type II diabetes, the efficacy of drugs of the same type would decrease over time. To achieve better treatment outcomes, there is a clinical demand for drugs based on new mechanism of actions. In 2018, total sales revenue of innovative drugs such as DPP-4 inhibitors, GLP-1 receptor agonists, and SGLT-2 inhibitors in China was RMB2.5 billion, accounting for only 4.4% of the total market share, while in the same period in the United States, DPP-4 inhibitors, GLP-1 receptor agonists, and SGLT-2 inhibitors were the top three drugs for diabetes after insulin, with their aggregate sales revenue of US$15.6 billion, or 42.9% of the entire market.

Repaglinide is suitable for treatment of type II diabetes. Its sales revenue in China in 2018 was RMB2.3 billion, ranking fourth in China's oral antidiabetes drugs market, and is estimated to continuously increase at a CAGR of 9.4% from 2018 to 2023. Our core product, Fulaidi, has been the second best-selling repaglinide brand based on sales revenue in China since 2000, with a market share of approximately 21.2% in 2018. The following chart illustrates the market share of repaglinide by sales revenue in China in 2018:

Competitive Landscape of China Repaglinide Market in 2018



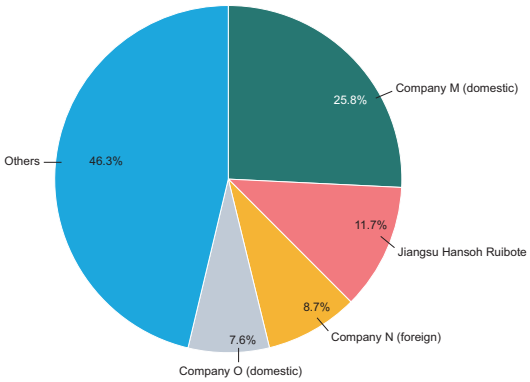
Gastrointestinal

Sales revenue of gastrointestinal drugs in China increased from RMB85.7 billion in 2014 to RMB122.3 billion in 2018, representing a CAGR of 9.3%, and is expected to reach RMB183.2 billion in 2023, representing a CAGR 8.4% from 2018 to 2023, driven by increasing patient awareness, expanding usage as an alimentary tract drug, technological innovation and improving affordability.

There are three main categories of gastrointestinal drugs in China, namely, (i) antacids, anti-flatulents and anti-ulcerants; (ii) cholagogues and hepatic protectors; and (iii) anti-emetics and anti-nauseants. Other categories include drugs for constipation and anti-diarrheals, among others. Antacids, anti-flatulents and anti-ulcerants drug is the biggest category accounting for 49.2% of gastrointestinal drug market in 2018. Most antacids, anti-flatulents and anti-ulcerants drugs, including the top five, are proton-pump inhibitors (PPIs).

Rabeprazole sodium is suitable for treatment of duodenal ulcer, gastric ulcer and partial gastroesophageal reflux diseases. Its sales revenue in China in 2018 was RMB4.1 billion, ranking third in the market of drugs for treatment of antacids, anti-flatulents, and anti-ulcerants and is expected to continue to grow at a CAGR of 14.3% from 2018 to 2023. Our core product, Ruibote, was the second best-selling rabeprazole sodium brand in China based on sales revenue, with a market share of approximately 11.7% in 2018. The following chart illustrates the market share of rabeprazole drugs by sales revenue in China in 2018:

Competitive Landscape of China Rabeprazole Market in 2018



Cardiovascular

The market for cardiovascular drugs reached RMB206.0 billion in 2018, increasing from RMB144.4 billion in 2014 at a CAGR of 9.3%. The market is expected to reach RMB286.3 billion by 2023, growing at a CAGR of 6.8% from 2018 to 2023, driven by an aging population, urban lifestyle and continuous R&D for cardiovascular drugs in China. Among them, the sales revenue of anti-coagulant drugs was RMB9.4 billion in China in 2018, compared to US$24.9 billion globally in the same period, growing at a CAGR of 20.5% from 2014 to 2018, and is expected to grow at a CAGR of 11.0% from 2018 to 2023.

Affected by factors such as availability of medical insurance coverage, anti-coagulant drugs in China are still dominated by traditional warfarin, and new anti-coagulant drugs with better safety profile, such as apixaban and rivaroxaban, accounted for only 11.4% of the market in 2018, compared

to 76.0% in the United States in the same period. In 2018, new anti-coagulant drugs such as apixaban and rivaroxaban were included in NRDL, which is expected to drive their growth in China. Our key cardiovascular drug candidates include our first-to-market generic of apixaban, which received NDA approval in January 2019, and generic drugs rivaroxaban and dabigatran etexilate.

NATIONAL MEDICAL INSURANCE POLICY

The NRDL is managed by the State Administration for Medical Insurance and provides a framework for drug reimbursement of those covered by the basic medical insurance system.

The NRDL includes four parts: namely the Explanatory Notes, Western Medicines, Proprietary Chinese Medicines, and Traditional Chinese Medicine Decoction Pieces. The Western Medicines and Proprietary Chinese Medicines are divided into two categories: Category A and Category B under the basic medical insurance payment condition, while no such classification under the work-related injury insurance and maternity insurance payment condition. Category A drugs are drugs that are necessary for clinical treatment, are widely used, and have good curative effect and a lower price among similar drugs. Category B drugs are drugs that can be used for clinical treatment and have a good curative effect, but are more expensive than the similar drugs in Category A. Patients purchasing drugs included in Category A are entitled to reimbursement for the entire amount of the purchase price. Patients purchasing drugs included in Category B are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentage of reimbursement for Category B drugs differs from region to region in the PRC.

In February 2017, the new version of the NRDL was issued, in which 339 drugs were added as compared to the 2009 version. In July 2017, 36 innovative drugs were added in Category B through negotiation, among which is our anti-infective drug Mailingda. Half of these 36 drugs were cancer targeted drugs for common tumors such as lung cancer and gastric cancer, as well as drugs for serious diseases such as cardiovascular and cerebrovascular diseases, ophthalmic diseases and diabetes. As compared to the average retail price in 2016, the average and highest decrease after negotiation amounted to 44% and 60%, respectively, with prices of majority of drugs lower than those in neighboring markets, which significantly reduced the burden of medical expenses for patients. Each provincial government may adjust its drug list based on the NRDL in light of its financial, economic and demographic condition to meet the medical demand of local residents. The percentage of drug reimbursement in provincial reimbursement drug list varies across provinces, type of public medical insurance, patients, and medical institutions, etc.

Definitions in this regulatory overview

"China" or "PRC"	the People's Republic of China, except where the context requires otherwise, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan.
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOH"	Ministry of Health of the PRC（中華人民共和國衛生部）
"MOHRSS"	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)
"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)
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"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）
"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總局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA and CDA
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMI"	State Administration for Medical Insurance (中華人民共和國國家醫療保障局)
"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 (國家税務總局)

This section is a summary of the key PRC laws and regulations relating to the business and operations of the Company and its PRC subsidiaries.

PRC LAWS AND REGULATIONS IN RELATION TO THE PHARMACEUTICAL INDUSTRY AND POLICIES ENCOURAGING INNOVATION

Regulatory Framework of the Pharmaceutical Industry

The pharmaceutical industry in China is highly regulated by the PRC government. The pharmaceutical business and operations of our PRC subsidiaries are subject to applicable PRC laws and regulations, such as the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》, hereafter referred to as the "**Drug Administration Law**") effected on July 1, 1985 and amended on February 28, 2001, December 28, 2013 and April 24, 2015, respectively, and the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) effected on May 1, 2005 and amended on October 1, 2007, among others. The Drug Administration Law provides the basic legal framework in respect of the administration of pharmaceutical products in the PRC, and it covers a number of aspects such as manufacturing, distributing, recalling, packaging, pricing and advertising. Its implementation regulations set out the detailed implementation rules with respect to the administration of pharmaceutical products in the PRC.

Principal Regulatory Authorities of the Pharmaceutical Industry

Our PRC subsidiaries are regulated and supervised by a number of regulatory authorities in the PRC, including the NMPA and the local drug administration agencies, the NHC, the NDRC, the MOHRSS and the SAMI, among others.

- The **NMPA** is responsible for the registration, supervision and administration of pharmaceutical products, cosmetics and medical devices. Local drug administration agencies are responsible for the supervision and administration of pharmaceutical products within their corresponding administrative regions.

- The **NHC** performs multiple functions in relation to the administration of pharmaceutical products, including but not limited to: formulating national health policies, coordinating to deepen the reform of the medical and health system, and organizing the formulation of a national essential drugs system.

- The **NDRC** is responsible for high-level guidance and administration of the health care industry, including establishing and monitoring the implementation of the pricing policy of drugs, and regulating the overall drug prices.

- The **MOHRSS** is responsible for formulating regulations and policies with respect to medical insurance, including the Drugs Catalogue for the National Basic Medical Insurance, Industrial Injury Insurance and Maternity Insurance (《國家基本醫療、工傷保險和生育保險藥品目錄》).

According to the Deepening Party and State Institutional Reform Plan (《深化黨和國家機構改革方案》) promulgated by the Central Committee of the Communist Party of China on March 21, 2018, the **SAMI** was established and its responsibilities include:

- formulating policies, plans and standards for medical insurance systems such as medical insurance, maternity insurance and medical assistance, and organizing the implementation of such systems;

- supervising and administering the relevant medical security funds;

- improving the country's remote medical treatment and expense settlement platform;

- organizing the formulation and adjustment of the price levels of pharmaceutical products and medical services;

- formulating and supervising the implementation of the bidding and procurement policy for pharmaceutical products and medical consumables; and

- supervising and administering the medical services and medical expenses included in the scope of the medical insurance, etc.

National Policies Encouraging Innovation in the Pharmaceutical Industry

In order to promote the innovation and development of the pharmaceutical industry, the PRC government has unveiled a series of national policies in recent years. On May 8, 2015, the State Council promulgated the Made in China 2025 (《中國製造 2025》), which aims at improving the innovation capability of the manufacturing industry, and enabling breakthroughs in bio-pharmaceutical industry as a key area. On October 25, 2016, the State Council introduced the Plan for Healthy China 2030 (《健康中國2030》), which proposes to:

- improve the system for collaborative innovation involving different aspects of policy, industry, education, research and practice, and promoting medical innovation, transformation and upgrading;

- research to establish an examination and approval system based on clinical effects, and raise the examination and approval standards for drugs (medical devices);

- accelerate the review and approval of innovative drugs (medical devices) and new drugs (medical devices) that are urgently needed in clinical practice; and

- promote the consistency evaluation quality and efficacy of generic drugs.

PRC LAWS AND REGULATIONS IN RELATION TO FOREIGN INVESTMENT

Foreign-invested enterprises in China are governed by the Company Law of the PRC (《中華人民共和國公司法》), Provisions for Guiding of Foreign Investment Direction (《指導外商投資方向規定》), the Administrative Measures for the Approval and Record-filing of Foreign-Invested Projects (《外商投資項目核准和備案管理辦法》), the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》) and other applicable laws and regulations. Jiangsu Hansoh (江蘇豪森), one of our PRC subsidiaries, as a foreign-invested enterprise, must comply with the aforesaid applicable laws and regulations of China, and shall not be engaged in any activities adverse to the public interests of China.

According to the Provisions for Guiding of Foreign Investment Direction effected on April 1, 2002, the foreign-invested industries are divided into four categories, namely (i) encouraged (ii) permitted, (iii) restricted (iv) prohibited. The Catalogue of Industries for Guiding Foreign Investment, as amended from time to time, includes the encouraged, the restricted and the prohibited catalogue, and any industries not captured under one of the three categories mentioned above fall into the permitted category by default. According to the Catalogue of Industries for Guiding Foreign Investment, as amended on July 28, 2017, 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)》, the "**Negative List**") issued on June 28, 2018 and effected on July 28, 2018, and the Special Administrative Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (2018 Edition) (《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2018年版)》, the "**Negative List in Pilot Free Trade Zone**") issued on June 30, 2018 and effected on July 30, 2018, foreign investors investing in any sectors that are subject to special administrative measures must satisfy the relevant requirements set out in the Negative List and the Negative List in Pilot Free Trade Zone, and also obtain the required permits for access of foreign investments. Foreign investors shall not invest in any of the prohibited sectors specified on the Negative List and the Negative List in Pilot Free Trade Zone. The industry in which our PRC subsidiaries operate is not subject to special administrative measures for access of foreign investment.

PRC LAWS AND REGULATIONS IN RELATION TO THE ESTABLISHMENT OF PHARMACEUTICAL MANUFACTURING ENTERPRISE AND PHARMACEUTICAL MANUFACTURING

In China, a pharmaceutical manufacturer must obtain a number of permits, licenses and registrations before it may commence operation and production, which includes 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.

Drug Manufacturing Permit and Business License

In accordance with the Drug Administration Law, before a pharmaceutical manufacturer may begin to manufacture pharmaceutical products, it must obtain a Drug Manufacturing Permit from the NMPA at the provincial level. A Drug Manufacturing Permit is valid for five years. In order to continue pharmaceutical manufacturing, the permit holder shall, six months prior to the expiry date of the permit, apply for the renewal of the Drug Manufacturing Permit according to the provisions of the pharmaceutical regulatory department under the State Council. In addition, a pharmaceutical manufacturer must also obtain a Business License with the business scope of the pharmaceutical manufacturing from the relevant administration for industry and commerce.

Good Manufacturing Practices for Drugs (GMP)

According to the Drug Administration Law, its implementation regulations（《中華人民共和國藥品管理法實施條例》）and the Measures for the Supervision and Administration of Pharmaceutical Manufacturing（《藥品生產監督管理辦法》), effected on August 5, 2004 and amended on November 17, 2017, a pharmaceutical manufacturer must obtain a GMP Certificate before it may begin to manufacture pharmaceutical products and pharmaceutical raw materials in China. Good Manufacturing Practices for Drugs (《藥品生產質量管理規範》) , effected on March 17, 1988 and amended on December 28, 1992, June 18, 1999 and January 17, 2011, provides detailed practice guidelines governing the manufacturing of pharmaceutical products. According to the Administrative Measures for the Certificate and the Regulation of Drug Good Manufacturing Practice（《藥品生產質量管理規範認證管理辦法》), effected on January 1, 2003 and amended on September 7, 2005 and August 2, 2011, a drug manufacturer that has been issued with the GMP Certificate shall reapply for GMP certification six months prior to the expiry of such certificate. Where a drug manufacturer rebuilds or expands its existing plants or production lines, it shall reapply for a GMP Certificate.

Continuous Supervision under the NMPA and NMPA's Provincial Branches

The pharmaceutical manufacturer's operation and production are subject to periodic inspection and safety monitoring by the NMPA and NMPA's provincial branches to confirm its compliance with regulatory requirements. Once it is found fully or partly violate applicable regulatory requirements, the NMPA and NMPA's provincial branches would take a variety of actions to enforce applicable regulations and rules, and impose penal measures such as warnings, fines, product recalls, revocation of licenses, imposition of operating restrictions, partial suspension or complete shutdown of production and transfer to the relevant authority for criminal investigation.

PRC LAW AND REGULATIONS IN RELATION TO THE REGISTRATION OF PHARMACEUTICAL PRODUCTS

New Drug Registration

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), a new drug application refers to a registration application of a drug which has never been marketed in the PRC. This application procedure is also required for existing drugs with changes regarding the dosage form, the delivery system or additional indication. The Opinions of the State Council on the Reform of Evaluation and Approval System for 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》) amended the definition of new drugs from "drugs that have not been marketed in the PRC" to "drugs that have not been marketed within or outside the PRC".

Each new drug must go through four stages before such drugs are launched in the market: (i) pre-clinical study, (ii) application for clinical trials, (iii) three phases of clinical trial and (iv) approval for production. Each new drug shall also be under supervision and go through Phase IV clinical trial after commercialization.

Pre-clinical studies of a drug shall be conducted in accordance with the relevant regulations, and the non-clinical safety evaluation study shall be conducted in accordance with the Good Laboratory Practice for Non-Clinical Laboratory Studies (《藥物非臨床研究質量管理規範》) issued on August 6, 2003 and amended on September 1, 2017. The pharmaceutical manufacturer can entrust an institution with Certificate for Use of Laboratory Animals to perform animal experimentation. After completing the pre-clinical research, the pharmaceutical manufacturer must obtain approval from the NMPA before new drug clinical trials may be conducted.

Clinical trials comprise four phases: the Phase I (preliminary pharmacology and human safety evaluation studies); Phase II (preliminary assessment on the efficacy), Phase III (confirmation of efficacy) and Phase IV (research on applications after launching the new drugs).

After the clinical trials are completed, the applicant should submit the registration application form and related application materials to the NMPA at the provincial level to obtain a new drug certificate. If a new drug has passed the examination and approval, a New Drug Certificate shall be issued; if the applicant has held the Drug Manufacturing Permit and is equipped with the manufacturing facilities, a Drug Approval Number with a valid period of five years shall be issued at the same time. The applicant may then start to commence commercial production for such new drug.

Registration of Biological Drugs

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), biological drugs are further classified as therapeutic biological product and prophylactic biological product. The application for the biological drug follows the same process as the new drug

application. During the application process of clinical trials, the sample of a biological product must be examined by the National Institutes for the Control of Pharmaceutical and Biological Products or the drug inspection institute. When a registration application for a biological drug is submitted, the biological drug is not re-examined during the preliminary examination conducted by the local provincial drug administration. If the application is approved, the applicant will be granted a New Drug Certificate and a Drug Approval Number and may commence commercial production for the biological drug.

Generic Drug Registration

In accordance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), generic drug application refers to the registration application for a drug that has been approved to be marketed by the NMPA and for which the national standard has been established. The Opinions of the State Council on the Reform of Evaluation and Approval System for 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》) amends the definition of generic drugs from "imitated drugs for which the national standard has been established" to "imitated drugs with quality and efficacy consistent with the original branded drugs".

For the purpose of generic drug application, the applicant with a Drug Manufacturing Permit should submit an application form for drug registration, relevant documents and production on-site inspection application to the NMPA at the provincial level, who will then conduct on-site inspections, inspect sample and conduct preliminary review with comments. When the applications are compliant with relevant regulations, the NMPA at the provincial level will then submit the relevant materials to the NMPA for final review, and the drug inspection institute will also submit the inspection report to the NMPA. If the application is approved, the applicant will be granted with a Drug Approval Number or a clinical trial approval. After the completion of the clinical trials for the generic drug which shall go through the clinical trials, the applicant must submit the relevant information about the trial to the NMPA. If the application is approved, the applicant will be granted with a Drug Approval Number. The applicant may commence commercial production for the generic drug as long as the drug approval number is obtained.

Supplemental Application

For the variation of the items specified in the approval document and its attachment for approved new drug development, drug manufacturing and drug importation by a pharmaceutical manufacturing enterprise, supplemental applications shall be made. For a supplemental application for amendments to, among others, the drug registration specifications, excipients with medicinal requirements in the drug formulation, or production process impacting the drug quality, the NMPA at the provincial level will provide an examination opinion and then submit the NMPA for approval.

Re-registration

A Re-registration means that the applicant shall apply to the NMPA at the provincial level for re-registration six months prior to the expiration date of the drug approval number, the Drug Import Registration Certificate or the Pharmaceutical Product Registration Certificate. The NMPA at the provincial level will review and approve the re-registration application if this application is in conformity with the regulations or report to the NMPA if this application fails to comply.

New Measures by the NMPA

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 "NMPA Notice No. 117 (2015)"), which was issued and effected on July 22, 2015, the NMPA requires the applicants to self-review the clinical trials data of the 1622 drugs' manufacturing or importation in the corresponding attached list, whose registration applications are pending for approval. It means that pharmaceutical enterprises 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.

On December 21, 2017, the NMPA issued the Opinion on Implementing Priority Review and Approval to Encourage Drug Innovation (《國家食品藥品監督管理總局關於鼓勵藥品創新實行優先審評審批的意見》) (the "NMPA Notice No. 126 (2017)"), which sets forth the scope, the requirement and the procedure for the priority review and approval process for drug registration. On May 17, 2018, the NMPA and NHC issued the Announcement on Optimizing the Review and Approval of Drug Registration (《關於優化藥品註冊審評審批有關事宜的公告》) (the "Notice No.23 (2018)"), which further clarifies that a priority review and approval mechanism will be available. The NMPA will allot more resource to accelerate the review and approval process for the registration of those drugs falling within the scope of priority review and approval.

The reform for chemical drugs' registration classification

According to the Notice of the NMPA about the Issuing of the Reform Plan for the Registration Classification of the Chemical Drugs (《國家食品藥品監督管理總局關於發佈<化學藥品註冊分類改革工作方案>的公告》, "NMPA Notice No. 51(2016)"), which was issued and effected on March 4, 2016, the registration classification of the chemical drugs are adjusted to five categories. Categories 1 and 2 shall follow the registration application procedure for new drugs according to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》); categories 3 and 4 shall follow the procedure for generic drugs; category 5 shall follow the application and regulation requirements for importing drugs. Where there is a discrepancy between this plan and the Measures for the Administration of Drug Registration, this plan shall be complied for certainty.

Drug Marketing License Holder Mechanism

On November 4, 2015, the Standing Committee of the National People's Congress passed the Decision of the Standing Committee of the National People's Congress on Authorizing the State Council to Carry out the Pilot Drug Marketing License Holder Mechanism in Certain Places and Relevant Issues (《全國人大常委會關於授權國務院在部分地方開展藥品上市許可持有人制度試點和有關問題的決定》), which authorized the State Council to carry out the pilot drug marketing license holder mechanism in ten provinces or municipalities, namely Beijing, Tianjin, Hebei Province, Shanghai, Jiangsu Province, Zhejiang Province, Fujian Province, Shandong Province, Guangdong Province and Sichuan Province (the "**Pilot Regions**"). On May 26, 2016, the State Council issued the Circular on Issuing the Pilot Program for the Drug Marketing License Holder Mechanism (《國務院辦公廳關於印發藥品上市許可持有人制度試點方案的通知》), drug research institutes or researchers in the Pilot Regions may serve as the applicants for the drug registration (the "**Applicants**") and file applications for clinical drug trials and drug marketing; and any Applicant granted the drug marketing permit and a drug approval number may become a drug marketing license holder (the "**Holder**"). If a Holder has no corresponding manufacturing qualification, the Holder shall entrust a qualified drug manufacturer (the "**Commissioned Manufacturer**") in the Pilot Regions to manufacture the drugs approved for marketing. If a Holder has the corresponding manufacturing qualification, the drugs may be manufactured by the Holder itself or by a Commissioned Manufacturer. The Applicants and the Holders shall correspondingly assume the relevant legal liability for clinical drug trials and drug manufacturing and marketing specified in the laws and regulations.

According to the Circular of the NMPA on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing License Holder Mechanism (《食品藥品監管總局關於推進藥品上市許可持有人制度試點工作有關事項的通知》NMPA Notice No.68 (2017)) issued on August 15, 2017, the Holder shall be responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assume the full legal liability for pre-clinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring, etc. A drug manufacturing enterprise group can hold the drug approval numbers of their controlled subsidiaries in a centralized manner and serve as the Holder. On the premise of ensuring the consistency between drug quality and efficacy, the Holder shall be permitted to file an application for entrusting several enterprises with the task of manufacturing a drug. The Holder shall be permitted to market drugs on its own or entrust others with the task of marketing drugs.

According to the Decision of the Standing Committee of the National People's Congress on Extending the Period of Authorizing the State Council to Carry out the Pilot Program of Drug Marketing Licenses Holders System in Certain Areas (《全國人民代表大會常務委員會關於延長授權國務院在部分地方開展藥品上市許可持有人制度試點期限的決定》), effective on November 5, 2018, the three-year period for the State Council being authorized to carry out the pilot program of drug marketing licenses holders system in certain areas shall be extended for another year.

The Quality and Efficacy Consistency Evaluation and The Bioequivalence Test of Generic Drugs

The Quality and Efficacy Consistency Evaluation of Generic Drugs

The Opinions of the State Council on the Reform of Evaluation and Approval System for 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》）was promulgated on August 9, 2015 by the State Council, which proposes that the quality and efficacy consistency evaluation will be conducted for generic drugs that have been approved for marketing in different phases and batches according to the principle of being consistent with the quality and efficacy of original branded drugs. Generic drugs which fail to pass the consistency evaluation within the prescribed time limit cannot be re-registered.

According to the Opinion of the General Office of the State Council on Conducting the Consistency Evaluation of the Quality and Efficacy 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》）issued on March 5, 2016, except for the generic drugs which are manufactured by domestic pharmaceutical manufacturers and granted approval for marketing in European Union, United States and Japan, and the generic drugs which are manufactured on the same production line, marketed within China and granted approval for marketing in the European Union, the United States and Japan, the generic drugs which have been approved for marketing before the implementation of new registration classification of chemical drugs, shall be subject to the consistency evaluation provided that they have not undergone review and approval according to the principle of being consistent with the quality and efficacy of original branded drugs. Based on the March 2016 Opinion, with respect to oral solid preparations of chemical generic drugs on the National Essential Drugs List (2012 Edition) which have obtained approval for marketing prior to October 1, 2007, other than as described below, the consistency evaluation shall be completed by the end of 2018. With respect to oral solid preparations of chemical generic drugs on the National Essential Drugs List (2012 Edition) (i) that are required to undergo clinical trials on efficacy or (ii) under special scenarios (which are not specified in the regulations), the consistency evaluation shall be completed by the end of 2021. With respect to other generic drugs which have been granted approval for marketing prior to the implementation of new registration classification of chemical drug, the consistency evaluation shall be completed within three years from the respective dates the first generic drug of the same variety (which, in practice, may refer to, for example, drugs, of the same generic name, dosage form, specification and indication, although not specified in the regulations) has passed the consistency evaluation. In case of failure to complete the consistency evaluation within the prescribed time limit, re-registration shall not be granted.

On December 28, 2018, the NMPA issued the Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》) ("**NMPA Notice No. 102 (2018)**"). The NMPA Notice No. 102 (2018) removed the uniform timelines for the oral solid preparations of chemical generic drugs included in the National Essential Drugs List (2012 Edition) to complete the consistency evaluation. Since none of our 13 main products were included in the National Essential Drug List (2012 Edition), this removal of the uniform timelines does not have any material effect on our operations. With respect

to generic drugs which have been granted approval for marketing prior to the implementation of new registration classification of chemical drugs, including the generic drugs included in the National Essential Drugs List, the consistency evaluation shall be completed within three years from the respective dates the first generic drug of the same variety has passed the consistency evaluation, provided, that manufacturer may apply for an extension with the NMPA's local counterpart if they have assessed and considered the relevant generic drugs that have limit market availability and unmet clinical demand, and the NMPA's local counterpart may grant the appropriate extension after evaluation and consultation with relevant public health administration authorities. Generic drugs that have not passed the consistency evaluation will be gradually removed from the National Essential Drugs List (2018 Edition).

On May 25, 2016, the NMPA issued the Announcement on the Relevant Matters Concerning the Implementation of the Opinions of the General Office of the State Council on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs (《關於落實<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>有關事項的公告》) (NMPA Notice No.106 (2016)), which specifies the evaluation objects, the selection principles for reference preparations, the content and procedures of the consistency evaluation. The consistency evaluation should be conducted in the method of a bioequivalence test.

On August 25, 2017, the NMPA issued the Announcement on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs (《國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告》) (NMPA Notice No.100 (2017)), which adjusts the application procedures, approval, inspections and test of the consistency evaluation. The applicant shall submit a supplemental application, a sample inspection report and other relevant materials to the Center for Administrative Services and Complaints and Reports of NMPA. After the applications are accepted, the Center for Drug Evaluation of NMPA shall open a file for the application materials submitted by applicant, conduct a review and perform the inspection for special reasons and random inspection in the light of files opened and review results. With respect to generic drugs that have passed the consistency evaluation, it shall issue an approval document and the generic drugs shall be included in the Catalogue of the Drugs Marketed in China, and are approved to use the mark for "Passing the Consistency Evaluation". In cases where three manufacturers for the same drug variety (e.g., of the same generic name, dosage form, specification and indication) have passed the consistency evaluation, the drug of the same variety (e.g., of the same generic name, dosage form, specification and indication) that has not passed the consistency evaluation shall not be selected in the centralized tender process. As of the Latest Practicable Date, none of our products have been excluded from the centralized tender process as a result of any such failure.

The Bioequivalence Test

According to the Announcement of the NMPA on Several Policies on the Appraisal and Approval of Drug Registration (《食品藥品監管總局關於藥品註冊審評審批若干政策的公告》) issued on November 11, 2015, the bioequivalence test shall be changed from approval system to a filing system

as of December 1, 2015. The Announcement of the NMPA on the Administration for the Filing of Bioequivalence Test (《食品藥品監管總局關於生物等效性試驗實行備案管理的公告》) issued on December 1, 2015, requires the applicant to perform the bioequivalence test in the following steps:

i. Submitting the test plan to the Ethics Committee of Drug Clinical Trial Institution for ethical review and signing a bioequivalence test contract with the Drug Clinical Trial Institution;

ii. Filing record on the Bioequivalence Test Registration and Information Platform of the NMPA and submitting the record material as required 30 days prior to the commencement of the bioequivalence test;

iii. Obtaining the record number and filing all information on the Drug Clinical Trial Registration and Information Publication Platform before the first subject joining the test group;

iv. Performing the bioequivalence test in accordance with the test plan and the Good Clinical Practice for Clinical Trials;

v. Submitting the summary report or test statement to the Bioequivalence Test Record Information Platform of the NMPA within one year after the bioequivalence test is completed or terminated; and

vi. Submitting the test data, filling information and relevant material to the NMPA for the consistency evaluation application.

If generic drugs which have obtained approval for marketing fail to pass the bioequivalence test, re-registration may not be granted and production of such drugs may not be allowed.

According to the New Registration Categories Application Information Requirements of Chemical Drugs (for Trial Implementation) (《化學藥品新註冊分類申報資料要求(試行)》) issued on May 4, 2016, Category 3 chemical drugs classified in the NMPA Notice No.51 (2016) should submit clinical research plan and detailed clinical trial plan in the light of the evaluation of the clinical trial materials and current regulatory requirements. Oral solid preparations of Category 3 chemical drugs should also go through the bioequivalence test and submit the relevant record materials and test study report when filing the clinical trial application. In case of failure to complete the bioequivalence test study, the applicant may fail to pass the clinical trial application and drug registration application. As a result, production of such drugs will not be allowed. Besides, the preparations of Category 4 chemical drugs classified in the NMPA Notice No.51(2016) should also go through bioequivalence

test, and if clinical trial is required, the clinical trial should be conducted in accordance with Registration Categories 1, 2, 3, 5.1 Application Information Requirements in the New Registration Categories Application Information Requirements of Chemical Drugs(for Trial Implementation) (《化学药品新注册分类申報資料要求（試行）》). According to the NMPA Notice No.51 (2016), Category 3 chemical drugs refer to the generic drugs for which the originator drugs have been launched overseas but not been launched in the domestic market, and Category 4 chemical drugs refer to the generic drugs for which the originator drugs have been launched in the domestic market.

According to the Announcement on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs（《國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告》) (NMPA Notice No.100 (2017) issued by the NMPA on August 25, 2017), prior to the commencement of a bioequivalence test, an applicant shall submit a registration of the information on test project, clinical trial institutions, sample analysis institutions, reference products, among other, through the drug clinical trial registration and information publication platform of the Center for Drug Evaluation of NMPA in accordance with the requirements of the Announcement of the NMPA on the Drug Clinical Information Platform.

PRC LAW AND REGULATIONS IN RELATION TO NATIONAL DRUG STANDARDS AND CLASSIFICATION

National Drug Standards

The national drug standards are the quality standards, test methods and producing process set up to ensure the quality of drugs, including such standards as contained in the drug standards by the MOH, the Pharmacopoeia of the PRC and the drug standards by the NMPA.

Prescription Drugs and Non-Prescription Drugs

According to the Measures on the Classification Management of Prescription Drug and Non-Prescription Drug (on a trial basis) (《處方藥與非處方藥分類管理辦法（試行）》), as issued on June 18, 1999 and effected on January 1, 2000, drugs are regulated in prescription and non-prescription drugs in the PRC. Prescription drugs are prepared, purchased and used only on the basis of a prescription by a medical practitioner or an assistant medical practitioner, while non-prescription drugs are purchased and used at one's own discretion without a prescription from a medical practitioner or an assistant medical practitioner.

The NMPA is responsible for the screening, examination and approval of non-prescription drugs and is also responsible for publishing and amending the national non-prescription drug catalogue. Non-prescription drugs are further divided into Class A and Class B, which are managed separately.

Both prescription and non-prescription drug manufacturers must obtain the Drug Manufacturing Certificates and the approval number. A wholesaler of prescription and non-prescription drugs and a retailer of prescription drugs and Class A non-prescription drugs must obtain a Drug Trading Certificate.

Psychotropic Drugs

According to The Regulation of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), which was effected on November 1, 2005, and amended on December 7, 2013 and February 6, 2016, the state shall retain control over psychotropic drugs, and psychotropic drugs are subject to a system of fixed production and specific operations. Psychotropic drugs shall be classified into Category 1 and Category 2. Compared with Category 2 psychotropic drugs, Category 1 psychotropic drugs are required to comply with stricter regulatory requirements during clinical trials, sale, use, storage and transportation. Our zolpidem tartrate tablets are included in the Catalogue of Psychotropic Drugs and are classified into Category 2 psychotropic drugs. To engage in the production of narcotic drugs or psychotropic drugs requires approval from the drug administration at the provincial level.

PRC LAWS AND REGULATIONS IN RELATION TO DRUG PRODUCTS DESCRIPTION, LABEL, PACKAGING AND NAME

Instructions and labeling for very drug marketed in the PRC must be in compliance with the requirements of the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》) and the Provisions on the Administration of Drug Instructions and Labels (《藥品說明書和標簽管理規定》), which was issued on March 15, 2006 and effected on June 1, 2006. The drug instructions and labels shall be subject to the approval by the NMPA.

According to the Measures for the Administration of Drug Packaging (《藥品包裝管理辦法》), which was issued on February 12, 1988 and effected on September 1, 1988, and the Measures for the Administration of the Packaging Materials and Containers Which Directly Contact Drugs (《直接接觸藥品的包裝材料和容器管理辦法》), which was issued and effected on July 20, 2004, the packaging for drugs sold in the PRC must comply with national or professional standards. If no such standards exist, the drug packaging standards should be set up by the manufacturer and implemented after such standard has been approved by the NMPA at the provincial level or the standardization administration. Drugs without any packaging shall not be sold in the PRC (except those drugs exclusive to military use).

If specifications and packaging specifications of a drug produced by the same drug manufacturer are the same, the content, the format and the colors with respect to the label for such drug must also be the same. If the specifications and packaging specifications of a drug produced by the same drug

manufacturer are different, significant difference marks or obvious specification items must be declared on the label. The packaging colors for the same drug product produced by the same drug manufacturer should be distinctly different if such drugs are managed by way of prescription medicine and non-prescription medicine.

According to the Drug Administration Law, the names of the drugs listed in the pharmacopoeia of the PRC (2015 Edition) are the generic names of the pharmaceuticals. Those names that have become the generic names of pharmaceuticals shall not be used as trademarks of pharmaceuticals. The drug instructions and labels shall mark their generic names.

PRC LAWS AND REGULATIONS IN RELATION TO CIRCULATION OF PHARMACEUTICAL PRODUCTS

In China, a drug distributor must obtain various permits and licenses, including but not limited to the Business License, the Drug Trading Certificate, the Good Supply Practice (GSP) Certificate before it starts business in relation to distribution of pharmaceutical products.

Drug Trading Certificate and Business License

According to the Drug Administration Law and the Measures on the Administration of the Drug Trading Certificate (《藥品經營許可證管理辦法》), which was effected on April 1, 2004 and amended on November 7, 2017, approval and the Drug Trading Certificate must be obtained from the NMPA before a company starts business in relation to wholesales or retails of pharmaceutical products. A Drug Trading Certificate is valid for 5 years. The enterprise which holds such certificate shall apply to the original issuing authorities for a new Drug Trading Certificate within six months prior to its expiration.

In addition, before commencing business, a wholesale or retail pharmaceutical distribution company must also obtain a business license from the competent administration for industry and commerce, and the business scope of such business license must include wholesale or retail businesses.

Good Supply Practice for Drugs (GSP)

A drug retailer or wholesaler may start to conduct its business only after it has obtained the GSP certificate issued by the NMPA at the provincial level. According to the Provisions on GSP for Medicine Distribution Quality (《藥品經營質量管理規範》) effected on July 1, 2000 and amended on June 1, 2013, June 25, 2015 and July 13, 2016, and the Administrative Measures for the Certificate and the Regulation of Drug Good Supply Practice (《藥品經營質量管理規範認證管理辦法》), which was issued and effected on April 24, 2003, a GSP certificate is valid for 5 years generally and may be renewed within three months prior to its expiration.

Supervision and Administration of Drug Circulation

The Measures on the Supervision and Administration of Drug Circulation (《藥品流通監督管理辦法》), which was issued on January 31, 2007 and effected on May 1, 2007, provides detail rules for the transactions, transportation and storage of drugs by pharmaceutical manufacturing enterprises as well as drug purchases and storage by medical institution and the supervision and administration of the above.

The Several Opinions of the General Office of the State Council on Further Reforming and Improving the Policies on Drug Production, Circulation and Use（《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》） issued on January 24, 2017, requires promoting the transformation and upgrading of drug distributors, breaking the market division and local protectionism for pharmaceutical products, promoting cross-regional and mixed-ownership mergers and acquisitions of pharmaceutical distributors, and cultivating large, modern and backbone drug distributors; encouraging small- and medium-sized drug distributors to conduct specialized operations and facilitate the distribution-model transformation of certain enterprises, encouraging drug distributors to participate in the building of an international drug procurement and marketing network.

Drug Advertisement

According to the Drug Administration Law and the Measures for Examination of Drug Advertisements (《藥品廣告審查辦法》), which was effected on May 1, 2007 and amended on December 21, 2018 and the Standards for the Examination and Publication of Drug Advertisements (《藥品廣告審查發佈標準》), which was issued on March 3, 2007 and effected on May 1, 2007, drug advertisements refer to all the forms of advertisements which are published through various media or in various forms and contain drug names, indications (principal functions) or other drug-related contents. The contents of pharmaceutical advertisement must be true, legitimate, and take the instructions approved by the NMPA for certainty. Except for the drugs which are not allowed to be advertised, an enterprise must apply for an approval number for a drug advertisement corresponding to the drug to be advertised. The approval number of a drug advertisement is valid for one year. The content of a drug advertisement shall not be amended without a prior approval. If any content of a drug advertisement needs to be amended, an application must be submitted for a new approval number for the drug advertisement.

The prescribed drug advertisements may be carried in the professional publications of medical science or pharmacy jointly designated by the administrative department of health and the NMPA, but shall not be made in any mass media of communication or otherwise targeting at the general public, even in the form of free professional publications of medical science or pharmacy.

According to the Measures Regarding the Administration of Drug Information Service over the Internet (《互聯網藥品信息服務管理辦法》) issued by the NMPA, effected on July 8, 2004 and amended on November 17, 2017, if any website intends to provide drug information service online,

then it shall get the license for drug information service over the internet from the NMPA at the provincial level where the sponsoring entity of the website is located and apply for a telecommunications business license or file an application to the State Council's department in charge of information industry or the telecom administrative authority at the provincial level.

THE EXPORTATION OF PHARMACEUTICAL PRODUCTS

According to the Approval by the NMPA on Certain Issues of Pharmaceutical Products Exportation (《國家藥品監督管理局關於藥品出口有關問題的批復》), effected on September 20, 1999, it shall be approved by relevant foreign trade authority when an enterprise wants to operate import and export business. The pharmaceutical products exportation shall mainly comply with the requirements of the importing country, so long as there is no special requirement by the importing country, the NMPA support the exportation in principle based on the national policy for encouraging exportation. However, under the Drug Administration Law, the export licenses issued by the relevant departments of NMPA are required for the exportation of narcotics and psychotropic substances falling within the restricted scope prescribed by the State.

PRC LAWS AND REGULATIONS IN RELATION TO THE NATIONAL MEDICAL INSURANCE AND PRICE OF PHARMACEUTICAL PRODUCTS

National Essential Drugs List

According to the Implementation Opinion on Setting Up a National System for Essential Drugs (《關於建立國家基本藥物制度的實施意見》), which was issued and effected on August 18, 2009 and the Measures on the Administration of the National List of Essential Drugs (《國家基本藥物目錄管理辦法》), which was issued and effected on February 13, 2015, essential drugs mean such drugs which meet the requirements for basic medical care and are available to the general public at reasonable prices. Such drugs must also have appropriate dosages and are fairly accessible by providing that the supply can be guaranteed. Any public basic medical institutions (mainly including hospitals at the county level, traditional Chinese medicine hospitals at the county level, health clinics in villages and towns and community outpatient clinics) should be equipped with the drugs contained in the National Essential Drugs List (《國家基本藥物目錄》) and various other medical institutions should also use such essential drugs in accordance with regulations. The PRC's Essential Drugs Working Committee is responsible for verifying the system framework of the national essential drugs, as well as for the principles, scope, procedures and working plan in which the National Essential Drugs List is selected and adjusted, and is also responsible for any review of the National Essential Drugs List. The National Essential Drugs List in principle needs to be adjusted every three years. It can be adjusted at any proper time with the consent and approval of the National Essential Drugs Working Committee, if necessary.

The National Essential Drugs List (2018 version), which was issued on September 30, 2018 and effected on November 1, 2018, provides the basis for the health institution at all levels about equipping and using of such drugs.

National Basic Medical Insurance, Industrial Injury Insurance and Maternity Insurance Drug Catalogue

Pursuant to the Decision of the State Council on the Setup of the Urban Employees' Basic Medical Insurance System (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, which became effective on the same day, all urban employers are required to enroll their employees in the basic medical insurance system and the insurance premium is jointly contributed by the employers and employees. According to the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) issued by the State Council on July 10, 2007, which became effective on the same day, non-employed urban residents of the pilot cities who are not covered by the basic medical insurance system of urban employees may voluntarily participate in the urban resident basic medical insurance. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effected on July 1, 2011 and amended on December 29, 2018, employees shall participate in the basic medical insurance for employees, and the basic medical insurance premiums shall be jointly paid by employers and employees in accordance with the relevant provisions of the state.

The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (《關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知》), which was jointly issued by several authorities including the former Ministry of Labor and Social Security and other six departments, on May 12, 1999, provides that a pharmaceutical product listed in the Medical Insurance Catalogue must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must satisfy at least one of the following requirements:

- contained in the pharmacopoeia of the PRC;
- complies with the standards issued by the NMPA; and
- approved by the NMPA to be officially imported.

Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》), also called China's National Reimbursement Drug List ("NRDL"), was issued by MOHRSS and came into effectiveness on November 27, 2009. SAMI, together with other governmental authorities, has the power to determine the medicines to be included in the NRDL. SAMI will adjust or regulate part of drugs or drug names under the NRDL from time to time. As of now, the NRDL has been adjusted eight times dated October 24, 2011, March 25, 2013, March 27, 2015, January 21, 2016, February 21, 2017, July 13, 2017, September 20, 2017, and September 30, 2018, respectively. Under the PRC law, drugs included in the NRDL are distinguished by the generic name of pharmaceuticals but not by the product name, the specifications or the manufacturers. Any generic drug that have the same dosage form and main chemical name with the generic name in the NRDL will be automatically included in the NRDL.

NRDL consists of four parts, namely Explanatory Notes, Western Medicines, Proprietary Chinese Medicines and Traditional Chinese Medicine Decoction Pieces. For purpose of determining conditions on reimbursement under the basic medical insurance, Western Medicine and Proprietary Chinese Medicines are further classified as Category A and Category B, while there is no such classification with respect to work-related injury insurance and maternity insurance. Provincial governments are required to include all Category A drugs in their provincial Medical Insurance Catalogues, but have the discretion to adjust upwards or downwards by no more than 15% from number of Category B drugs. As a result, the contents of Category B of the provincial Medical Insurance Catalogues may differ from region to region in the PRC.

In terms of the eligibility criteria, Category A drugs refer to the drugs that are necessary for clinical treatment, widely used and has good curative effect and lower price among similar drugs; and Category B drugs refer to drugs that can be used for clinical treatment and has a good curative effect, but more expensive than the similar drugs in Category A. In terms of the reimbursement policy, patients purchasing medicines included in Category A are entitled to the reimbursement of the entire amount of the purchase price; while patients purchasing Category B drugs are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price, and the percentage of the reimbursement for Category B drugs differs from region to region in the PRC.

Patients who purchase the medicines included in Category A of the basic medical insurance catalogue are entitled to reimbursement in accordance with the regulations in respect of basic medical insurance. Patients who purchase medicines included in Category B of the basic medical insurance catalogue are required to pay a certain percentage of the purchase price and the remainder of the purchase price shall be reimbursed in accordance with the regulations in respect of basic medical insurance. The percentage of reimbursement for Category B medicines is stipulated by local authorities and in result may differ from region to region in the PRC.

Drug Pricing

According to the previously issued Drug Administration Law before April 24, 2015, the pharmaceutical products were subject to fixed or directive pricing system determined by government or be adjusted by the market. However, according to the revised Drug Administration Law, which was issued on April 24, 2015 and effected on the same day, the provision about the fixed or directive price determined by government of the pharmaceutical products has been deleted. Therefore, the government will not directly determine or control the price of most pharmaceutical products.

According to the Notice Regarding Reforms to the Price of Medical Products (《關於印發<推進藥品價格改革意見>的通知》) (the "**Notice**") jointly issued by the NDRC, the NHFPC, the MOHRSS, the MOF, MOFCOM and the NMPA on 4 May 2015 and which became effective on June 1, 2015,

(excepted from the Notice are anesthetics and Class 1 psychotropic drugs, for which pricing is still regulated by the NDRC into two categories, including the maximum ex-factory price and the maximum retail price), the pricing for drugs determined by the government has been canceled, the real transactional prices are to be developed according to the market competition mechanism.

Centralized Procurement and Bidding Process

According to the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases by Medical Institutions (《關於印發醫療機構藥品集中招標採購試點工作若干規定的通知》), which was jointly issued on July 7, 2000 by the NDRC, the MOH, the MOFCOM, the NMPA and the State Administration of Traditional Chinese Medicine of the PRC, the Notice on Further Standardizing the Centralized Tender with respect to Drug Purchases by Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》), which was issued on July 23, 2001 by the NMPA, and the Opinions Concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (《關於進一步規範醫療機構藥品集中採購工作的意見》), which was jointly issued by the State Council, the NDRC, the MOH, the NMPA, the SAIC, among others, on January 17, 2009, and the Explanation of the Opinions Concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (《關於印發<進一步規範醫療機構藥品集中採購工作的意見>有關問題説明的通知》), which was issued on June 19, 2009, all of the non-profit medical institutions established and/or controlled by any government at the county level or above or state-owned enterprises (including state controlling enterprises) must implement the centralized tender system in respect of the purchases of drugs in majority (except anesthetics and Class 1 psychotropic drugs). The governments establish the non-profit procurement transaction platforms to undertake the procurement of various drugs, including national essential medicines, and high-valued medical-used consumes and Category B medical equipment managed by the relevant governments at the provincial level.

Standard for Centralized Pharmaceutical Procurement of Medical Institutions (《醫療機構藥品集中採購工作規範》), which was issued on July 7, 2010, provides detail rules in respect of the centralized procurement catalogue and the methods, the procedures, the assessors, and the construction and management of expert tank meanwhile further regulates the centralized drug procurement and clarifies the code of conduct on the parties involved in the centralized drug procurement.

According to the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》), which was issued on February 9, 2015, the centralized procurement work of public hospitals will be improved through the classified purchase of drugs. All drugs used by public hospital (except the traditional Chinese medicine slices) should be procured through a provincial drug centralized purchase platform. The time of purchasing cycle is once per year in principle. Establish an open and transparent mechanism for price negotiation with multi-party participation for certain patent medicines and exclusively-produced medicines.

The Drug Centralized Procurement in "4+7 Cities"

On November 15, 2018, the Joint Procurement Office published the Papers on Drug Centralized Procurement in "4+7 Cities" (the "**Paper**"), 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
- 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.

A two-stage process is used to determine the successful bidder. In the first stage, the lowest bidder will become the preliminary candidate. If two or more companies offer the same lowest price, the Joint Procurement Office will determine which one becomes the preliminary candidate, taking into account each company's sales (both quantity and range) of the same variety of drug in 4+7 cities before the tender. The company that offers the second lowest price will become the backup candidate in the event that the preliminary candidate cannot satisfy the quantity requirement. The preliminary candidate will then enter the second stage, the bargaining and negotiation procedure, and the Joint Procurement Office will decide whether it accepts the preliminary candidate's offering price. If three or more companies have entered the tendering in the first stage, the Joint Procurement Office will accept the price and the bidder will end by awarding the contract to the preliminary candidate. If only one or two companies have entered the first stage, the Joint Procurement Office will accept the price if the drug's price reduction ranks in the top 7, or the Joint Procurement Office will determine the minimum reduction in reference with the reduction in the offering price of the successful bidder with three of more companies entering the tendering in the first stage. If the Joint Procurement Candidate and the preliminary candidate reach an agreement on the reduction of the offering price, the bidder will end by awarding the contract to the preliminary candidate, or the bid will be deemed unsuccessful, and it will have an adverse impact on the preliminary candidate when it participating in the centralized procurement in 4+7 cities next time. The Joint Procurement Office will compare the reduction in the offering price from the lowest price at which the drug was sold in the 4+7 cities during the previous year.

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 State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (《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 provides the detailed measures in the implementation of the national pilot scheme for drugs centralized tendering with minimum procurement quantities in the 4+7 cities.

Dual-Invoicing System

To optimize the drug purchase and sale order and reduce circulation links, the Circular of the General Office of the State Council on Issuing the Key Tasks in Deepening the Medical and Health System Reform in 2016 (《國務院辦公廳關於印發深化醫藥衛生體制改革2016年重點工作任務的通知》) was issued on April 21, 2016, governments of provinces under the pilot comprehensive medical reform shall promote the "Dual invoicing System". According to the Circular on Issuing the Implementing Opinions on Carrying out the Dual Invoicing 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》), issued by NHFPC, NMPA, NDRC, MOFCOM and other authorities on December 26, 2016, the dual invoicing system will be promoted in pilot provinces 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.

The dual invoicing system is a system under which invoices are issued by drug manufacturers to drug distributors on a one-off basis while invoices are issued by drug distributors to medical institutions on a one-off basis. Wholly-owned or holding commerce companies (there shall be only one commerce company throughout the country) and domestic general agents of overseas drugs (there shall be only one domestic general agent throughout the country) that are established by drug manufacturers or group enterprises integrating scientific research, manufacture, and trade to sell the drugs of these enterprise (groups) can be regarded as manufacturers. Within an enterprise that is a drug circulation group, the allocation of drugs between the group and wholly-owned (holding) subsidiaries or between wholly-owned (holding) subsidiaries should not be regarded as invoicing, but invoicing is allowed once at most. Drug enterprises participating in the centralized drug procurement shall promise to implement the dual invoicing system in their bids, or the bidding will be invalid; for drugs to be procured otherwise, the relevant requirements on such system shall be expressly specified in the procurement contract.

PRC LAWS AND REGULATIONS IN RELATION TO COMMERCIAL BRIBERIES WITH RESPECT TO PHARMACEUTICAL INDUSTRY

According to the Regulations on the Establishment of Adverse-effect Records With Respect to Commercial Bribery During Medicine Purchase and Sale (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) which was issued by NHFPC on December 25, 2013 and became effective on March 1, 2014, all the following activities regarding the manufacturers of the drugs, medical devices and medical consumes, and an operating enterprise or an agent or an individual shall be contained in the adverse-effect records by provincial regulations with respect to commercial bribery if such manufacturer, enterprise, agent or individual gives any working staff of a medical institution any forms of valuable items or other benefits. If a drug manufacturer and its agency are listed in such adverse-effect record with respect to commercial bribery for one time, no public medical institutions or any other medical institutions which receive public subsidy at the provincial administrative area where such manufacturer is located may purchase any of its products from such manufacturer within two years after the adverse-effect record has been published, while other public medical institutions or any other medical institutions which receive public subsidy in any other provincial administrative area will reduce scores with respect to such manufacturer when an evaluation is made in respect of any tender for or purchase of any drugs. If a drug manufacturer and its agency are listed in such adverse-effect record with respect to commercial bribery for more than twice (including two times) in a period of five years, no public medical institutions or any other medical institutions which receive public subsidy throughout the PRC may purchase any of its products from such manufacturer within two years after adverse-effect record has been published.

PRC LAWS AND REGULATIONS IN RELATION TO DISTRIBUTION OF PHARMACEUTICAL PROTECTION

Drug Recall

According to the Measures on Drug Recalling (《藥品召回管理辦法》),which was issued and effected on December 10, 2007, a pharmaceutical manufacturer should establish and improve its recall system by collecting relevant information about drug safety and make an investigation and evaluation with respect to any drugs with possible potential safety hazards. If the pharmaceutical manufacturer found any possible safety hazards in respect of any drugs that endanger human health and life sold in the PRC, such manufacturer must recall the drug. When a drug is recalled, the pharmaceutical operating entities and users should assist the pharmaceutical manufacturer to perform its recall obligations by communicating the drug recall information, giving any feedback, controlling and recovering such drugs with potential hazards according to the recall plan.

There are two forms of drug recalling: voluntary or mandatory. A pharmaceutical manufacturer should voluntary recall any drugs if it finds such drugs have potential safety hazards. If the pharmaceutical manufacturer should have voluntary recalled its drugs but had not done so, the NMPA would mandatorily order the manufacturer to recall such drugs.

Product Liability and Consumer Protection

According to the General Principles of the Civil Law of the PRC (《中華人民共和國民法通則》), effected on January 1, 1987 and amended on August 27, 2009, if any defective products sold cause any property losses or personal injuries to consumers, the producer and distributors should be liable for compensation. According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), effected on September 1, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, the earnings made by the producer and the distributors from sales of any defective products may be confiscated, the producer and the distributors may be fined and the business license of such producer or distributors may be revoked; and if the case refers to a crime, the offender will be investigated for criminal responsibility according to the law.

According to the Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》), effected on January 1, 1994 and amended on August 27, 2009 and October 25, 2013, if any personal injuries or property losses are suffered as a result of any defective commodities, a consumer or other injured parties may require the seller or the producer to compensate. Where the responsibility lies on the producer's side, the seller, after settling the compensation, has the right to recover from the producer. Where the responsibility lies on the sellers side, the producer, after settling the compensation, has the right to recover such compensation from the seller.

According to the Tort Law of the PRC (《中華人民共和國侵權責任法》), which was issued on December 26, 2009 and effected on July 1, 2010, a producer must be liable for any losses caused to others as a result of any defective products and the injured parties may recover any indemnifications from the producer or the seller for any such losses. If any product defects originate from the negligence by the producer or any other third party, the seller may recover the amount equivalent to the amount of compensation from such producer or third party after such compensation has been paid; if any product defects originate from the negligence by the seller or any other third party, the producer may recover the amount equivalent to the amount of compensation from such seller or third party after such compensation has been paid. If any producer knows that the products are defective but continues to produce and sell, so that any death or severe damage to health is caused, the infringed party has the right to claim appropriate punitive damages.

Intellectual Property

Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), effected on April 1, 1985 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and its Implementing Regulations《中華人民共和國專利法實施細則》, effected on July 1, 2001 and amended on December 28, 2002 and January 9, 2010, there are three kinds of patent: Patent for an invention, patent for utility

models and design patent. The patent term for an invention is 20 years from the date when a patent application is submitted; the patent term for utility models or a design patent is 10 years from the date when a patent application is filed. The patent is authorized by the State Intellectual Property Office and after approved, a patent certificate will be issued. Meanwhile, relevant records and announcements should be made. Such patent becomes effective after the State Intellectual Property Office makes an announcement of approval. If any persons or entities use such patent or do any other acts which infringe the patent rights without any power of attorney from the patent owners, such persons or entities will be liable to indemnify such patent owners and will be fined by any administrative authorities or be investigated for criminal responsibility (as appropriate) (depending upon the circumstances).

Trademarks

According to the Trademark Law of the PRC (《中華人民共和國商標法》), effected on March 1, 1983 ,and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 (the amendments on April 23, 2019 will be effective on November 1, 2019), and its Implementation Regulations (《中華人民共和國商標法實施條例》), effected on September 15, 2002 and amended on April 29, 2014, the term of a registered trademark is 10 years from the date on which it is registered and may be extended thereafter, with each extension for 10 years. If any persons or entities use such registered trademarks or do any other acts which infringe the rights to such trademarks without any power of attorney from the holders of such registered trademarks, such persons or entities will be liable to indemnify such trademark holders and will be fined by any administrative authorities or be investigated for criminal responsibility (as appropriate) (depending upon the circumstances).

PRC LAWS AND REGULATIONS RELATING TO TAXATION

Value-Added Tax

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業税改徵增值税試點的通知》),issued on March 23, 2016 and effected on May 1, 2016 by the MOF and SAT, entities and individuals engaged in sales of services, intangible assets or real property within the territory of the PRC are value-added taxpayers, and shall pay value-added tax rather than business tax.

According to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值税暫行條例》), effected on January 1, 1994 and amended on November 10, 2008, February 6, 2016, and November 19, 2017, and its implementation rules (《中華人民共和國增值税暫行條例實施細則》) effected on January 1, 1994 and amended on December 15, 2008 and October 28, 2011, except stipulated otherwise, taxpayers that sell goods, labor services or tangible personal property leasing services or import goods shall be subject to a 17% tax rate; taxpayers that sell transport services,

postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right shall be subject to an 11% tax rate, and taxpayers that sell services or intangible assets shall be subject to a 6% tax rate. According to the Circular of the Ministry of Finance and the State Administration of Taxation 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, as of May 1, 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% rates are adjusted to be 16 % and 10 % respectively. The small-scale taxpayers of the tax rate for value-added shall be 3%. According to the Circular of the Ministry of Finance and the State Administration of Taxation on Unifying the Criteria for Small-scale Value-added Tax Payers (《財政部、稅務總局關於統一增值稅小規模納稅人標準的通知》) effected on May 1, 2018, small-scale taxpayer's annual taxable sales amount for the value-added tax purpose shall be up to RMB5 million.

According to the Circular on Value-added Tax Policies on Anticancer Drugs (《關於抗癌藥品增值稅政策的通知》) issued on April 27, 2018 by the NMPA, MOF, SAT and other authorities, from May 1, 2018, general value-added tax payers that manufacture and sell, wholesale, or retail anticancer drugs may opt to make value-added tax payments calculated at the 3% levy rate under the simplified calculation method.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued by MOF, SAT and the General Administration of Customs on March 20, 2019, effective from April 1, 2019, the 16% VAT tax rate, which applies to the sales or imported goods of a VAT general taxpayer, will be lowered to 13%; and the 10% VAT tax rate will be lowered to 9%.

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was issued on March 16, 2007, effected on January 1, 2008 and amended on February 24, 2017 and December 29, 2018, and its Implementation Rules (《中華人民共和國企業所得稅法實施條例》), which was issued on December 6, 2007 and became effective on January 1, 2008 and amended on April 23, 2019, the tax rate for both domestic-invested enterprises and foreign-invested enterprises is 25%. But the enterprise income tax rate of a high and new technology enterprise is 15%.

PRC LAWS AND REGULATIONS RELATING TO ENVIRONMENT PROTECTION

According to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), effected on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, the Regulations on the Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》) effected on November 29, 1998 and amended on July 16, 2017, and the

Classification Management Directory of the Construction Project Environmental Impact (《建設項目環境影響評價分類管理名錄》) effected on October 1, 2008 and amended on April 9, 2015, December 27, 2016 and April 28, 2018, classification management is implemented in respect of any environmental impact of a construction project on the basis of degree of such impact of the construction project on the environment. The environmental impact assessment of the construction project should be made by a qualified institution by preparing the Environmental Impact Report (the "**EIR**"), Environmental Impact Statement (the "**EIS**") or fill out the Environmental Impact Registration Form based on the degree of environmental impact caused by the construction project. The EIR or EIS of a construction project shall be submitted by the construction unit in accordance with the regulations of the State Council to the administrative department for environmental protection with powers to approve the project for review and approval. The State implements a record-filing-based management on Environmental Impact Registration Forms. No construction project can commence before the environmental impact assessment documents for the construction project have been approved by the relevant competent environmental authorities. After the construction is completed, the constructor shall apply to the competent environmental authorities for an examination and acceptance of the environment-protected facilities as an integrated construction for the main part of the construction project. The environment-protected facilities shall be inspected and accepted at the same time when the main part of the construction project is inspected and accepted. If a construction project is built, put into production or used by stages, the corresponding environment-protected facilities shall also be inspected and accepted by stages. The facilities that have not undergone or pay to pass the acceptance check shall not be put into production or use.

According to the Environment Protection Law of the PRC (《中華人民共和國環境保護法》) effected on December 26, 1989 and amended on April 24, 2014, the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) effected on November 1, 1984 and amended on May 15, 1996, February 28, 2008 and June 27, 2017, the Law of the PRC on the Prevention and Treatment of Environmental Pollution of Solid Waste (《中華人民共和國固體廢物污染環境防治法》) effected on April 1,1996 and amended on December 29, 2004, June 29, 2013, April 24, 2015 and November 7, 2016, the Law of the PRC on the Prevention and Treatment of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) effected on June 1, 1988 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018 and Law of the PRC on Prevention and Treatment of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》) effected on March 1, 1997 and amended on December 29, 2018, every facility which is used to prevent and treat pollution for the construction project shall be at the same time designed, constructed and used with the main part of the project. Such prevention and treatment facilities must meet the requirements in the environmental evaluation documents approved and such facilities must not be removed or kept idle. In order to dispose the pollutants, enterprises shall obtain pollution licenses and must report to and record with the administrative environmental protection authorities in respect of any pollutant discharge. Such enterprise must comply with the national and local discharge standards in its daily operations in respect of water pollutants, solid waste, exhaust gas, noise and other pollutants.

PRC LAWS AND REGULATIONS RELATING TO LABOR PROTECTION AND SOCIAL INSURANCE

According to the Labor Law of the PRC (《中華人民共和國勞動法》) effected on January 1,1995 and amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) effected on January 1, 2008 and amended on December 28, 2012 and the Regulations on the Implementation of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which were issued and became effective on September 18, 2008, an employer must enter into a written labor contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must create a system related to occupational health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was effected on July 1, 2011 and amended on December 29, 2018, the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was issued and effected on January 22, 1999 and March 24, 2019, the Provisional Measures on Maternity Insurance of Enterprise Employees (《企業職工生育保險試行辦法》),issued on December 14,1994 and effected January 1, 1995, the Regulations on Unemployment Insurance (《失業保險條例》), which was issued and effective on January 22,1999, and the Regulations on Work Related Injuries Insurance (《工傷保險條例》), effected on January 1, 2004 and amended on December 20, 2010, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), effected on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

PRC LAWS AND REGULATIONS RELATING TO M&A AND OVERSEAS LISTING

the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors("**M&A Rules**")《商務部關於外國投資者並購境內企業的規定》was issued on September 8, 2006 and amended by the MOFCOM on June 22, 2009. Under the M&A Rules, if any domestic companies, enterprises or natural persons merges or acquires its affiliated domestic companies in the name of the companies in foreign countries legally established or controlled by the aforesaid domestic companies, enterprises or natural persons , it shall be subject to the approval of the Ministry of Commerce. The term "merger and acquisition of domestic enterprises by foreign investors" shall mean a foreign investor purchases the stock right of a shareholder of a non-foreign-invested enterprise in China or capital increase of a domestic company so as to convert and re-establish a domestic company as a foreign-invested enterprise ("**equity M & A**"); or, a foreign investor establishes a foreign-invested enterprise and purchases and operates the assets of a domestic enterprise by the

agreement of that enterprise, or, a foreign investor purchases the assets of a domestic enterprise by agreement and uses this asset investment to establish a foreign-invested enterprise and operate the assets ("**asset M & A**"). The listing transaction abroad of the company with special purpose shall be approved by the securities regulatory administration of the State Council. Where a foreign investor purchases the equities of the shareholder of a foreign-invested enterprise in China or offers to buy the capital increase of a foreign-invested enterprise in China, it shall comply with the current laws, administrative regulations on foreign-invested enterprises as well as corresponding provisions on equities changes of the investors of foreign-invested enterprise. If any case is not covered by the aforesaid laws, administrative regulations or provisions, it shall be handled according to the M&A Rules.

PRC LAWS AND REGULATIONS IN RELATION TO THE FOREIGN EXCHANGE CONTROL

Renminbi is the legal currency of the PRC and is not freely convertible due to foreign currency control. The SAFE is responsible for all matters related to foreign exchange, including the implementation of foreign exchange control regulations.

According to the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), effected on April 1, 1996 and amended on January 14,1997 and August 5, 2008, and the Notice of the People's Bank of China on Issuing the Provisions on the Settlement and Sale of and Payment in Foreign Exchange (《中國人民銀行關於印發<結匯、售匯及付匯管理規定>的通知》), which was issued on June 20,1996 and became effective on July 1, 1996, RMB is freely convertible for payments of current account items, but not freely convertible for capital account items unless prior approval of the SAFE or its local counterpart is obtained.

The Notice on Further Improving and Adjusting Foreign Administration Policies for Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) ("Notice No. 59"), effected on December 17, 2012, and amended on May 4, 2015, cancels the approval from the SAFE for the opening of a foreign exchange account or the entry of any amount in the foreign exchange accounts. Accordingly, based on the client's request, the chosen bank can open the account for this client according to the information registered in the relevant system of the Bureau of Foreign Exchange. Meantime, Notice No.59 also cancels the approval for the foreign investors to re-invest in China with their PRC-source legal income.

According to the Financing and in Return 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》) ("Notice No.37"), which was issued and effected on July 4, 2014, PRC residents shall 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 Notice No. 37 as a "special purpose vehicle".

The Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment(《關於進一步簡化和改進直接投資外匯管理政策的通知》) ("Notice No.13"), which was issued on February 13, 2015 and effected on June 1, 2015, provides that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank. PRC residents who conduct foreign invest with their onshore assets or interests, shall apply to the bank where the assets or interests located for the foreign exchange registration of a special purpose vehicle.

PRC LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

According to the Foreign Investment Enterprise Law of the PRC (《中華人民共和國外資企業法》), effected on April 12, 1986, amended on October 31, 2000 and September 3, 2016, and its Implementation Rules (《中華人民共和國外資企業法實施細則》), effected on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, foreign investment enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. And foreign-invested enterprises shall make allocations to reserve funds after paying income tax in accordance with China's tax laws, and such enterprises are required to allocate at least 10% of their respective accumulated profits after-tax each year, when the accumulated reserves reach 50% of the registered capital of the enterprises, the further amount of reserve may not be requested.

OUR HISTORY

Our Company

Our Company was incorporated in the Cayman Islands on December 2, 2015 as an exempted company with limited liability and as a result of the Reorganization, became the ultimate holding company of our various subsidiaries. Further details of our corporate structure and the Reorganization are set out in the section headed "Reorganization" below.

Our Group's history dates back to 1995. Upon incorporation, Jiangsu Hansoh was a sino-foreign joint venture limited liability company. Ms. Zhong (our Chairlady, an executive Director and a Controlling Shareholder of our Company) is the founder of our Group and has been responsible for the overall development of our Group. For information on the background and experience of Ms. Zhong, please refer to the section headed "Directors and Senior Management — Board of Directors — Executive Directors" in this prospectus.

Under Ms. Zhong's leadership, our Group has developed into one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. We have a broad, diversified and leading drug portfolio in (i) CNS diseases, (ii) oncology, (iii) anti-infectives, and (iv) diabetes. We also focus on the gastrointestinal and cardiovascular therapeutic areas. Together, these six therapeutic areas accounted for 62.5% of the total sales revenue of pharmaceuticals in China in 2018, and grew faster than the Chinese pharmaceutical industry as a whole, which grew at 8.1% on average from 2014 to 2018.

Our Development and Business Milestones

The key milestones of the development of our Group are as follows:

Year	Event
1995	Jiangsu Hansoh, our major operating subsidiary, was established in China.
2000	We launched our first GMP manufacturing facility in Lianyungang, Jiangsu Province and commenced production of solid oral formulations.
2002	We were recognized as a Key High and New-Technology Enterprise of the National Torch Program (國家火炬計劃重點高新技術企業).
2002	We obtained Chinese GMP certifications for our production of large volume parenteral solutions.
2003	Our active pharmaceutical ingredient, vinorelbine tartrate, was approved by the U.S. FDA.

Year	Event
2005	We ranked top 20 in the 2005 Forbes list of Chinese enterprises with potential (2005年福布斯中國最具潛力企業排行榜).
2006	We received approval to establish a Postdoctoral Program Workstation (博士後科研工作站) by the Ministry of Personnel (人事部) and the National Postdoctoral Management Committee (全國博士後管委會) of China.
2008	We were certified as a National Enterprise Technology Center (國家級企業技術中心).
2013	We were first awarded with the State Science and Technology Award (second prize) (國家科技進步二等獎) by the State Council. Our core product, Zefei, was approved by the U.S. FDA. We obtained updated versions of Chinese GMP certifications for all our production lines and manufacturing permits for each of our in-house manufactured pharmaceutical products and active pharmaceutical ingredients.
2014	We were once again awarded with the State Science and Technology Award (國家科技獎) by the State Council. Our self-developed Category 1.1 innovative drug Mailingda (morinidazole sodium chlorider injection), the latest generation nitroimidazole-class antibiotic, was approved for sale in China.
2015	We were recognized as an Intellectual Property Advantageous Enterprise (國家知識產權優勢企業) by the State Intellectual Property Office of China (國家知識產權局). Our core product, Zefei (gemcitabine hydrochloride for injection), was recognized as a Famous China Trademark (中國馳名商標) by the Trademark Office of the State Administration for Industry & Commerce of China (中國國家工商行政管理總局商標局).
2016	Hillhouse was brought in as our investor. We were recognized as an Intellectual Property Exemplary Enterprise (國家知識產權示範企業) by the State Intellectual Property Office of China (國家知識產權局). Our core product, Oulanning (olanzapine tablets), received the China Patent Excellence Award (中國專利優秀獎) from the State Intellectual Property Office of China (國家知識產權局).

Year	Event
	Our core product, Xinwei (imatinib mesylate tablets), received the first prize for the Advancement of Science and Technology (全國工商聯科技進步一等獎) by the All-China Federation of Industry & Commerce (中華全國工商業聯合會).
	Our core product, Pulaile (pemetrexed disodium for injection), was approved by the PMDA.
2017	We ranked 22nd among the "Top 100 Pharmaceutical Industrial Enterprises of China" in 2017 (2017年中國醫藥工業企業百強) by the China National Pharmaceutical Industry Information Center (醫藥工業信息中心).
	We were recognized as one of the "Top 100 Chinese Pharmaceutical Manufacturing Enterprises" (中國醫藥製造業百強企業) by the All-China Federation of Industry & Commerce (中華全國工商業聯合會).
	We were recognized as one of the "Top 100 Most Powerful Chinese Chemical and Pharmaceutical Industrial Enterprises in 2017" (2017中國化學製藥行業工業企業綜合實力百強), "Chinese Chemical and Pharmaceutical Industry Innovative and Excellent Enterprises in 2017" (2017中國化學製藥行業創新型優秀企業品牌) and "Chinese Chemical and Pharmaceutical Industry Excellent Integration Enterprises in 2017" (2017中國化學製藥行業兩化融合推進優秀企業品牌) by the China Pharmaceutical Industry Association (中國化學製藥工業協會).
	Our core product, Oulanning (olanzapine tablets), was recognized as a Famous Chinese Trademark (中國馳名商標) by the Trademark Office of the State Administration for Industry & Commerce of China (中國國家工商行政管理總局商標局).
	Our core product, Xinwei (imatinib mesylate tablets), received the China Patent Excellence Award (中國專利優秀獎) from the State Intellectual Property Office of the PRC (國家知識產權局).
	We were recognized as a "Jiangsu Province Quality Credit AAA Industrial Enterprises" in 2017 (2017年度江蘇省工業企業品質信用AAA 級企業) by the Jiangsu Municipal Bureau of Quality and Technical Supervision (江蘇省質監局).
	We received the "2017 Jiangsu Provincial Governor Quality Award" (2017江蘇省省長質量獎) from the People's Government of Jiangsu Province (江蘇省人民政府).

Year	Event
2018	We were recognized as one of the "Top 100 Most Powerful Chinese Chemical and Pharmaceutical Industrial Enterprises in 2018" (2018中國化學製藥行業工業企業綜合實力百強), "Chinese Chemical and Pharmaceutical Industry Innovative and Excellent Enterprises in 2018" (2018中國化學製藥行業創新型優秀企業品牌) and "Chinese Chemical and Pharmaceutical Industry Excellent Integration Enterprises in 2018" (2018中國化學製藥行業兩化融合推進優秀企業品牌) by the China Pharmaceutical Industry Association (中國化學製藥工業協會).
	One of our products received the "Single Champion Product in the Manufacturing Industry" (製造業單項冠軍產品).
	One of our products received the "The Most Trusted Brand of the Chinese Health Industry in 2018" (2018年中國健康產業臨床最信賴品牌) from the China National Pharmaceutical Industry Information Center (醫藥工業信息中心).
	We were ranked second for "R&D-driven pharmaceutical companies in China" in 2018 (2018年中國醫藥研發產品線最佳工業企業) by the China National Pharmaceutical Industry Information Center (醫藥工業信息中心).
	One of our products received the China Patent Excellence Award (中國專利優秀獎) from the State Intellectual Property Office of the PRC (國家知識產權局).
2019	Boyu was brought in as our investor.
	Our self-developed Category 1.1 innovative drug polyethylene glycol loxenatide, a GLP-1 receptor agonist, was approved for sale in China.

Our Corporate History

The following sets forth the corporate history and shareholding changes of our major operating subsidiaries:

Jiangsu Hansoh

Our Group's history dates back to July 26, 1995 when Jiangsu Hansoh was established in the PRC as a sino-foreign joint venture limited liability company with a registered capital of US$700,000. In the first three years following formation of our Group, our Group was in a planning stage. Through a series of transfers by the then equity interest holders of Jiangsu Hansoh, on December 16, 2001, East Pearl Holdings Limited, Jiangsu Mingtai Investment Group Limited ("**Mingtai Group**"), Lianyungang Mingtai Pharmaceutical Technology Investment Co., Ltd ("**Mingtai Pharmaceutical**"), Wuxi Hongda Investment Co., Ltd ("**Hongda**") and Sichuan Shengao Pharmaceutical Co., Ltd became the holders of 40.0%, 39.0%, 15.0%, 5.5% and 0.5% equity interests in Jiangsu Hansoh. Ms. Zhong was the then

largest shareholder of each of Mingtai Group and Mingtai Pharmaceutical, respectively, and Mr. Cen Junda ("**Mr. Cen**") held his interest in Jiangsu Hansoh through East Pearl Holdings Limited. Mr. Cen, as a long-term financial investor of our Company, acted as a director of our Company and certain members of the Group during the Track Record Period. During his term with our Group, Mr. Cen did not participate in the day-to-day operations of the Company or any other member of the Group. Besides his investment in our Company, Mr. Cen has also been engaged in other personal businesses and academic research. Due to the limits on his personal capacity (especially taking into consideration the effort and time which a director of a company listed on the Stock Exchange is required to devote in order to perform his duties and responsibilities), Mr. Cen decided to resign from his position as a director of our Company and those members of the Group in July 2018 in order to devote his time and effort on his other personal and business commitments.

On July 18, 2002, Jiangsu Hansoh obtained approval of the competent authority in charge of foreign investment and converted from a sino-foreign joint venture limited liability company to a sino-foreign joint venture joint-stock company. The principal business of Jiangsu Hansoh has been the manufacturing and sale of chemical pharmaceutical raw materials, pharmaceutical intermediates, tablets, capsules, granules and injectables, and research and development of pharmaceutical products.

Through a series of transfers by the then equity interest holders of Jiangsu Hansoh, and in preparation for the reorganization of different business segments of the Group, the then shareholders of Jiangsu Hansoh entered into a de-merger agreement on December 1, 2012, pursuant to which certain businesses of Jiangsu Hansoh were demerged (the "**De-merger**") from it and established as Lianyungang Hansoh Biology Pharmaceutical Company Limited ("**Hansoh Bio**") to pursue the development of biological drug products.

After further review of the strategic development and utilization of resources and assets of our Group, we decided to merge Jiangsu Hansoh and Hansoh Bio. Pursuant to a merger agreement between Jiangsu Hansoh and Hansoh Bio dated June 23, 2014, Jiangsu Hansoh and Hansoh Bio merged by way of absorption (the "**Merger**"). After completion of the Merger, Hansoh Bio was absorbed by Jiangsu Hansoh and Jiangsu Hansoh became the surviving enterprise. Jiangsu Hansoh was then owned as to approximately 42.2%, 40.0%, 11.0%, 5.8% and 1.0% by East Pearl Holdings Limited, Mingtai Group, Mingtai Pharmaceutical, Hongda and Grandchamp Technology Limited ("**Grandchamp Technology**") (which is ultimately controlled by Ms. Zhong), respectively. Further, Jiangsu Hansoh remained as a sino-foreign joint venture joint-stock company after completion of the abovementioned De-merger and Merger.

In order to optimize our integration of resources and as part of our Reorganization, Jiangsu Hansoh and Lianyungang Hongchuang Pharmaceutical Company Limited ("**Hongchuang**") (which is ultimately controlled by Ms. Zhong and principally engaged in active pharmaceutical ingredients production) entered into an asset and business transfer agreement on December 31, 2015, pursuant to which Jiangsu Hansoh acquired all of the operating assets of Hongchuang based on an appraisal. Such transfers of assets and business of Hongchuang were completed on December 31, 2015. After its assets and business were transferred to the Group, Hongchuang terminated its pharmaceutical business.

On December 22, 2015, Jiangsu Hansoh was converted from a sino-foreign joint venture joint-stock company to a sino-foreign joint venture limited liability company, and upon obtaining the approval of the competent authority in charge of foreign investment on December 30, 2015, became a direct wholly-owned subsidiary of Hansoh International.

Jiangsu Hengte

Jiangsu Hengte was established as a limited liability company in the PRC on July 19, 2006 with an initial registered capital of RMB10,000,000 and commenced business since the date of its incorporation. Jiangsu Hengte is principally engaged in the sale of traditional Chinese medicine, chemical drug agents, chemical pharmaceutical raw materials, antibiotics, biochemical pharmaceutical products, and biological products. Upon incorporation, Jiangsu Hengte was held as to 70.0% and 30.0% by Mingtai Group and Jiangsu Hansoh, respectively.

Through a series of transfers by the then equity interest holders of Jiangsu Hengte, Mingtai Pharmaceutical and Hongda held 70.0% and 30.0% of the equity interests in Jiangsu Hengte, respectively. On June 30, 2015, Mingtai Pharmaceutical and Hongda transferred 70.0% and 30.0% equity interests in Jiangsu Hengte to Jiangsu Hansoh, respectively. After completion of such transfer, Jiangsu Hengte became a wholly-owned subsidiary of Jiangsu Hansoh.

Shanghai Jiesen

Shanghai Jiesen was established as a limited liability company in the PRC on November 5, 2009 with an initial registered capital of RMB1,000,000. Shanghai Jiesen is principally engaged in the research and development of chemical pharmaceutical raw materials and preparations. At the time of its establishment, Shanghai Jiesen was wholly-owned by Mingtai Group (which then held 39.5% equity interests in Jiangsu Hansoh).

On July 28, 2010, Mingtai Group transferred its 90.0% equity interests in Shanghai Jiesen to Jiangsu Hansoh. On March 30, 2016, Mingtai Group transferred its remaining 10.0% equity interests in Shanghai Jiesen to Jiangsu Hansoh.

Upon completion of the above share transfers, Shanghai Jiesen became a wholly-owned subsidiary of Jiangsu Hansoh.

Shanghai Hansen

Shanghai Hansen was established as a limited liability company in the PRC on October 13, 2011 with an initial registered capital of RMB10,000,000. Shanghai Hansen is principally engaged in the research and development of biological and chemical raw materials. At the time of its establishment, Shanghai Hansen was wholly-owned by Jiangsu Hansoh.

On June 27, 2013, Jiangsu Hansoh transferred its 100% equity interest in Shanghai Hansen to Hansoh Bio. Pursuant to a merger agreement between Jiangsu Hansoh and Hansoh Bio on June 23, 2014, Shanghai Hansen became a wholly-owned subsidiary of Jiangsu Hansoh and completed the change of shareholder registration on December 18, 2015. On the same day, through capital contribution by Jiangsu Hansoh, the registered capital of Shanghai Hansen was increased to RMB260,000,000.

Kangchen

Kangchen was established as a limited liability company in the PRC on December 31, 2011 with an initial registered capital of RMB1,000,000 provided by Lianyungang Hengbang Real Estate Co., Ltd ("**Lianyungang Hengbang**") (which is ultimately controlled by Ms. Zhong). The registered capital of Kangchen was then increased to RMB2,000,000 on June 6, 2014. Kangchen has a business scope covering property services, consulting services (including corporate management consultation, medical technology and healthcare related consultation and human resource management consultation) as well as sales of packaging materials.

On March 16, 2016, Lianyungang Hengbang transferred its entire equity interest in Kangchen to Jiangsu Hengte. Upon completion of the share transfer, Kangchen became a wholly-owned subsidiary of Jiangsu Hengte.

Changzhou Hengbang

Changzhou Hengbang was established as a limited liability company in the PRC on April 2, 2018 with an initial registered capital of RMB10,000,000 and wholly-owned by Jiangsu Hansoh. Since its establishment, Changzhou Hengbang has been in a planning stage and has not carried out substantive operations. The registered capital of Changzhou Hengbang was further increased to RMB100,000,000 and subscribed by Hansoh International and Jiangsu Hansoh on August 16, 2018. Upon completion of such share subscription, Changzhou Hengbang was owned as to 51% by Jiangsu Hansoh and 49% by Hansoh International.

Jiangsu Hengbang

Jiangsu Hengbang was established as a limited liability company in the PRC on April 10, 2018 with an initial registered capital of RMB10,000,000 and Jiangsu Hengbang was wholly-owned by Jiangsu Hansoh. Since its establishment, Jiangsu Hengbang has been in a planning stage and has not carried out substantive operations.

REORGANIZATION

In preparation for the Listing, our Group underwent the Reorganization which involved the following steps:

1. Incorporation of our Company

Our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on December 2, 2015 as the holding company of our Group. After allotments and issues of shares, transfer of shares and conversion of preference shares into ordinary shares, Stellar Infinity (which was then wholly-owned by Ms. Zhong and Miss Sun) held 81 ordinary shares (representing 81% equity interests in our Company), and Apex Medical (which is wholly-owned by Mr. Cen Junda) held 19 ordinary shares, representing 19% equity interests in our Company, as at February 19, 2016 and immediately before completion of the First Pre-IPO Investment.

Stellar Infinity is wholly-owned by Sunrise Investment, which is in turn wholly-owned by the Sunrise Trust Trustee.

2. Establishment of the offshore holding structure

In anticipation of the Listing, the following offshore holding structure was established:

Fortune Peak

On December 2, 2015, Fortune Peak was incorporated in the BVI as a limited liability company.

On December 16, 2015, Fortune Peak allotted and issued 100 ordinary shares to our Company (representing the then entire issued share capital of Fortune Peak). Accordingly, Fortune Peak became a wholly-owned subsidiary of our Company.

Hansoh International

On December 3, 2015, Hansoh International was incorporated in Hong Kong as a limited liability company. Hansoh International further allotted and issued 99 ordinary shares of HK$1 each to Fortune Peak on the same day, and the initial subscribing shareholder transferred one ordinary share to Fortune Peak.

As a result of the above transactions, Fortune Peak held 100% equity interests in Hansoh International, which became an indirect wholly-owned subsidiary of our Company.

3. Establishment of the Sunrise Trust

Pursuant to a deed of settlement dated January 28, 2016, Miss Sun established the Sunrise Trust for family interests. On January 29, 2018, Sunrise Investment was incorporated in the BVI, and issued one share to the Sunrise Trust Trustee at the issue price of US$1 (equivalent to the then entire issued share capital).

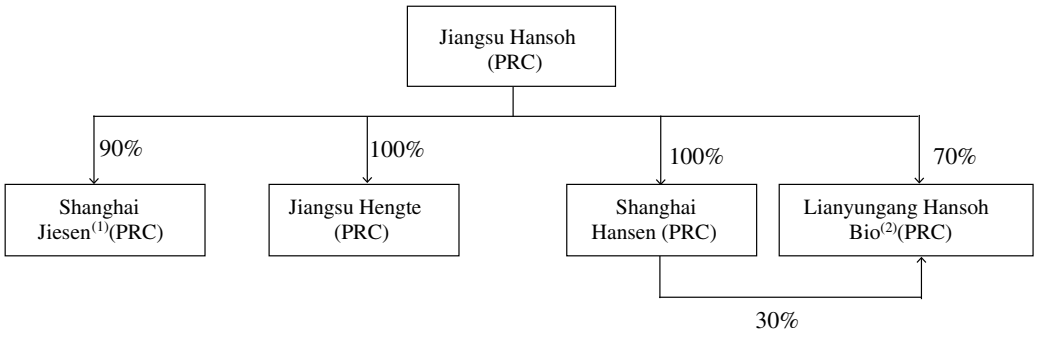
On February 5, 2016, Sunrise Investment acquired the entire issued share capital in Stellar Infinity from Ms. Zhong and Miss Sun. Immediately after the Reorganization and before the First Pre-IPO investment, Sunrise Investment held 81% issued share capital of our Company through Stellar Infinity.

4. Transfer of shares in Jiangsu Hansoh to Hansoh International

Pursuant to an equity transfer agreement dated December 25, 2015, East Pearl Holdings Limited, Mingtai Group, Mingtai Pharmaceutical, Hongda and Grandchamp Technology transferred approximately 42.2%, 40.0%, 11.0%, 5.8% and 1.0%, respectively, equity interests in Jiangsu Hansoh to Hansoh International.

Immediately after such transfer, Hansoh International held all of the issued share capital of Jiangsu Hansoh, which became an indirect wholly-owned subsidiary of our Company.

The following depicts the shareholding structure of our Group immediately before the Reorganization:

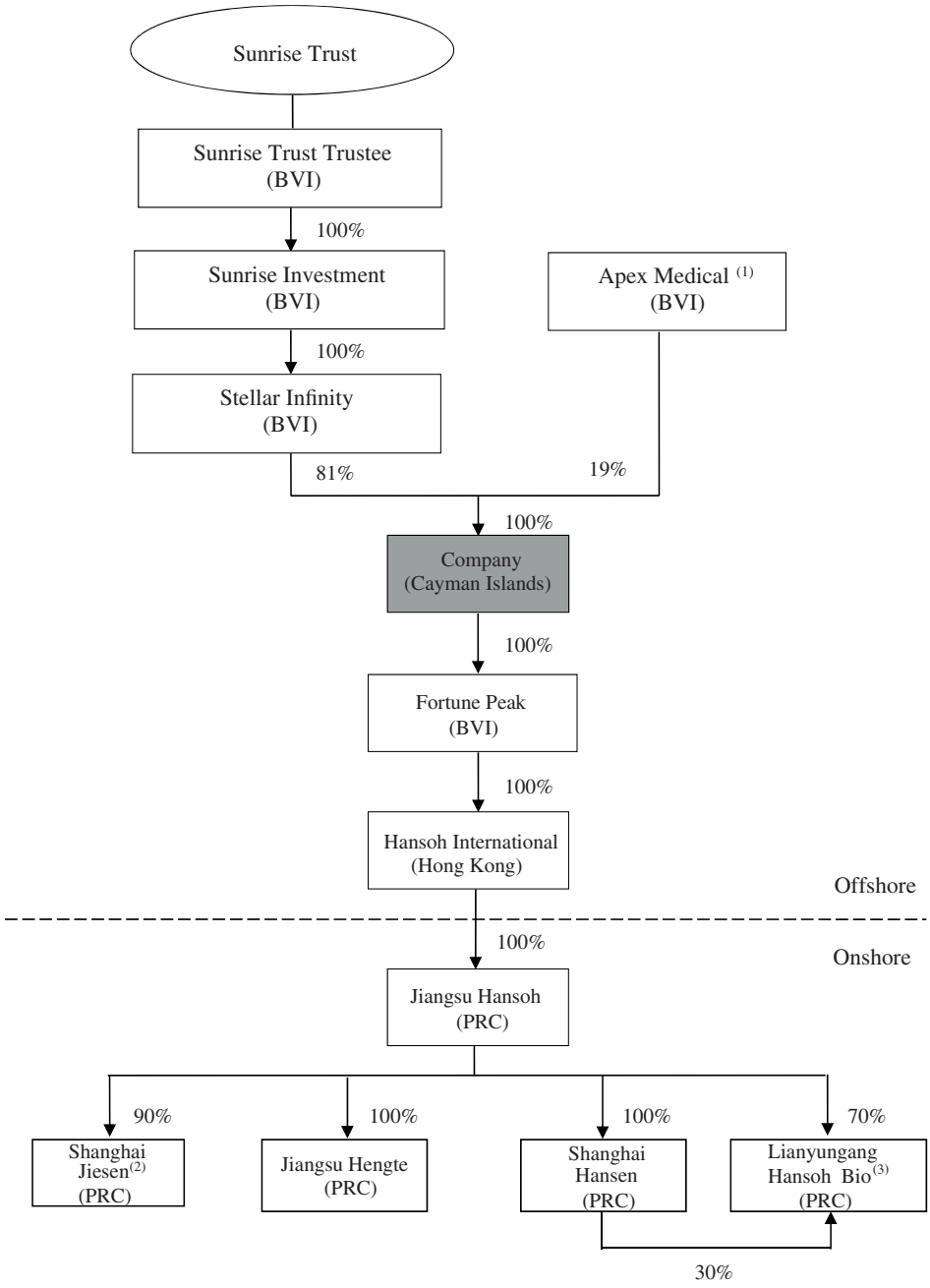


Note:

(1) 10% of the equity interests in Shanghai Jiesen was held by Mingtai Group.

(2) Lianyungang Hansoh Bio was deregistered on October 15, 2018.

The following depicts our Group structure established immediately after completion of the Reorganization[(1)]:



Notes:

(1) Apex Medical is wholly-owned by Mr. Cen Junda.

(2) On March 30, 2016, Mingtai Group transferred its remaining 10% equity interests in Shanghai Jiesen to Jiangsu Hansoh. Upon completion of the above share transfer, Shanghai Jiesen became a wholly-owned subsidiary of Jiangsu Hansoh.

(3) Lianyungang Hansoh Bio was deregistered on October 15, 2018.

COMPLIANCE WITH PRC LAWS AND REGULATIONS

According to 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) which was jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the 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) ("**SAIC**"), the China Securities Regulatory Commission (中國證券監督管理委員會) ("**CSRC**") and the SAFE and became effective on September 8, 2006 (MOFCOM and other five ministries order [2006] No.10, amended on June 22, 2009 and hereinafter referred to as the "**M&A Rules**"), if any domestic companies, enterprises or natural persons merges or acquires its affiliated domestic companies in the name of the companies in foreign countries legally established or controlled by the aforesaid domestic companies, enterprises or natural persons, or any foreign investors merges or acquires domestic companies in the form of equity interest, it shall be subject to the approval of the MOFCOM. The listing transaction abroad of the company with special purpose shall be approved by the securities regulatory administration of the State Council. The term "merger and acquisition of domestic enterprises by foreign investors" in the M&A Rules shall mean a foreign investor purchases the stock right of a shareholder of a non-foreign-invested enterprise in China (hereinafter referred to as a "domestic company") or capital increase of a domestic company so as to convert and re-establish a domestic company as a foreign-invested enterprise; or, a foreign investor establishes a foreign-invested enterprise and purchases and operates the assets of a domestic enterprise by the agreement of that enterprise, or, a foreign investor purchases the assets of a domestic enterprise by agreement and uses this asset investment to establish a foreign-invested enterprise and operate the assets. Where a foreign investor purchases the equities of the shareholder of a foreign-invested enterprise in China or offers to buy the capital increase of a foreign-invested enterprise in China, it shall comply with the current laws, administrative regulations on foreign-invested enterprises as well as corresponding provisions on equities changes of the investors of foreign-invested enterprise. If any case is not covered by the aforesaid laws, administrative regulations or provisions, it shall be handled according to the M&A Rules. Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (2008 edition) (外商投資准入管理指引手冊 (2008年版)), the transfer of equity interest from Chinese parties to foreign parties in existing foreign-invested enterprises does not refer to the M&A Rules, regardless of whether there is any affiliated relationship between the Chinese and foreign parties, and whether the foreign party is the original shareholder or new investor; the subject of merger and acquisition only includes domestic enterprises.

As Jiangsu Hansoh is a sino-foreign joint venture established prior to the promulgation of the M&A Rules and is not a domestic enterprise, and it pays consideration for equity transfer in cash instead of equity interest, the assignment of all equity interest to Ms. Zhong in Jiangsu Hansoh, an affiliated sino-foreign joint venture of Ms. Zhong, through Hansoh International, a company legally established or controlled by Ms. Zhong in foreign country, shall apply to the corresponding provisions on equities changes of the investors of foreign-invested enterprise instead of the M&A Rules, and hence approval by MOFCOM or CSRC is not required under the M&A Rules.

Our PRC legal counsel, Li & Partners (Shenzhen), has confirmed that the Reorganization was carried out in accordance with the relevant PRC laws and regulations and has been formally completed, and there are no other governmental approvals required under the PRC laws and regulations for the Reorganization. For the assignment of all equity interest in Jiangsu Hansoh to Hansoh International, Jiangsu Hansoh has legally completed the approval, registration and filing procedures required under the PRC laws and hence is in compliance with the relevant PRC laws and regulations.

SAFE Circular No. 37 requires a PRC resident to register with the local SAFE branch before he or she contributes capital in an offshore special purpose vehicle ("**SPV**") that is directly established or controlled by the PRC resident for the purpose of conducting investment or financing. Following the initial registration, the PRC resident is also required to complete a registration of change with the local SAFE branch for any major change in respect of the offshore SPV, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the offshore SPV, or any increase or reduction of the offshore SPV's registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the offshore SPV's PRC subsidiary to distribute dividends to its overseas parent. In June 2015, the "Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment" (Hui Fa [2015] No. 13) ("**SAFE Circular No. 13**"), cancelled the administrative approval item in respect of the confirmation of foreign exchange registration under overseas direct investment and instead, banks shall directly examine and handle foreign exchange registrations under SAFE Circular No. 37.

As advised by our PRC legal counsel, Li & Partners (Shenzhen), the relevant domestic persons completed the foreign exchange registration of overseas investment on December 23, 2015.

PRE-IPO INVESTMENTS

First Pre-IPO Investment

For the long-term business development and expansion of our Group, we entered into the First Pre-IPO Investment Agreement with Hillhouse, as a pre-IPO investor, on February 19, 2016 for the provision of financial resources to our Group. Pursuant to the First Pre-IPO Investment Agreement, Hillhouse subscribed for 300 preference shares at an aggregate consideration of US$179,906,705 (equivalent to approximately HK$1,412,195,672), which was irrevocably settled on February 19, 2016. The consideration was determined after arm's length negotiations between our Company and Hillhouse, after taking into consideration the timing of the subscription with reference to an agreed assessment of the value of our Group. Upon completion of the First Pre-IPO Investment, Hillhouse held 3.0% of the then enlarged issued share capital of our Company on a fully-diluted and as-converted basis.

Second Pre-IPO Investment

We entered into the Second Pre-IPO Investment Agreement with Boyu, as a pre-IPO investor, on January 25, 2019 for the provision of financial resources to our Group. Pursuant to the Second Pre-IPO Agreement, Boyu subscribed for 309.2784 preference shares at an aggregate consideration of US$248,581,849 (equivalent to approximately HK$1,951,268,082), which was irrevocably settled on February 13, 2019. The consideration was determined after arm's length negotiations between our Company and Boyu, after taking into consideration the timing of the subscription with reference to an agreed assessment of the value of our Group. Upon completion of the Second Pre-IPO Investment, Hillhouse held approximately 2.91% and Boyu held approximately 3.00% of the then enlarged issued share capital of our Company on a fully-diluted and as-converted basis.

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

Name of Pre-IPO Investor	Date of Pre-IPO Investment Agreements	Total consideration paid	Payment and completion date	Cost per preference share (US$)	Discount to the Offer Price[1]	Use of proceeds[2]	Shareholding interest in our Company upon Listing	Strategic benefits to our Company	Corresponding valuation of our Company
Hillhouse	February 19, 2016	US$179,906,705 (equivalent to approximately HK$1,412,195,672)	February 19, 2016	US$1.1994 (equivalent to approximately HK$9.4148) (after the Capitalization Issue)	31.08%	For capital expenditures and general working capital of our Group	On the basis that all the preference Shares are converted into our Shares on a one-for-one basis, Hillhouse shall hold approximately 2.91% of the total issued share capital of our Company, assuming that Hillhouse exercises its Anti-Dilution Right (as defined below) in full and the Over-Allotment Option is not exercised	Benefit of additional capital and knowledge and experience	US$5,996,890,167 (equivalent to approximately HK$47,073,189,055)

Name of Pre-IPO Investor	Date of Pre-IPO Investment Agreements	Total consideration paid	Payment and completion date	Cost per preference share (US$)	Discount to the Offer Price[(1)]	Use of proceeds[(2)]	Shareholding interest in our Company upon Listing	Strategic benefits to our Company	Corresponding valuation of our Company
Boyu	January 25, 2019	US$248,581,849 (equivalent to approximately HK$1,951,268,082)	February 13, 2019	US$1.6075 (equivalent to approximately HK$12.6182) (after the Capitalization Issue)	7.63%	For capital expenditures and general working capital of our Group	On the basis that all the preference Shares are converted into our Shares, Boyu shall hold approximately 3.29% of the total issued share capital of our Company, assuming that Boyu exercises its Anti-Dilution Right (as defined below) in full, Boyu completes the Proposed Share Subscription and the Over-Allotment Option is not exercised	Benefit of additional capital and knowledge and experience	US$8,286,061,633 (equivalent to approximately HK$65,042,269,394)

Note:

(1) Assuming the Offer Price is fixed at HK$13.66 per Offer Share, being the mid-point of the indicative Offer Price range, on the basis of our enlarged share capital immediately upon completion of the Global Offering.

(2) As of the Latest Practicable Date, proceeds from the First Pre-IPO Investment were fully utilized and the vast majority of the proceeds from the Second Pre-IPO Investment have not been utilized.

Rights of Pre-IPO Investors

In connection with the Pre-IPO Investments, Hillhouse and Boyu entered into the Shareholders Agreement, pursuant to which both Hillhouse and Boyu were granted certain rights in relation to our Company, including, among others, customary pre-emptive rights, information rights and anti-dilution rights. Pursuant to the anti-dilution rights under the Shareholders Agreement and compliance with the Guidance Letter HKEx-GL43-12, Hillhouse and Boyu shall have the right to subscribe, at the Offer Price, for such number of Shares to be issued by our Company as part of a qualified IPO so as to maintain their respective percentages of shareholding interest in our Company (on a fully-diluted and as-converted basis) as at immediately before the qualified IPO (the "**Anti-Dilution Right**"). The Anti-Dilution Right may also be exercised by respective affiliates of Hillhouse and Boyu. All of such rights will be terminated effective upon completion of the Global Offering.

Each of Hillhouse and Boyu has advised us that its respective affiliate will exercise the Anti-Dilution Right to subscribe for Offer Shares to be issued by our Company under the Global Offering for the purpose of reducing the dilutive effect of the Global Offering on its respective percentages of shareholding interest in our Company (the "**Anti-Dilution Subscription**"), provided that such subscription shall not result in its shareholding interest percentage (including the interest held by its respective affiliates) in our Company to increase above its respective shareholding interest percentage immediately prior to the Global Offering. The Anti-Dilution Subscription shall be made on the same terms and conditions as those generally offered to other investors under the Global Offering. In addition, Boyu has also advised us that its affiliate intends to subscribe for additional Offer Shares to be issued by our Company under the Global Offering (the "**Proposed Share Subscription**") as a cornerstone investor. Immediately prior to the Global Offering, Hillhouse and Boyu will hold approximately 2.91% and 3.00% of the Shares of our Company, respectively. Immediately after the completion of the Global Offering (assuming that the Anti-Dilution Right is exercised in full, Boyu completes the Proposed Share Subscription and the Over-Allotment Option is not exercised), Hillhouse (together with its affiliate) and Boyu (together with its affiliate) will hold approximately 2.91% and 3.29% of the Shares of our Company, respectively.

In light of the possible exercise of the Anti-Dilution Right and the Proposed Share Subscription, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, waivers from strict compliance with Rule 10.04 of the Listing Rules and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules. Please refer to the section headed "Waivers From Strict Compliance with the Listing Rules — Waiver and Consent in Relation to Subscription of the Offer Shares by Hillhouse and Boyu" for further details of the waiver applications relating to the Anti-Dilution Subscription. For further information about the exercise of the Anti-Dilution Right by respective affiliates of Hillhouse and Boyu to subscribe for Offer Shares as cornerstone investors, please refer to the section headed "Cornerstone Investors" in this prospectus.

Information on the Pre-IPO Investors

Hillhouse is a limited liability company incorporated under the laws of the BVI as an investment vehicle affiliated to Hillhouse Capital Management, Ltd. ("**Hillhouse Capital**"). Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage more than US$50 billion in assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Boyu is an exempted company with limited liability incorporated under the laws of the Cayman Islands as an investment holding company affiliated to Boyu Capital Group Management Ltd. ("**Boyu Capital**"). As at the Latest Practicable Date, Boyu was 100% owned by Boyu Capital Fund IV, L.P., the general partner of which is Boyu Capital General Partner IV, Ltd. Boyu Capital acts as the management company of Boyu Capital Fund IV, L.P.. Boyu Capital provides investment management and advisory services to various China-focused investment funds which aim at providing growth and transformational capital for fast-growing businesses in Greater China.

To the best of the knowledge, information and belief of our Directors, save for the Pre-IPO Investments, none of Hillhouse, Boyu or their respective ultimate beneficial owners has any other relationship with our Group or any connected person of our Company.

Lock-up and Public Float

As (i) none of Hillhouse, Boyu or their respective ultimate beneficial owners is a core connected person of our Company; (ii) the Pre-IPO Investments were not financed by our Company or any core connected person of our Company; and (iii) neither Hillhouse nor Boyu is accustomed to take instruction from our Company or any core connected person of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it, Shares held by Hillhouse and Boyu will be counted towards the public float after the Listing.

Each of Hillhouse and Boyu has agreed that, subject to customary carve outs, it will not, at any time during the period of six months following the Listing Date, dispose of any of its Shares.

Compliance with Interim Guidance

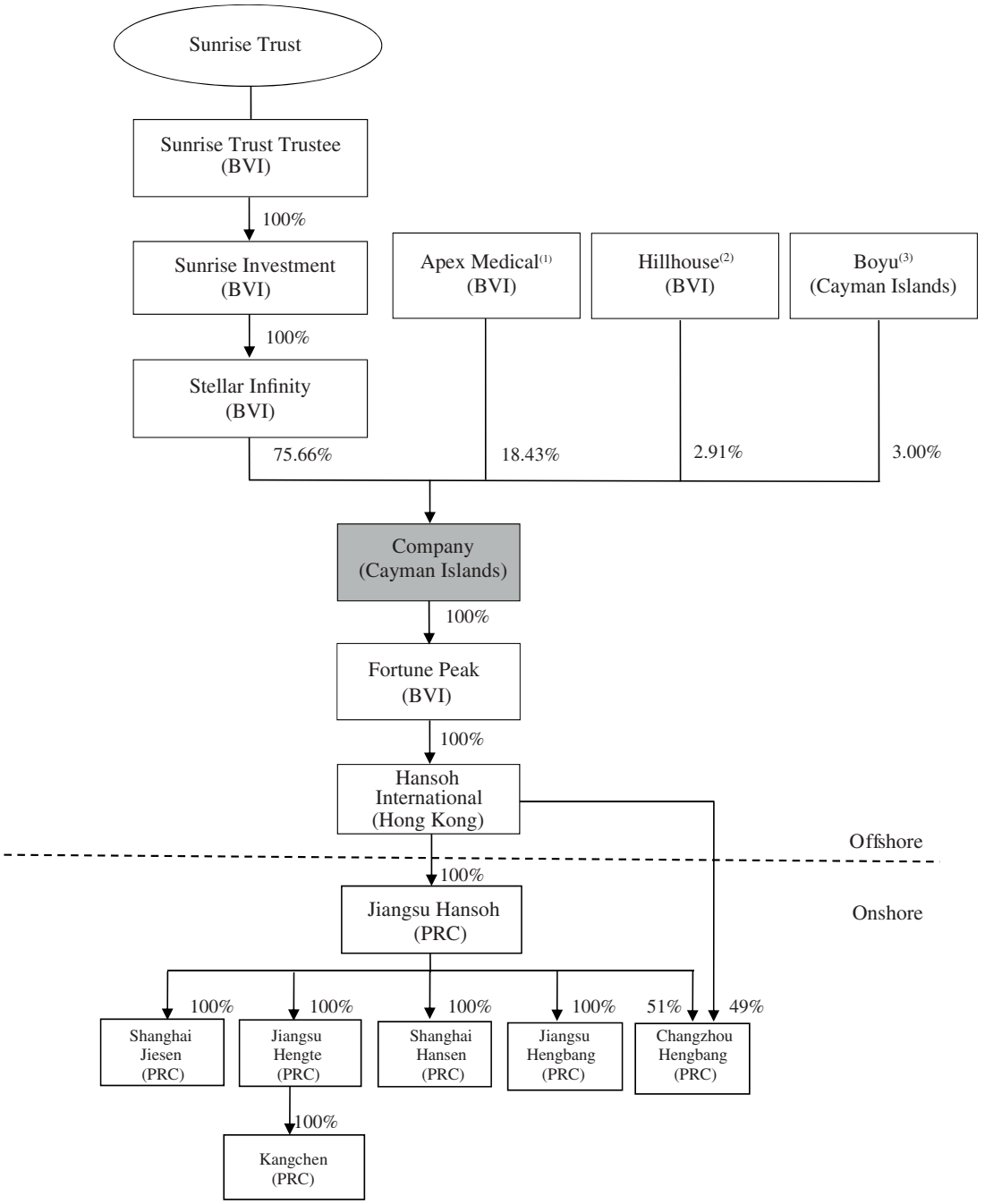
On the basis that (i) the consideration for the First Pre-IPO Investment was settled more than 28 clear days before the date of our first submission of the listing application form to the Listing Division of the Hong Kong Stock Exchange in relation to the Listing; (ii) the consideration for the Second Pre-IPO Investment was settled no less than 120 clear days before the Listing Date; and (iii) all the special rights granted to Hillhouse and Boyu as set out above will terminate upon Listing, the Joint Sponsors are not aware of any circumstances or incidences that could lead to their belief that the Pre-IPO Investments are not in compliance with the Interim Guidance on Pre-IPO Investments issued by the Hong Kong Stock Exchange on October 13, 2010, the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012.

THE CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 5,154,639,200 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions) by way of capitalization of the sum of HK$51,546.392 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the then existing issued Shares.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group after the Reorganization and immediately prior to the Global Offering:



Note:

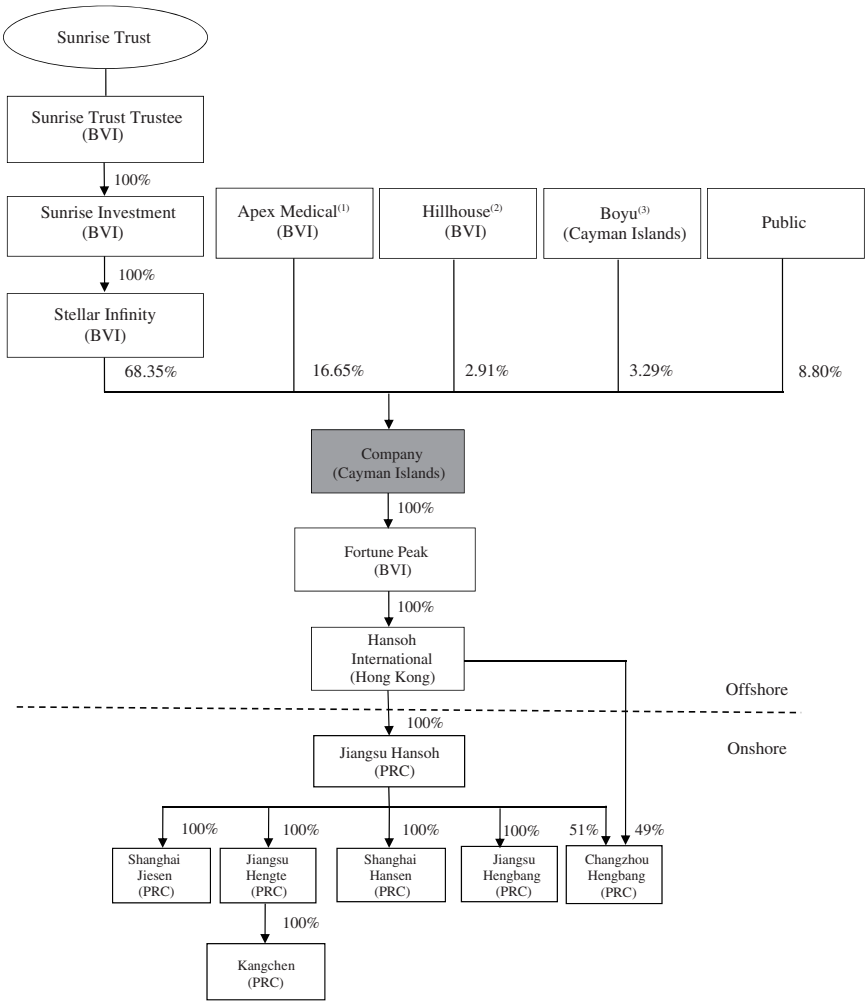
(1) Apex Medical is wholly-owned by Mr. Cen Junda.

(2) Hillhouse is a limited liability company incorporated under the laws of the BVI as an investment vehicle. As at the Latest Practicable Date, 50% of Hillhouse was held by Hillhouse Fund II, L.P. and Hillhouse Fund III, L.P., respectively. Hillhouse Capital acts as the management company of both Hillhouse Fund II, L.P. and Hillhouse Fund III, L.P..

(3) Boyu is an exempted company with limited liability incorporated under the laws of the Cayman Islands as an investment holding company. As at the Latest Practicable Date, Boyu was 100% owned by Boyu Capital Fund IV, L.P., the general partner of which is Boyu Capital General Partner IV, Ltd. Boyu Capital acts as the management company of Boyu Capital Fund IV, L.P..

OUR STRUCTURE AFTER THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group immediately following the completion of the Global Offering (assuming the Over-Allotment Option is not exercised):



Note:

(1) Apex Medical is wholly-owned by Mr. Cen Junda.

(2) Assuming Hillhouse will have converted all of its preference shares upon Listing and exercised its Anti-Dilution Right as set out in the section headed "— Pre-IPO Investments" of this prospectus, the shares held by Hillhouse are counted towards the public float.

(3) Assuming Boyu will have converted all of its preference shares upon Listing, exercised its Anti-Dilution Right and completed the Proposed Share Subscription as set out in the section headed "— Pre-IPO Investments" of this prospectus, the shares held by Boyu are counted towards the public float.

OVERVIEW

We are one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. We have a broad, diversified and leading drug portfolio in (i) CNS diseases, (ii) oncology, (iii) anti-infectives, and (iv) diabetes. We also focus on the gastrointestinal and cardiovascular therapeutic areas. Together, these six therapeutic areas accounted for 62.5% of the total sales revenue of pharmaceuticals in China in 2018, and grew faster than the Chinese pharmaceutical industry as a whole, which grew at 8.1% on average from 2014 to 2018. Please see "Industry Overview — Pharmaceutical Market in China by Therapeutic Areas" for more information on the historical and forecast growth rates of each of the six therapeutic areas.

Our diversified product portfolio includes eight main products with established market-leading positions and track record, which we refer to as our core products, and five other main products we launched more recently with strong growth potential. These thirteen main products accounted for 83.4%, 85.7%, and 89.5% of our revenue in 2016, 2017 and 2018, respectively. Most of these products are in the CNS disease, oncology, anti-infective and diabetes areas, which are the four therapeutic areas we strategically target. In addition, we have one main product in the gastrointestinal area. Among our main products, Mailingda is a Category 1.1 innovative drug, Oulanning, Ameining, Pulaile, Zefei, Xinwei, Xintai, Zetan, Hengjie, Hengsen, Fulaidi and Ruibote are first-to-market generic drugs, and Xinmei is a generic drug. Futhermore, we target to launch nearly 30 drug candidates from 2019 to 2020, including 15 drug candidates that we think have high growth potential, which comprise four candidates of Category 1.1 innovative drugs with NMEs and eight potential first-to-market generic drugs. As of the Latest Practicable Date, we launched four of these 15 drug candidates between December 2018 to May 2019, including one Category 1.1 innovative drug, polyethylene glycol loxenatide, launched in May 2019. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

We have a proven track record of over 20 years of R&D experience, as evidenced by our top-two ranking as of June 30, 2018 in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. We began development of Category 1.1 innovative drugs in 2002. As of the Latest Practicable Date, we are one of the few Chinese pharmaceutical companies that have successfully developed and marketed two Category 1.1 innovative drugs with NMEs, including our pipeline Category 1.1 innovative drug polyethylene glycol loxenatide, launched in May 2019. We have a pipeline of six Category 1.1 innovative drugs that have entered into Phase II clinical trials or more advanced stages of development, including four drug candidates which we expect to launch from 2019 to 2020 in multiple therapeutic areas, among which our polyethylene glycol loxenatide was launched in May 2019. Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, chemistry & manufacturing controls ("**CMC**") as well as clinical development, which enable our high efficiency in developing new drugs. We have developed various proprietary technologies, including a proprietary PEGylation technology, which we used to develop Category 1.1 innovative long-acting drugs. We also launched more than 30 first-to-market generic drugs as of the Latest Practicable Date. Our track record of successful commercialization has enabled us to continue to make significant investments into our R&D pipeline. Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments, including the consistency evaluation requirement imposed by the NMPA since 2016.

We market and sell our products through an effective in-house team of approximately 4,500 sales professionals as of December 31, 2018. Our patient-centric and clinical-data-driven academic promotion increases the knowledge and awareness of the clinical benefits of our products and enhances our brand awareness among doctors and other medical professionals. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas. We cover over 1,900 class III hospitals, 5,000 class II hospitals, and other medical institutions across China. In our key therapeutic areas, we cover substantially all provincial and municipal level oncology hospitals and provincial, municipal and county-level psychiatric hospitals across China.

We have established world-class facilities and a manufacturing quality management system that comply with the cGMP requirements in China, the United States and Japan. During the Track Record Period, we passed 16 official inspections or audits. Our advanced manufacturing quality management system is also critical for pursuing consistency evaluation approvals for our generic drugs.

Our large portfolio of marketed drugs has enabled us to achieve strong financial results. Our revenue was RMB5,433.0 million, RMB6,185.5 million and RMB7,722.3 million in 2016, 2017 and 2018, respectively, representing a year-on-year growth of 13.9% and 24.8%, respectively, from 2016 to 2018. Our net profit was RMB1,476.0 million, RMB1,595.5 million and RMB1,903.0 million in 2016, 2017 and 2018, respectively, representing year-on-year growth of 8.1% and 19.3%, respectively, from 2016 to 2018. For 2016, 2017 and 2018, our gross profit margin was 92.7%, 92.6% and 92.2%, respectively, and our net profit margin was 27.2%, 25.8% and 24.6%, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the foundation of our historical success, and we expect that they will enable us to enhance our leadership position in the rapidly-growing pharmaceutical industry in China.

One of the few R&D-driven Chinese pharmaceutical companies with a broad, diversified and leading drug portfolio in multiple large and fast-growing therapeutic areas

We are one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. We have established a broad, diversified and leading drug portfolio in (i) CNS diseases, (ii) oncology, (iii) anti-infectives, and (iv) diabetes. We also focus on gastrointestinal and cardiovascular therapeutic areas. Together, these six therapeutic areas accounted for 62.5% of the total sales revenue of pharmaceuticals in China in 2018, and grew faster than the average growth of the pharmaceutical industry in China from 2014 to 2018.

- ***Leading CNS disease drug portfolio***: According to Frost & Sullivan, we had a market share of 9.2% in the psychotropic drug market in China in 2018, and ranked first by sales revenue for five consecutive years since 2014. According to the same source, psychotropic drugs were the largest sub-category of CNS disease drugs in China in 2018, with sales revenue of approximately RMB22.9 billion.

- ***Leading oncology drug portfolio***: According to Frost & Sullivan, we ranked fifth by sales revenue in the oncology drug market in China in 2018 with a market share of 2.5%. According to the same source, the sales revenue of oncology products in China was approximately RMB157.5 billion in 2018. Oncology products constituted the fifth largest therapeutic area in China in 2018 and represented 10.3% of the entire Chinese pharmaceutical market in the same year.

- ***Leading anti-infectives drug portfolio***: According to Frost & Sullivan, the market for antibiotics targeting anti-Gram-positive multi-drug resistant bacteria, a new generation anti-infective therapy, reached RMB6.0 billion in 2018 with a CAGR of 18.5% from 2014 to 2018, much faster than the growth of the overall anti-infectives market in the same period. According to the same source, we ranked third in the anti-Gram-positive multi-drug resistant bacteria antibiotics drug market in China in 2018 based on sales revenue, with a market share of 14.1%.

- ***Leading diabetes drug portfolio***: According to Frost & Sullivan, the market size of oral antidiabetic drugs based on sales revenue was approximately RMB30.2 billion in 2018 and accounted for 52.8% of the total antidiabetic drug market in the same year by sales revenue. According to the same source, we ranked sixth among Chinese pharmaceutical companies in 2018 by sales revenue of oral antidiabetic drugs.

Superior R&D capabilities as evidenced by our top-two ranking in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011

We have a proven track record of over 20 years of R&D experience as evidenced by our consistent top-two ranking as of June 30, 2018 in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. Our in-house R&D capabilities have resulted in a large portfolio of marketed drugs, including two Category 1.1 innovative drugs and more than 30 first-to-market generic drugs and a robust pipeline of candidates in different stages of development. We have developed a significant competitive advantage with our fully-integrated drug discovery and development process. Our track record of successful commercialization has enabled us to continue making significant investments into our R&D pipeline.

We began developing Category 1.1 innovative drugs in 2002. As of the Latest Practicable Date, we are one of the few Chinese pharmaceutical companies that have successfully developed and marketed two Category 1.1 innovative drugs with NMEs. Mailingda, our Category 1.1 innovative drug that we started to develop in 2002 and launched in 2014, was the ninth NME compound developed and marketed by a Chinese pharmaceutical company. In addition, we have a pipeline of six Category 1.1 innovative drug candidates that have entered into Phase II clinical trials or more advanced stages of development, four of which we expect to launch from 2019 to 2020. This pipeline includes polyethylene glycol loxenatide, a long-acting Category 1.1 innovative drug indicated for the treatment of Type-II diabetes. We obtained the NDA approval for our polyethylene glycol loxenatide in May 2019. We also have flumatinib mesylate, a Category 1.1 innovative drug targeting Bcr-Abl. Our pipeline also includes HS-10234, a Category 1.1 innovative drug indicated for the treatment of hepatitis B as well as HS-10296, a Category 1.1 innovative oncology drug indicated for the treatment of NSCLC. In April 2019, we completed NDA submission of HS-10296. For further information, please see "— Our Products under Development."

We have developed various proprietary technologies, including a proprietary PEGylation technology, which we use to develop Category 1.1 innovative long-acting drugs, such as our Category 1.1 innovative drug candidate plyethylene glycol loxenatide, launched in May 2019. Compared with drugs of the same category without long-acting features, some key advantages of our long-acting drugs are their enhanced efficacy, lower toxicity, reduced administration frequency and superior medication compliance. This combination of benefits results in significant commercial potential for long-acting drugs.

Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments. For example, regulatory authorities in China are currently conducting consistency evaluations for currently marketed generic drugs. We expect that generic drugs that have passed consistency evaluations are at an advantage in areas such as medical insurance coverage and tendering and procurement for medical institutions. Oulanning, Xinwei and Fulaidi are the first generics of olanzapine, imatinib mesylate and repaglinide, respectively, that have passed the consistency evaluation. We are currently pursuing consistency evaluation approvals for nearly 20 of our other generic drug products, including all of our main generic drugs.

We have one of the largest research and development teams among Chinese pharmaceutical companies. As of December 31, 2018, our dedicated professional R&D team consisted of approximately 1,200 researchers working in two facilities in Shanghai and Lianyungang. We have several national-level research and development designations, including the National Technology Center, Post-doctoral Research Station and Key National Laboratory. We are committed to investment into research and development, with a total of RMB1,859.9 million of R&D expense during the Track Record Period, representing approximately 9.6% of our total revenue during the Track Record Period. This is substantially higher than the industry average in China of approximately 2.1%. Our R&D expenses dedicated to innovative drugs have increased from 36.0% in 2016 to 53.2% in 2018 in total R&D expenses.

As a result of our strong R&D capabilities, we have developed and currently hold 119 main patents in total in China as of the Latest Practicable Date, including 10 compound patents. We also have 107 main patent applications currently under review.

Strong portfolio of marketed drugs and pipeline drugs targeting six therapeutic areas with significant unmet clinical needs

Our portfolio of marketed drugs and pipeline of drug candidates focus on the six therapeutic areas with significant unmet clinical needs. Our main products include eight core products with established market-leading positions covering multiple therapeutic areas and five drugs with strong growth potential. Aside from one Category 1.1 innovative drug, our main products mostly comprise first-to-market generic drugs. Compared to other generic drugs, first-to-market generic drugs have higher technical barriers and enjoy first-mover advantages. Our key R&D pipeline includes 15 products under development with high growth potential that we expect to launch from 2019 to 2020, including one Category 1.1 drug, polyethylene glycol loxenatide, launched in May 2019. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

CNS diseases. According to Frost & Sullivan, the treatment rate for psychiatric diseases in China is extremely low, with only approximately 8% of patients receiving pharmaceutical treatment in 2018, compared to 45% in the U.S. during the same period. Enhanced public awareness and better education are expected to result in continued and fast growth of this market segment.

Our psychotropics product portfolio primarily includes our core product, Oulanning, and another main product with strong growth potential, Ameining. Our key CNS disease drug candidates which we expect to launch from 2019 to 2020 include potential first-to-market generics of lurasidone hydrochloride and paliperidone.

- Oulanning is the first-to-market generic of olanzapine in China launched in 2001 and the first drug to pass the consistency evaluation. According to Frost & Sullivan, the sales revenue of olanzapine drugs in China was approximately RMB3.0 billion in 2018, and grew at a CAGR of 12.0% from 2014 to 2018. 42.8% of all schizophrenia patients treated with psychotropic drugs in China were treated with olanzapine in 2018. Oulanning has been the best-selling olanzapine brand in China based on sales revenue since 2010, with a market share of approximately 67.4% in 2018. Oulanning was approved for the treatment of bipolar affective disorder in 2015. The increasing awareness of such diseases and improving education among doctors and patients will further drive the market potential of Oulanning.

- Ameining is the first-to-market generic of agomelatine in China launched in 2014 and the only generic agomelatine currently sold in China. Ameining is a serotonin 2C (S-HTx) receptor antagonist and melatonin receptor agonist indicated for the treatment of depression in adults.

Oncology. The incidence of cancer has one of the highest growth rates among diseases in China. The gradual improvement in both the early diagnosis rate of cancer and the medical insurance reimbursement level for cancer, coupled with the extended survival time of patients, will continue to drive the demand for cancer drugs in the future. We focus on high incidence solid tumors such as lung cancer and breast cancer, as well as cancers with relatively few treatment options, such as hematological cancers.

Our oncology product portfolio comprises primarily our core products, Pulaile, Zefei, Xinwei and Xinmei, and another main product with strong growth potential, Xintai. Key oncology drug candidates include Category 1.1 innovative drugs HS-10296 and flumatinib mesylate, a potential first-to-market generic of fulvestrant and a generic of lenalidomide.

- Pulaile is the first-to-market generic of pemetrexed disodium in China launched in 2005, which is indicated as a first-line treatment for non-small cell lung cancer and malignant pleural mesothelioma. According to Frost & Sullivan, the sales revenue of pemetrexed disodium drugs in China was approximately RMB3.5 billion in 2018. Pulaile has been the best-selling pemetrexed disodium drug in China since 2011 based on sales revenue, accounting for approximately 46.2% of the market in 2018. Pulaile was included in the NRDL in February 2017. The extended survival time of patients will continue to drive the demand for medication and further increase the growth potential of Pulaile.

- Xinwei is the first-to-market generic of imatinib mesylate in China launched in 2013, which is indicated for the targeted treatment of chronic myelogenous leukemia and gastrointestinal stromal tumors. In May 2018, Xinwei was the first generic of imatinib mesylate to pass the consistency evaluation in China. According to Frost & Sullivan, the sales revenue of imatinib mesylate drugs in China was approximately RMB3.0 billion in 2018. In terms of sales volume, Xinwei has been the best-selling imatinib mesylate drug in China since 2015 and in terms of sales revenue, Xinwei has been the second best-selling imatinib mesylate drug in China since 2013. Xinwei was included in the NRDL in February 2017, which will further increase its growth potential.

- Flumatinib mesylate is our self-developed Category 1.1 innovative oncology drug candidate. Flumatinib mesylate is as a second-generation TKI targeting Bcr-Abl. We submitted an NDA for flumatinib mesylate in July 2018, which is under NMPA review. According to Frost & Sullivan, the sales revenue of chronic myelogenous leukemia medications was RMB4.6 billion in China in 2018.

- HS-10296 is our self-developed Category 1.1 innovative oncology drug candidate used for the treatment of NSCLC and is a third-generation TKI targeting EGFR-T790M mutation. In April 2019, we completed NDA submission of HS-10296. According to Frost & Sullivan, the sales revenue of drugs targeting EGFR was RMB6.2 billion in China in 2018.

Anti-infectives. The increasing resistance of pathogens to anti-infective drugs has become an urgent public health problem that must be addressed through more cautious use of such drugs and new anti-infective drugs. Anti-infective drug innovation and evolving drug resistance are expected to drive the market growth of new generation anti-infective therapies for the treatment of multi-drug resistant pathogens.

Our anti-infective product portfolio primarily includes our core product, Zetan, and other main products with strong growth potential, Mailingda, Hengjie, and Hengsen. Our Category 1.1 innovative drug HS-10234 is our key anti-infective drug candidate.

- Zetan is the first-to-market generic of tigecycline in China launched in 2012, and indicated for the treatment of complex and serious infections caused by several bacteria that are resistant to other antibiotics, especially acinetobacter baumannii. According to Frost & Sullivan, Zetan was the best-selling tigecycline brand by sales volume in 2018 and the second best-selling tigecycline brand in terms of sales revenue in China in 2018.

- Mailingda is our self-developed Category 1.1 innovative drug launched in 2014. It is the latest generation nitroimidazole-class antibiotic indicated for the treatment of pelvic inflammation, gangrenous appendicitis and suppurative appendicitis caused by certain bacteria. Our clinical trials have shown that morinidazole has a better safety profile than the previous generation nitroimidazole named ornidazole. Mailingda was included in the NRDL in July 2017 through the national medical insurance negotiation process, which is expected to boost its growth potential.

- HS-10234 is our self-developed Category 1.1 innovative anti-infective drug candidate used for the treatment of hepatitis B. HS-10234 is currently in Phase III clinical trials. According to Frost & Sullivan, the sales revenue of anti-virals for hepatitis B was RMB51.0 billion in China in 2018.

Diabetes. According to Frost & Sullivan, there were approximately 63.4 million patients diagnosed with diabetes in China in 2018, including approximately 3.7 million newly diagnosed patients in 2018.

Our diabetes product portfolio primarily includes our core product Fulaidi. Our key diabetes drug candidates include Category 1.1 innovative drug polyethylene glycol loxenatide, for which we obtained NDA approval from NMPA in May 2019, and our first-to-market generic of vildagliptin, for which we recently obtained NDA approval from the NMPA in March 2019. Our key diabetes drug candidate also includes generic drug canagliflozin which has first-to-market potential.

- Fulaidi is the first-to-market generic of repaglinide in China launched in 2000 and indicated for the treatment of type-II diabetes. In December 2018, Fulaidi became the first generic

repaglinide to pass the consistency evaluation in China. According to Frost & Sullivan, the sales revenue of repaglinide drugs in China was approximately RMB2.3 billion in 2018, and Fulaidi was the second best-selling repaglinide brand by sales revenue, with a market share of approximately 21.2% in 2018.

- Polyethylene glycol loxenatide is our self-developed Category 1.1 innovative long-acting diabetes drug candidate indicated for the treatment of type-II diabetes. Different from substantially all drugs marketed in China targeting GLP-1, which require daily injection, patients using our polyethylene glycol loxenatide require only one weekly injection. We obtained the NDA approval for polyethylene glycol loxenatide from the NMPA in May 2019.

Gastrointestinal. Antacids, anti-flatulents and anti-ulcerants drugs accounted for 49.2% of the gastrointestinal market in China in 2018. Most anti-acids and anti-ulcerants drugs, including the top five, are proton-pump inhibitors (PPIs).

Our gastrointestinal product portfolio primarily includes our core product Ruibote. Our key gastrointestinal drug candidates include our first-to-market generic of prucalopride, for which we recently obtained the NDA approval from the NMPA in December 2018, and dexlansoprazole, which has first-to-market potential.

- Ruibote is the first-to-market generic of rabeprazole sodium in China launched in 2002, a third-generation proton pump inhibitor indicated for the treatment of certain duodenal ulcers, gastric ulcer and certain gastroesophageal reflux diseases. According to Frost & Sullivan, the sales revenue of rabeprazole sodium drugs in China was approximately RMB4.1 billion in 2018, and Ruibote was the second best-selling rabeprazole sodium brand based on sales revenue, with a market share of approximately 11.7% in 2018.

Cardiovascular. As a result of factors such as lack of medical insurance coverage, anticoagulant drugs in China are still dominated by traditional warfarin, and new anticoagulant drugs with better safety profile, such as apixaban and rivaroxaban, accounted for only 11.4% of the new anticoagulant factors market in 2018, compared to 76.0% in the United States in the same period. In 2017, new anticoagulant drugs such as apixaban and rivaroxaban were included in NRDL, which is expected to drive their growth. Our key cardiovascular drug candidates include the first-to-market generic of apixaban, and generic drugs rivaroxaban and dabigatran etexilate.

Effective in-house sales force with therapeutic area focus and strong academic promotion capabilities

We market and sell our products through an effective in-house sales force of approximately 4,500 sales professionals as of December 31, 2018. Our patient-centric and clinical-data-driven academic promotion increases the knowledge and awareness of the clinical benefits of our products and

enhances our brand awareness among doctors and other medical professionals. Please refer to "— Sales, Marketing and Distribution—Sales and Marketing" for more details on our academic promotion efforts. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas. We cover approximately 1,900 class III hospitals and approximately 5,000 class II hospitals and other medical institutions across China. In our key therapeutic areas, we provide substantially full coverage to provincial and municipal level oncology hospitals and provincial, municipal and county-level psychiatric hospitals across China.

Our in-house sales model ensures that our sales and marketing strategies are considered during the research and development phase of our drug candidates' product life cycle. At the inception of an R&D project, multiple departments closely cooperate and actively communicate with KOLs. During the clinical development stage, we thoroughly analyze the direction of our academic promotion efforts and generate clinical evidence to support future marketing efforts. Once a product has been launched, our sales team continues to gather timely feedbacks from doctors and patients to maximize product potential and optimize R&D strategies.

U.S. FDA-certified manufacturing quality management system enabling us to export injectable pharmaceuticals to developed markets

We have established world-class production facilities and a manufacturing quality management system that comply with the cGMP requirements of China, the United States, and Japan and enable us to produce high quality drugs consistently and efficiently. We have received U.S. FDA approval for our oncology injectable products in the United States, including our core product Zefei. We have also received Japanese PMDA certification for our core product Pulaile in 2016. In addition, we have passed the U.S. FDA on-site inspection for our core products Pulaile and Oulanning. As of December 31, 2018, we passed 16 official inspections or audits.

Our world-class production facilities and manufacturing quality management system are built on the philosophy of "Quality-by-Design" and involve staff from multiple departments in the entire product development process in order to continuously drive quality improvements and ensure quality control of the whole life cycle of our drugs. Our advanced manufacturing quality management system is also critical for pursuing consistency evaluation approvals.

A visionary management team with deep insights into the industry and a strong sense of mission

Our core management team has extensive pharmaceutical industry experience, a strong track record, and proven execution capabilities. The management team has in-depth knowledge and extensive experience at all levels of the pharmaceutical industry value chain and they possess an average of more than 20 years of pharmaceutical industry-related experience ranging from R&D to manufacturing to sales and marketing.

Ms. Zhong, our founder and Chairlady, has more than 25 years of experience in the PRC pharmaceutical industry with substantial experience in pharmaceutical enterprise operation and management, as well as extensive industry knowledge on the development and expansion of our oncology and psychotropics drug portfolio in their respective therapeutic areas. Ms. Zhong has received numerous prestigious awards and recognitions, including "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2014. She received State Council Special Allowance in February 2013. Mr. Lyu, our executive director, has more than 20 years of technical and management experience in R&D and product quality control system in the pharmaceutical industry. Mr. Lyu has obtained numerous prestigious awards, including "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2013 and 2014.

Members of our senior management team have served our Company for an average of 15 years and have a strong sense of mission in contributing to the well-being of humanity. Our management team has established a proven track record in identifying market needs, executing business strategies, and building leading positions in multiple therapeutic areas. We are confident that the skills and experience of our management team, as well as their industry expertise and strong execution capability, will enable us to become a world-renowned pharmaceutical company.

OUR STRATEGIES

We aim to extend market leadership in our focused therapeutic areas in China. Over the long term, our objective is to become a global innovative pharmaceutical company and address significant unmet clinical needs. To achieve these goals, we intend to pursue the following strategies:

Strengthen research and development of our innovative drug candidates

We intend to continue investing in our in-house R&D of innovative drugs to support the organic growth of our product portfolio. Our R&D of innovative drugs will continue to focus on areas where there is substantial unmet medical need and where we already have a strong product portfolio and extensive R&D experience. We expect to add four key Category 1.1 innovative drugs to our portfolio from 2019 to 2020, including our pipeline Category 1.1 drug polyethylene glycol loxenatide, launched in May 2019. We expect these drugs to further enhance our product portfolio and market penetration in the relevant therapeutic areas.

We intend to increase our investment in drug discovery capabilities, including the design and development of new chemical entities, particularly those with significant potential for commercialization in China and globally.

We will also strengthen our international clinical development capabilities. We will continue to invest in cutting-edge translational medicine and clinical development to better understand and address drug targets and unmet medical needs. We will also further strengthen our collaboration with domestic and international clinical development experts and institutions to continually improve our innovative drug R&D capabilities.

Continue to strengthen our first-to-market generic drug portfolio

We intend to develop more first-to-market generic drugs to maintain and strengthen our leadership in our core therapeutic areas. With our strong R&D capabilities and in-depth understanding of clinical demand, we believe that we are able to continue to bring to market high-quality generic drugs swiftly to benefit a vast population of patients. From 2019 to 2020, we expect to launch over 11 key generic drugs and eight of them have the potential to be first-to-market generic drugs. This will further enhance our market share in our key therapeutic areas and improve the competitiveness and diversification of our product portfolio.

Among our main products, Oulanning, Xinwei and Fulaidi are the first generics of olanzapine, imatinib mesylate and repaglinide, respectively, that have passed the consistency evaluation in 2018 and we have nearly 20 other products that are currently undergoing this process. We strive to ensure each product will be among the first of their respective molecules to pass the consistency evaluation, thus maintaining our market leadership.

We also intend to enrich and diversify our product portfolio through our research and development of new drug delivery technologies, including long-acting and sustained-release drug delivery technologies.

Continue to optimize our integrated and specialized academic sales and marketing system

We are committed to sales and marketing through a highly specialized in-house sales network. We will continue to expand and empower our in-house sales team to support the launches of 15 key R&D pipeline candidates with high growth potential from 2019 to 2020, and deepen our market penetration, in particular in our six main therapeutic areas. We will also continue to enhance our academic promotion efforts, including academic partnerships with large hospitals to increase public awareness of our drugs and our brand. In addition, in response to China's efforts to develop a tiered diagnosis and treatment system, we will further expand our marketing channels and increase our coverage of hospitals at the community or county level.

We will continue to leverage our integrated ecosystem of research, production and sales to enhance our R&D-driven marketing efforts, as well as provide systematic professional training to our sales team to improve their knowledge of our new products and their academic promotion abilities.

In addition, we will continue to build our global distribution network through third-party agents and local distributors in the importing markets, enhance our overseas sales capabilities, in particular in developed markets such as the United States, the EU and Japan, in order to lay a strong foundation for future market penetration and establish "Hansoh" as a global brand.

Maintain world-class facilities and manufacturing quality management system

We are committed to continuously improve our world-class facilities and manufacturing quality management system. We will continue to design and establish our manufacturing facilities and production lines in accordance with international standards, and invest in state-of-the-art manufacturing equipment. Our manufacturing systems have obtained cGMP certifications from the U.S. FDA and the Japanese PMDA, and we plan to leverage our strong track record and experience to obtain additional quality system certifications and adopt advanced standards for entries into overseas markets. Furthermore, we plan to build new facilities, upgrade our existing production lines, and enhance automated manufacturing, to support product launches and the overall efficient growth of our business.

Train and recruit high-caliber talent

We believe that a high quality management and execution team is key to our success and market leadership. Training and recruiting high-caliber talent both in China and overseas is key to maintaining our competitiveness in a rapidly evolving industry. To that end, we will continue to adopt the following initiatives:

- **Recruitment of high-caliber talent.** Continue to attract and retain highly skilled talent in key business areas, in particular talent with expertise and experience in international multi-center clinical trials to execute our R&D strategies. Continue to partner with elite academic institutions in China to provide opportunities for highly talented students and graduates.

- **Talent cultivation.** Continue to strengthen our high-caliber and highly-skilled talent pool through the integration of external recruitment and internal training with an emphasis on continuous self-learning and self-improvement.

- **Incentives.** Enhance our incentive schemes to provide qualified employees with equity participation and promotion opportunities, offer competitive compensation packages, in particular, to our sales and marketing team and R&D staff, and improve employee performance reviews.

Expand our business and product portfolio through selective acquisitions and strategic investments

We intend to expand our business through selective acquisitions of, or strategic investments in, pharmaceutical manufacturing or research companies. We are primarily interested in companies with product portfolios, R&D capabilities, and sales and marketing capabilities that are complementary to ours. We believe this approach will enable us to leverage our sales and marketing structure and realize operational synergies.

We believe our existing experience, capabilities, resources, and industry relationships will not only help us screen and identify suitable targets, but also make us a desirable acquirer and partner in the market. Furthermore, we believe that our strong business execution capabilities will help us effectively integrate the acquired business into our existing platforms and achieve synergies in R&D, production, and sales and marketing.

Furthermore, we will selectively pursue opportunities to in-license international blockbuster drugs, in particular those targeting therapeutic areas or conditions with significant unmet clinical demand as well as those that fall into our main therapeutic areas, or out-license our drugs to boost our R&D capabilities, product portfolio and international brand awareness.

OUR PRODUCTS

We primarily market and sell thirteen main products, which accounted for 83.4%, 85.7%, and 89.5% of our revenue in 2016, 2017, and 2018, respectively. Most of our main products are in the CNS diseases, oncology, anti-infective and diabetes areas, the four therapeutic areas we strategically target. In 2017, our sales of CNS diseases, oncology, anti-infective and diabetes pharmaceuticals accounted for 27.2%, 39.5%, 15.9%, and 7.8% of our revenue, respectively. In 2018, sales from CNS diseases, oncology, anti-infectives and diabetes pharmaceuticals accounted for 25.1%, 45.6%, 16.5% and 5.7% of our revenue, respectively. In addition, we have one main product in the gastrointestinal area. Among our main products, Mailingda is our Category 1.1 innovative drug, Oulanning, Ameining, Pulaile, Zefei, Xinwei, Xintai, Zetan, Hengjie, Hengsen, Fulaidi and Ruibote are first-to-market generic drugs, and Xinmei is a generic drug.

The following table sets forth selected information relating to our main products as of the Latest Practicable Date:

Therapeutic area	Main product+	Classification	Time of approval for sales in China	Status of consistency evaluation***	Time of inclusion in NRDL****
CNS diseases	Oulanning (olanzapine tablets)*†	First-to-market generic drug	2001	Passed in May 2018	2004
	Ameining (agomelatine tablets)	First-to-market generic drug	2014	Preparing for application	2017
Oncology	Pulaile (pemetrexed disodium for injection)*	First-to-market generic drug	2005	Application filed	2017
	Zefei (gemcitabine hydro chloride for injection)*	First-to-market generic drug	2001	Application filed	2004
	Xinwei (imatinib mesylate tablets)*†	First-to-market generic drug	2013	Passed in May 2018	2017
	Xinmei (decitabine for injection)*	Generic drug	2013	Application filed	2017
	Xintai (bortezomib for injection)	First-to-market generic drug	2017	Application filed	2017
Anti-infectives	Mailingda (morinidazole sodium chloride injection)	Category 1.1 innovative drug	2014	N/A	2017
	Zetan (tigecycline for injection)*	First-to-market generic drug	2012	Application filed	2017
	Hengjie (linezolid glucose injection)	First-to-market generic drug	2015	Application filed	2009**
	Hengsen (micafungin sodium for injection)	First-to-market generic drug	2018	Preparing for application	2009**
Diabetes	Fulaidi (repaglinide tablets)*	First-to-market generic drug	2000	Passed in December 2018	2004
Gastrointestinal	Ruibote (rabeprazole sodium enteric-coated tablets)*	First-to-market generic drug	2002	Preparing for application	2004

* indicates a core product

** Linezolid and micafungin were included in the NRDL in 2009. Under PRC law, any generic drug that has the same dosage form and main chemical name with the generic name included in the NRDL will be automatically included in the NRDL. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products" for more information.

*** Our generic drugs which had obtained approval for marketing prior to December 31, 2018, which include all generic drugs in our main products, are required to undergo and pass the consistency evaluation pursuant to the relevant PRC regulations. All generic drugs in our main products shall complete the consistency evaluation within three years from the respective date the first generic drug of the same variety (e.g., of the same generic name, dosage form, specification and indication) has passed the consistency evaluation. We may apply for an extension with the NMPA's local counterpart if we have assessed and considered relevant generic drugs are of limited market availability and have unmet clinical demand, and the NMPA's local counterpart may grant the appropriate extention after evaluation and consultation with relevant public health administration authorities. For more information, please refer to "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — The Quality and Efficacy Consistency Evaluation and The Bioequivalence Test of Generic Drugs — The Quality and Efficacy Consistency Evaluation of Generic Drugs". As of the Latest Practicable Date, other than olanzapine, imatinib and repaglinide, with respect to which we were the first to pass the consistency evaluation, none of the generic drugs of the same variety (e.g., of the same generic name, dosage form, specification and indication) as our respective main products had passed the consistency evaluation.

**** All our 13 main products are Category B drugs under the NRDL. Patients purchasing Category B drugs are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentages of reimbursement for Category B drugs differ from region to region in the PRC. Please refer to "PRC Laws and Regulations In Relation to the National Medical Insurance and Price of Pharmaceutical Products — National Basic Medical Insurance, Industrial Injury Insurance and Maternity Insurance Drug Catalogue" for more information.

+ None of these main products were included in the National Essential Drugs List (2012 Edition), while Oulanning, Pulaile, Zefei, Xinwei and Fulaidi have been subsequently included in the National Essential Drugs List (2018 Edition).

† As of the Latest Practicable Date, we won the bid to supply two of our first-to-market generics, Oulanning (olanzapine tablets) and Xinwei (imatinib mesylate tablets) to public medical institutions in "4+7" cities under the national pilot scheme for drugs centralized tendering with minimum procurement quantities. We agreed to supply our olanzapine tablets with a minimum quantity of 19,390,950 tablets (calculated at the specification of 10mg per tablet) in the "4+7" cities at a discount of 27.2% per unit. We agreed to supply our imatinib mesylate tablets with a minimum quantity of 2,536,600 tablets in the "4+7" cities at a discount of 26.0% per unit. Furthermore, there are uncertainties with respect to future drug coverage of this national pilot scheme. As a result, there can be no assurance that we may have additional drugs added to this national pilot scheme in the future. For more information, please refer to "Risk Factors — Risks Relating to our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease", "— We are subject to changing legal and regulatory requirements in the PRC pharmaceutical industry, and new laws, rules and regulations may adversely affect our profitability or impose additional compliance burdens on us", and "Regulatory Overview — PRC Laws and Regulations in Relation to the National Insurance and Price of Pharmaceutical Products — The Drug Centralized Procurement in '4+7 Cities'."

CNS Disease Products

According to Frost & Sullivan, we were China's largest psychotropic pharmaceutical company in terms of sales revenue in 2018, with a 9.2% market share. According to the same source, we have consistently been ranked first in China in terms of sales revenue of psychotropic drugs for five consecutive years since 2014. We currently market and sell four CNS disease drugs, including two main products: Oulanning, our core product, and Ameining, our main product with strong growth potential. In 2016, 2017 and 2018, our revenue from sales of CNS disease drugs was RMB1,473.3 million, RMB1,681.7 million and RMB1,941.5 million, respectively, representing a CAGR of 14.8% from 2016 to 2018. According to Frost & Sullivan, psychotropic drugs are the largest sub-category of CNS disease drugs in China in 2018, representing 11.6% of the CNS disease drug market based on sales revenue, totaling RMB22.9 billion, representing a CAGR of 12.8% from 2014 to 2018, and is expected to increase to RMB47.2 billion in 2023. According to the same source, the treatment rate — an indicator calculated by dividing the number of psychiatric diseases patients receiving any treatment regime by the total number of psychiatric diseases patients — for psychiatric diseases in China is extremely low, with a treatment rate of 8.0% in 2018, compared to 45.0% in the United States for the same period. Enhanced public awareness and better education are expected to result in continued and fast growth of this market segment according to Frost & Sullivan.

Oulanning (olanzapine tablets) 歐蘭寧® (奧氮平片)

First to pass consistency evaluation in China, first-to-market generic drug, national medical insurance, second prize for the Advancement of Science and Technology Award, National Science and Technology Major Project

Oulanning is the first-to-market generic of olanzapine in China, indicated for treatment of schizophrenia, mania and bipolar affective disorder, typically prescribed for long-term use.

Oulanning was approved by the NMPA for sale in China in 2001 and included in the NRDL in 2004. In 2015, we obtained approval from the NMPA to expand the indications for Oulanning to include the treatment of bipolar affective disorder. In May 2018, Oulanning was the first generic olanzapine to pass the consistency evaluation in China. In December 2016, the U.S. FDA conducted the on-site inspection of Oulanning.

Sales of Oulanning accounted for 25.8% and 23.1% of our total revenue in 2017 and 2018, respectively. Our revenue from sales of Oulanning increased at a rate of 13.1% from 2016 to 2017, and increased at a rate of 11.7% from 2017 to 2018. We believe the high quality of Oulanning has contributed to its substantially fast sales growth over the past ten years since its launch.

According to Frost & Sullivan, the sales revenue of olanzapine drugs in China was approximately RMB3.0 billion in 2018, and grew at a CAGR of 12.0% from 2014 to 2018. According to the same source, olanzapine is the second generation treatment of schizophrenia and, in comparison with first generation treatment options for schizophrenia, olanzapine is indicated for a wider range of indications. Olanzapine also has faster control of acute symptoms and the occurrence rate of extrapyramidal reactions is either small or insignificant. According to Frost & Sullivan, Oulanning has been the best-selling olanzapine brand in China based on sales revenue since 2010, with a market share of approximately 67.4% in 2018. See "Industry Overview" for details of the competitive landscape of olanzapine drugs in China. Only 42.8% of all schizophrenia patients were treated with olanzapine in 2018, representing a significant market potential. Oulanning indicated for the treatment of bipolar affective disorder was approved in 2015. The increasing awareness of such diseases and improving education among doctors and patients will further drive the market potential of Oulanning.

Oulanning has received many awards and recognitions, including: second prize for the Advancement of Science and Technology Award by the State Council in 2014; National Key New Product by the Ministry of Science and Technology in China in 2010; inclusion in the National Torch Program by the PRC Ministry of Science and Technology in 2013; designated a National Science and Technology Major Project in the "Significant New Drug Development" category by the PRC Ministry of Science and Technology in 2013; First Prize for the Advancement of Science and Technology (全國工商聯科技進步一等獎) by the All-China Federation of Industry & Commerce (中華全國工商業聯合會) in 2013.

We hold three patents on the preparation methods of the active pharmaceutical ingredients of Oulanning with expiry dates ranging from 2031 to 2032. We also hold one patent on the formulation of Oulanning that is valid until 2033.

Ameining (agomelatine tablets) 阿美寧® (阿戈美拉汀片)

First-to-market generic drug, national medical insurance.

Ameining is the first-to-market generic of agomelatine in China and the only generic agomelatine currently approved for sales in China. Ameining is a serotonin 2C (S-HTx) receptor antagonist and melatonin receptor agonist and is indicated for the treatment of depression in adults. It introduces a new option for depression treatment as it works using a mechanism different from other common antidepressants.

Ameining was first approved by the NMPA for sales in China in 2014 and included in the NRDL in February 2017. As of the Latest Practicable Date, we were preparing for the application of Ameining for the consistency evaluation.

Ameining was the best-selling agomelatine brand in China based on sales revenue in 2018.

According to Frost & Sullivan, the prevalence rate of depression in China in 2018 was 2.1%, thereby representing significant further growth potential for Ameining.

Oncology Products

We were the fifth largest oncology pharmaceutical company in China based on sales revenue in 2018, with a 2.5% market share, according to Frost & Sullivan. We primarily focus on drugs for the treatment of solid tumors with high incidence such as lung cancer and breast cancer as well as hematological cancer for which treatment options are relatively limited. We currently market and sell seven oncology drugs, including five main products: our core products, Pulaile, Zefei, Xinwei and Xinmei, and our main product with strong growth potential, Xintai. In 2016, 2017 and 2018, our revenue from sales of oncology drugs was RMB2,026.9 million, RMB2,443.7 million and RMB3,518.2 million, respectively, representing a CAGR of 31.7% from 2016 to 2018. The incidence of cancer has one of the highest growth rates among diseases in China. According to Frost & Sullivan, the sales revenue of oncology drugs in China was approximately RMB157.5 billion in 2018, representing a CAGR of 12.8% from 2014 to 2018. The gradual improvement in both the early diagnosis rate of cancer and the medical insurance reimbursement level for cancer, coupled with increasing survival time of patients will continue to drive the demand for cancer drugs in the future.

Pulaile (pemetrexed disodium for injection)普來樂® (注射用培美曲塞二鈉)

First-to-market generic drug, national medical insurance, Japanese PMDA certification, National Science and Technology Major Project.

Pulaile is the first-to-market generic of pemetrexed disodium in China, which is indicated for the first-line treatment of non-small cell lung cancer and malignant pleural mesothelioma.

Pulaile was approved by the NMPA for sales in China in 2005 and approved by the Japanese PMDA in 2016. The U.S. FDA conducted the on-site inspection of Pulaile in December, 2016. Pulaile was included in the NRDL in February, 2017. As of the Latest Practicable Date, we had applied for and were undergoing the consistency evaluation of Pulaile.

Sales of Pulaile accounted for 17.6% and 20.0% of our total revenue in 2017 and 2018, respectively. Our revenue from sales of Pulaile increased at a rate of 23.7% from 2016 to 2017, and 42.2% from 2017 to 2018. We believe the high quality of Pulaile has substantially contributed to its fast sales growth over the past ten years since its launch.

According to Frost & Sullivan, the sales revenue of pemetrexed disodium drugs in China was approximately RMB3.5 billion in 2018, and grew at a CAGR of 15.6% from 2014 to 2018. According to Frost & Sullivan, Pulaile has been the best-selling pemetrexed disodium brand in China based on sales revenue since 2011, with a market share of approximately 46.2% in 2018. See "Industry Overview" for details of the competitive landscape of pemetrexed disodium drugs in China.

We have received a number of awards and recognitions for Pulaile. In particular, Pulaile was included in the National Torch Program in 2007; was designated a National Science and Technology Major Project in the "Significant New Drug Development" category by the PRC Ministry of Science and Technology in 2012; and was awarded Outstanding Prize of the WIPO-SIPO Award for Chinese Outstanding Patented Invention & Industrial Design (中國專利優秀獎) by the PRC State Intellectual Property Office in 2013.

We hold three patents on the preparation methods of the active pharmaceutical ingredients of Pulaile in China, all of which are valid until 2032. We also hold one patent on the preparation method of an intermediate used in producing the active pharmaceutical ingredient of Pulaile that is valid until 2025.

Zefei (gemcitabine hydrochloride for injection) 澤菲® (注射用鹽酸吉西他濱)

U.S. FDA approval, first-to-market generic drug, national medical insurance, second prize for the Advancement of Science and Technology Award, National Science and Technology Major Project

Zefei is the first-to-market generic of gemcitabine hydrochloride in China. Zefei is indicated for the treatment of middle and late-stage non-small cell lung cancer, breast cancer, and pancreatic cancer.

Zefei was approved by the NMPA for sales in China in 2001. In 2013, Zefei was approved by the U.S. FDA in the Unites States, making it the first U.S. FDA-approved lyophilized powder injectable produced by a China-based pharmaceutical company. Zefei was included in the NRDL in 2004. As of the Latest Practicable Date, we had applied for and were undergoing the consistency evaluation of Zefei.

Sales of Zefei accounted for 14.5% and 13.3% of our total revenue in 2017 and 2018, respectively. Our revenue from sales of Zefei increased at a rate of 20.3% from 2016 to 2017, and 14.1% from 2017 to 2018. We believe the high quality of Zefei has substantially contributed to its fast sales growth over the past ten years since its launch.

According to Frost & Sullivan, there were 737.4 thousand non-small cell lung cancer patients in 2018, representing significant clinical demand. The sales revenue of gemcitabine hydrochloride drugs in China was approximately RMB1.5 billion in 2018, growing at a CAGR of 4.5% from 2014 to 2018. According to Frost & Sullivan, Zefei has consistently been the best-selling gemcitabine hydrochloride brand with the largest market share in China based on sales revenue since 2008, with a market share of approximately 74.7% in 2018. The Chinese National Comprehensive Cancer Network ("**NCCN**") included gemcitabine hydrochloride as a first-line treatment for bladder cancer in its authoritative guideline in 2017, which we believe has significantly increased the market potential for gemcitabine hydrochloride drugs. See "Industry Overview" for details of the competitive landscape of gemcitabine hydrochloride drugs in China.

We have received a number of awards and recognitions for Zefei. In particular, Zefei was awarded the second prize for the Advancement of Science and Technology Award by the State Council (2013); designated as a National Key New Product (國家重點新產品) in 2006 and National Science and Technology Major Project in 2010 by the PRC Ministry of Science and Technology (中國科學技術部); received the Golden Prize of the WIPO-SIPO Award for Chinese Outstanding Patented Invention & Industrial Design by State Intellectual Property Office in China (中國國家知識產權局) in 2014; was included in the National Torch Program (國家火炬計劃), a program administered by the PRC Ministry of Science and Technology to promote the development of technology in 2014; and was recognized as a China Famous Trademark (中國馳名商標) by the Trademark Office under the State Administration for Industry & Commerce (中國國家工商行政管理總局商標局) in China in 2015.

We hold six patents on the preparation methods of Zefei with expiry dates ranging from 2031 to 2032. We hold one patent on the preparation methods for the active pharmaceutical ingredients of Zefei which is valid until 2031. We also hold one patent on the preparation method of an intermediate used in producing the active pharmaceutical ingredient of Zefei, which is valid until 2023.

Xinwei (imatinib mesylate tablets)昕維® (甲磺酸伊馬替尼片)

First to pass consistency evaluation, first-to-market generic drug, national medical insurance, National Science and Technology Major Project.

Xinwei is the first-to-market generic of imatinib mesylate in China, which is indicated for the targeted treatment of Philadelphia chromosome-positive chronic myelogenous leukemia and acute lymphocytic leukemia gastrointestinal stromal tumors, among others. Unlike most other chemotherapy drugs, imatinib mesylate is typically prescribed for long-term use.

Xinwei was approved by the NMPA for sales in China in 2013. Xinwei was included in the NRDL in February 2017. In May 2018, Xinwei was the first generic imatinib mesylate to pass the consistency evaluation.

Sales of Xinwei accounted for 4.0% and 4.2% of our total revenue in 2017 and 2018, respectively. Our revenue from sales of Xinwei increased at a rate of 7.3% from 2016 to 2017, and 31.2% from 2017 to 2018.

According to Frost & Sullivan, the sales revenue of imatinib mesylate drugs in China was approximately RMB3.0 billion in 2018, and grew at a CAGR of 17.8% from 2014 to 2018. According to Frost & Sullivan, Xinwei has been the best-selling imatinib mesylate brand in China based on sales volume since 2015, and the second best-selling imatinib mesylate brand in China based on sales revenue since 2013. We believe the recent passing of the consistency evaluation in China of Xinwei will further drive its sales. See "Industry Overview" for details of the competitive landscape of imatinib mesylate drugs in China.

We have received a number of awards and recognitions for Xinwei. In particular, Xinwei was designated a National Science and Technology Major Project in the "Significant New Drug Development" category by the PRC Ministry of Science and Technology in 2013, and was recognized as a Jiangsu Hi-Tech Product (江蘇省高新技術產品) by the Department of Science and Technology of Jiangsu Province (江蘇省科學技術廳) in the same year.

We hold one patent on the preparation method of Xinwei that is valid until 2034. We also hold two patents for the crystalline form of the active pharmaceutical ingredient of Xinwei that are valid until 2030 and one patent for the preparation method of active pharmaceutical ingredient of Xinwei that is valid until 2035.

Xinmei (decitabine for injection) 昕美® (注射用地西他濱)

National medical insurance.

Xinmei is a generic decitabine, which is indicated for the treatment of myelodysplastic syndromes. It can also be used to treat acute myeloid leukemia.

Xinmei was approved by the NMPA for sales in China in 2013 as a generic decitabine. Xinmei was included in the NRDL in February 2017. As of the Latest Practicable Date, we had applied for and were undergoing the consistency evaluation of Xinmei.

Sales of Xinmei accounted for 1.4% and 1.7% of our total revenue in 2017 and 2018, respectively. Our revenue from sales of Xinmei increased at a rate of 32.0% from 2016 to 2017, and 45.5% from 2017 to 2018.

According to Frost & Sullivan, the sales revenue of decitabine drugs in China was approximately RMB1.1 billion in 2018, and grew at a CAGR of 28.0% from 2014 to 2018. According to the same source, Xinmei was the second best-selling decitabine brand in China based on sales revenue in 2018. See "Industry Overview" for details of the competitive landscape of decitabine drugs in China.

Xinmei was recognized as a Jiangsu Hi-Tech Product by the Department of Science and Technology of Jiangsu Province in 2015.

We hold one patent on the preparation methods of Xinmei that is valid until 2031.

Xintai (bortezomib for injection) 昕泰® (注射用硼替佐米)

First-to-market generic, national medical insurance, priority NDA review

Xintai is the first-to-market generic of bortezomib in China, which is indicated for the treatment of multiple myeloma and mantle cell lymphoma.

Xintai benefitted from priority review during its NDA process due to its significant advantages in its therapeutic areas and obtained approval by the NMPA for sales in China in November 2017. Bortezomib was included in the NRDL in July 2017. Xintai has been included in the NRDL since its launch. As of the Latest Practicable Date, we had applied for and were undergoing the consistency evaluation of Xintai.

According to Frost & Sullivan, the sales revenue of bortezomib drugs in China and globally was approximately RMB1,923.1 million and US$2.6 billion in 2018, respectively, growing at a CAGR of 30.1% in China and decreasing by 4.2% globally from 2014 to 2018. According to Frost & Sullivan, the global market for drugs used for the treatment of multiple myeloma was approximately US$19.4 billion in 2018, and bortezomib accounted for approximately 13.3% of the multiple myeloma drugs market in 2018. According to the same source, as of December 31, 2018, Xintai has the second highest market share of the bortezomib market in China.

We hold one patent on the preparation method of Xintai that is valid until 2036.

Anti-infective Products

According to Frost & Sullivan, our antibiotics targeting anti-Gram-positive multi-drug resistant bacteria, a new generation anti-infective therapy, have shown strong growth potential since their launches. We ranked first in China based on CAGR of sales revenue of our new anti-infective products from 2014 to 2018. We ranked third in the anti-Gram-positive multi-drug resistant bacteria antibiotics drug market in China in 2018 based on sales revenue with a market share of 14.1%. We currently market and sell nine anti-infective drugs, including four main products: our core product, Zetan, and our main products with strong growth potential, Mailingda, Hengjie and Hengsen. In 2016, 2017 and 2018, our revenue from sales of anti-infective drugs was RMB847.4 million, RMB986.2 million and RMB1,273.1 million, respectively, representing a CAGR of 22.6% from 2016 to 2018. According to Frost & Sullivan, the increasing resistance of pathogens to anti-infective drugs has become an urgent public health problem that must be addressed through the more cautious use of such drugs and the upgrading of anti-infectives. As a result, the market growth of new generation antibiotics targeting multi-drug resistant pathogens has surpassed that of the overall anti-infectives market, and this trend is expected to continue in the future. According to Frost & Sullivan, the sales revenue of new generation anti-infective drugs targeting multi-drug resistant pathogens in China in 2018 was approximately RMB6.0 billion, representing a CAGR of 18.5% from 2014 to 2018, and is expected to continue growing steadily.

Mailingda (morinidazole sodium chloride injection) 邁靈達® (嗎啉硝唑氯化鈉注射液)

Category 1.1 innovative drug, first batch of drugs included in national medical insurance via negotiation process, National Science and Technology Major Project

Mailingda is our self-developed, Category 1.1 innovative drug. It is the latest generation nitroimidazole-class antibiotic indicated for treatment of pelvic inflammation, gangrenous appendicitis and suppurative appendicitis caused by certain bacteria in adults. Our clinical studies have shown that morinidazole has a better safety profile than the previous generation nitroimidazole named ornidazole.

Mailingda was approved by the NMPA for sales in China in 2014. Mailingda was included in the NRDL in July 2017 through the National Medical Insurance pricing negotiation process. See "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products".

Due to Mailingda's relatively short track record since its launch, and in particular, since its inclusion in the NRDL, when preparatory work for centralized tender process and market development are still underway, sales of Mailingda accounted for 0.2% and 0.9% of our total revenue in 2017 and 2018, respectively.

According to Frost & Sullivan, the sales revenue of nitroimidazole drugs in China was approximately RMB6.1 billion in 2018, and grew at a CAGR of 5.1% from 2014 to 2018. We believe the recent inclusion in the NRDL has significantly increased Mailingda's market potential.

Mailingda was designated as a National Science and Technology Major Project in the "Significant New Drugs Development" category by the PRC Ministry of Science and Technology in 2011.

We hold three patents on the application method of Mailingda, with expiry dates ranging from 2023 to 2035. We hold two patents for the preparation of the active pharmaceutical ingredients of Mailingda with expiry date ranging from 2026 to 2035.

Zetan (tigecycline for injection) 澤坦® (注射用替加環素)

First-to-market generic drug, national medical insurance

Zetan is the first-to-market generic of tigecycline in China, which is indicated for the treatment of infections caused by certain strains of bacteria in patients 18 years or older, including complicated skin and skin structure infections, complicated intra-abdominal infections, and community-acquired bacterial pneumonia.

Zetan was approved by the NMPA for sales in China in 2012. It was subsequently included in the NRDL in February 2017. As of the Latest Practicable Date, we had applied for and were undergoing the consistency evaluation of Zetan.

Sales of Zetan accounted for 3.8% and 4.9% of our total revenue in 2017 and 2018, respectively. Our revenue from sales of Zetan increased at a rate of 26.0% from 2016 to 2017, and 61.2% from 2017 to 2018.

According to Frost & Sullivan, the sales revenue of tigecycline drugs in China was approximately RMB1.7 billion in 2018, and grew at a CAGR of 44.6% from 2014 to 2018. According to the same source, Zetan has been the best-selling tigecycline brand based on sales volume since 2015 and the second best-selling tigecycline brand based on sales revenue since 2015 in China. See "Industry Overview" for details of the competitive landscape of tigecycline drugs in China.

Zetan was recognized as a Jiangsu Hi-Tech Product by the Department of Science and Technology of Jiangsu Province in 2013.

Hengjie (linezolid glucose injection) 恒捷® (利奈唑胺葡萄糖注射液)

First-to-market generic drug, national medical insurance

Hengjie is the first-to-market generic of antibiotic linezolid in China indicated for the treatment of infections caused by certain sensitive strains of microorganisms, including infections caused by vancomycin-resistant enterococcus, nosocomial pneumonia, complicated skin and skin structure infections, uncomplicated skin and skin structure infections, and community-acquired pneumonia and concomitant staphylococcemia.

Hengjie was first approved by the NMPA for sale in China in 2015. Linezolid has been included in the NRDL since 2009. As of the Latest Practicable Date, we had applied for and were undergoing the consistency evaluation of Hengjie.

According to Frost & Sullivan, the sales revenue of linezolid drugs in China was approximately RMB1.2 billion in 2018, and grew at a CAGR of 60.7% from 2014 to 2018. According to the same source, Hengjie was the second best-selling linezolid brand based on sales revenue in 2018. We obtained approval to sell Hengjie in soft bag dosage in May 2018 and expect to obtain approval to sell Hengjie in oral dosage in China from 2019 to 2020. We believe all of these factors will continue to drive the growth of its sales.

Hengsen (micafungin sodium for injection)恒森 ® (注射用米卡芬淨鈉)

First-to-market generic drug, national medical insurance, priority NDA review

Hengsen is a recently launched first-to-market generic micafungin sodium. Micafungin sodium is a class of echinocandins used to treat Aspergillus and Candida infections. In patients with liver injury and/or kidney injury, micafungin sodium can replace amphotericin and azole antifungals. Moreover, micafungin sodium has good antibacterial activity, safety and tolerability with respect to azole-resistant fungi.

Hengsen benefitted from priority review during its NDA process due to its significant advantages in its therapeutic areas and obtained fast track approval by the NMPA for sales in China in May 2018. We started sales of Hengsen in the second half of 2018. Micafungin sodium has been included in the NRDL since 2009. As of the Latest Practicable Date, we were preparing for the application of Hengsen for the consistency evaluation.

According to Frost & Sullivan, the sales revenue of micafungin sodium drugs in China was approximately RMB230.8 million in 2018, and grew at a CAGR of 8.4% from 2014 to 2018.

We hold two patents on the preparation method of Hengsen that are valid until 2033.

Diabetes Products

According to Frost & Sullivan, our oral antidiabetic products ranked sixth among domestic companies in 2018. We currently market and sell four diabetes drugs, including our core product Fulaidi. In 2016, 2017 and 2018, our revenue from sales of diabetes drugs was RMB479.6 million, RMB480.3 million and RMB440.9 million, respectively. According to Frost & Sullivan, the sales revenue of diabetes drugs was RMB57.3 billion in China in 2018, of which approximately RMB30.2 billion was from oral antidiabetic drugs. In addition, according to the same source, China has the largest diabetes patient population, with approximately 125.7 million patients in 2018. The diagnosis rate of Type II diabetes in China in 2018 was 50.4% and is expected to increase to 67.9% by 2023. We believe that the Chinese diabetes market has strong growth potential as the diabetes treatment rate increases and more treatment options and drugs are approved.

Fulaidi (repaglinide tablets)孚來迪® (瑞格列奈片)

First-to-market generic drug, national medical insurance

Fulaidi is the first-to-market generic of repaglinide in China, which is indicated for the treatment of Type II diabetes.

Fulaidi was first approved by the NMPA for sales in China in 2000 and was included in the NRDL in 2004. In December 2018, Fulaidi became the first generic repaglinide to pass the consistency evaluation in China.

Sales of Fulaidi accounted for 7.6% and 5.6% of our total revenue in 2017 and 2018.

According to Frost & Sullivan, the sales revenue of repaglinide drugs in China was approximately RMB2.3 billion in 2018, and grew at a CAGR of 3.3% from 2014 to 2018. According to Frost & Sullivan, Fulaidi has been the second best-selling repaglinide brand based on sales revenue in China since 2000, with a market share of approximately 21.2% in 2018. We also launched Fulaidi in dispersible tablet form in 2012, which further diversifies available administration forms. See "Industry Overview" for details of the competitive landscape of repaglinide drugs in China.

We have received a number of awards and recognitions for Fulaidi. In particular, Fulaidi was named National Key New Product by the PRC Ministry of Science and Technology in 2011; was designated as a National Science and Technology Major Project in the "Significant New Drugs Development" category by the PRC Ministry of Science and Technology in 2012; and was awarded the First Prize for Advancement of Science and Technology by the All-China Federation of Industry & Commerce in 2014.

We hold three patents on the preparation methods of Fulaidi with expiry dates ranging from 2027 to 2032. We also hold three patents on the formulation methods of the active pharmaceutical ingredients of Fulaidi with expiry dates ranging from 2028 to 2032.

Gastrointestinal

We currently market and sell three gastrointestinal drugs, including our core product Ruibote. In 2016, 2017 and 2018, our revenue from sales of gastrointestinal drugs was RMB530.5 million, RMB528.1 million and RMB461.3 million, respectively. According to Frost & Sullivan, the gastrointestinal pharmaceutical market grew at a CAGR of 9.3% from 2014 to 2018, and the sales revenue of gastrointestinal drugs in China was approximately RMB122.3 billion in 2018.

Ruibote (rabeprazole sodium enteric-coated tablets) 瑞波特® (雷貝拉唑鈉腸溶片)

First-to-market generic drug, national medical insurance

Ruibote is the first-to-market generic of rabeprazole sodium in China, which is indicated for the treatment of certain duodenal ulcers, gastric ulcer and certain gastroesophageal reflux diseases.

Ruibote was first approved by the NMPA for sales in China in 2002 and included in the NRDL in 2004. As of the Latest Practicable Date, we were preparing for the application of Ruibote for the consistency evaluation.

Sales of Ruibote accounted for 7.0% and 5.0% of our total revenue in 2017 and 2018.

According to Frost & Sullivan, the sales revenue of rabeprazole sodium drugs in China was approximately RMB4.1 billion in 2018, and grew at a CAGR of 18.3% from 2014 to 2018. According to Frost & Sullivan, based on sales revenue, Ruibote was the second best-selling rabeprazole sodium brand in China, with a market share of approximately 11.7% in 2018. See "Industry Overview" for details of the competitive landscape of rabeprazole sodium drugs in China.

We have received a number of awards and designations for Ruibote. In particular, Ruibote was named National Key New Product by the PRC Ministry of Science and Technology in 2003; received sponsorship from the Innovation Fund For Technology Based Firms (科技型中小企業技術創新基金) in 2003; and was included in the China Spark Program (國家級星火計劃) by the PRC Ministry of Science and Technology in 2004.

We hold one patent on the preparation method of active pharmaceutical ingredients of Ruibote that is valid until 2030.

OUR PRODUCTS UNDER DEVELOPMENT

Our strong R&D capabilities have yielded a diversified pipeline of Category 1.1 innovative drugs and potential first-to-market generic drug candidates in different stages of development spanning our key therapeutic areas. As of the Latest Practicable Date, we had a pipeline of nearly 100 drug candidates, six of which are Category 1.1 innovative drugs with NMEs that have entered into Phase II clinical trial or more advanced stages. We target to launch nearly 30 drug candidates from 2019 to 2020, including the following 15 drug candidates that we think have high growth potential, which comprise four candidates of Category 1.1 innovative drugs with NMEs and eight potential first-to-market generic drugs.

Therapeutic Area	Product	Intended Indication(s)	Status[1]	Potential Type	Medical Insurance Coverage[3]
CNS diseases	Paliperidone (帕利哌酮)	Schizophrenia	Bioequivalence tests[2] completed, submitted NDA in March 2019	First-to-market generic	NRDL (2017)
	Lurasidone hydrochloride (鹽酸魯拉西酮)	Schizophrenia	Conducting pharmacological research	First-to-market generic	—

Therapeutic Area	Product	Intended Indication(s)	Status[1]	Potential Type	Medical Insurance Coverage[3]
Oncology	HS-10296	Non-small cell lung cancer	Submitted NDA in April 2019	Category 1.1 innovative drug	—
	Lenalidomide (來那度胺)	Multiple myeloma, myelodysplastic syndrome	Bioequivalence tests[2] completed, submitted NDA in November 2018	generic	NRDL (2017)
	Fulvestrant (氟維司群)	Breast cancer	Conducting pharmacological research	First-to-market generic	NRDL (2017)
	Flumatinib Mesylate (甲磺酸氟馬替尼)	CML	Clinical trials completed, submitted NDA in July 2018	Category 1.1 innovative drug	—
Anti-infectives	HS-10234	Hepatitis B	Phase III clinical trials (site identified)	Category 1.1 innovative drug	—
Diabetes	Canagliflozin (卡格列淨)	Type II diabetes	Bioequivalence tests[2] completed, submitted NDA in October 2017	First-to-market generic	—
	Polyethylene glycol loxenatide (聚乙二醇洛塞那肽)	Type II diabetes	Clinical trials completed, obtained NDA approval in May 2019	Category 1.1 innovative drug[8]	—
	Vildagliptin (維格列汀)	Type II diabetes	Bioequivalence tests[2] completed, obtained NDA approval in March 2019	First-to-market generic[7]	NRDL (2017)
Gastrointestinal	Prucalopride succinate (琥珀酸普蘆卡必利)	Severe chronic constipation	Bioequivalence tests[2] completed, obtained NDA approval in December 2018	First-to-market generic[5]	NRDL (2017)
	Dexlansoprazole (右蘭索拉唑)	Non-erosive esophageal reflux disease Corruptive esophagitis	Clinical validation trials[4]	First-to-market generic	—

Therapeutic Area	Product	Intended Indication(s)	Status[1]	Potential Type	Medical Insurance Coverage[3]
Cardiovascular	Apixaban (阿哌沙班)	Anticoagulant drugs to prevent venous thromboembolism (VTE); (hip or knee arthroplasty)	Bioequivalence tests[2] completed, obtained NDA approval in January 2019	First-to-market generic[6]	NRDL (2017)
	Rivaroxaban (利伐沙班)	Anticoagulants, treatment and prevention of adult deep venous thrombosis and pulmonary embolism	Bioequivalence tests[2]	Generic	NRDL (2009)
	Dabigatran etexilate (甲磺酸達比加群酯)	Anticoagulants, reduce the risk of stroke and systemic embolism in patients with non-valvular atrial fibrillation	Bioequivalence tests[2]	Generic	NRDL (2017)

Note:

(1) Presented as of the Latest Practicable Date.

(2) All oral solid dosage forms are required to conduct bioequivalence tests, but are generally not required to conduct other clinical trials (including human clinical trials). For more information, please refer to "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — The Quality and Efficacy Consistency Evaluation and the Bioequivalence Test of Generic Drugs — The Bioequivalence Test".

(3) Under PRC law, any generic drug that has the same dosage form and main chemical name with the generic name included in the NRDL will be automatically included in the NRDL. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products" for more details.

(4) For dexlansoprazole, because its originator drug has been launched overseas but not in the PRC, we are required to conduct clinical trials after bioequivalence test under the relevant PRC law. For more information, please refer to "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — The Quality and Efficacy Consistency Evaluation and the Bioequivalence Test of Generic Drugs — The Bioequivalence Test".

(5) Our first-to-market generic of prucalopride succinate with the NDA approval obtained in December 2018.

(6) Our first-to-market generic of apixaban with NDA approval obtained in January 2019.

(7) Our first-to-market generic of vildagliptin with NDA approval obtained in March 2019.

(8) Our Category 1.1 innovative drug with NDA approval obtained in May 2019.

Below is a description of our key drug candidates that we target to launch from 2019 to 2020:

CNS Disease Product Candidates

Paliperidone (帕利哌酮)

National medical insurance

We are developing a potential first-to-market generic of paliperidone, a dual dopamine D2/5-HT2 receptor antagonist used to treat schizophrenia in adults and adolescents. Paliperidone was included in the NRDL in 2017.

Paliperidone is delivered through an osmotic-controlled release oral delivery system that works at a constant rate to achieve a more stable drug concentration in the bloodstream. As a result, the need for initial dose adjustments is minimized and the initial dose can be used to achieve a rapid and effective control of mental symptoms.

According to Frost & Sullivan, the sales revenue of paliperidone drugs was US$3.6 billion globally and RMB95.1 million in China in 2018, and is expected to reach US$5.6 billion globally and RMB1.7 billion in China in 2023.

We have completed the bioequivalence tests for our potential first-to-market generic of paliperidone and submitted an NDA to the NMPA in March 2019.

We hold one patent on the preparation method of paliperidone that is valid until 2031.

Lurasidone Hydrochloride (鹽酸魯拉西酮)

We are developing a potential first-to-market generic of lurasidone hydrochloride, a dual dopamine D2/5-HT2A receptor antagonist used to treat schizophrenia.

Lurasidone hydrochloride has shown good efficacy in the treatment of acute episodes of schizophrenia and its long-term treatment. It significantly improves the treatment of dementia and mood-type symptoms in schizophrenia. Lurasidone hydrochloride has shown a low incidence of adverse reactions and exhibited good safety and tolerability. In particular, lurasidone hydrochloride has exhibited a low risk of causing metabolic syndrome and electrocardiogram abnormalities during long-term treatment.

According to Frost & Sullivan, the sales revenue of lurasidone hydrochloride drugs was US$3.2 billion globally in 2018. As of December 31, 2018, no lurasidone hydrochloride product had been approved for sale in China. The sales revenue of lurasidone hydrochloride drugs is expected to reach US$5.1 billion globally and RMB1.1 billion in China 2023.

We are conducting pharmacological research of our potential first-to-market generic of lurasidone hydrochloride. We are targeting to file an NDA with the NMPA in 2019.

We hold one patent on the preparation method of lurasidone hydrochloride that is valid until 2033.

Oncology Product Candidates

HS-10296

HS-10296 is our Category 1.1 innovative oncology product candidate that is independently researched and developed by us.

According to Frost & Sullivan, EGFR T790M mutation is a common mutation following resistance to first generation TKIs, with an incidence of approximately 50%. HS-10296 is a third-generation EGFR tyrosine kinase inhibitor and is expected to demonstrate better clinical effects when used for the treatment of non-small cell lung cancer. In vitro pharmacodynamic studies have shown that HS-10296 has a potent inhibitory effect on the enzymatic activity of EGFR T790M resistance mutations. Pharmacokinetic studies have shown that HS-10296 lacks a demethylated metabolic pathway, thereby avoiding possible skin and gastrointestinal damage caused by wild-type EGFR inhibition.

According to the same source, the sales revenues of EGFR small molecular drugs for NSCLC indication globally and in China were US$4.3 billion and RMB6.2 billion in 2018, respectively.

In April 2019, we completed NDA submission of HS-10296. With experience gained from our successful sales and marketing of our main products Pulaile and Zefei, we believe that the sales of HS-10296 will increase in a short time after launching.

We hold one compound patent of HS-10296 that is valid until 2035.

Fulvestrant (氟維司群)

National medical insurance

We are developing a potential first-to-market generic of fulvestrant, an estrogen receptor inhibitor used for the treatment of metastatic breast cancer. Breast cancer has the highest incidence of cancer among Chinese women, with 320.7 thousand newly diagnosed breast cancer patients in 2018, according to Frost & Sullivan. Fulvestrant was included in the NRDL in 2017.

Fulvestrant is the first estrogen down-regulator and is an ideal candidate for combination therapy with other hormone agents such as anastrozole. Fulvestrant can be used as the first-line treatment for initial hormone receptor-positive advanced breast cancer. Fulvestrant only needs to be administered once a month and has exhibited positive compliance among patients.

According to Frost & Sullivan, the sales revenues of fulvestrant drugs in 2018 globally and in China were US$1,053.9 million and RMB190.1 million, respectively, and is expected to reach US$1.6 billion globally and RMB2.0 billion in China in 2023. According to the same source, the sales revenue of fulvestrant in China in 2018 ranked fourth among endocrine therapies for the treatment of breast cancer for post-menopausal women patients in China.

We are conducting pharmacological research on our potential first-to-market generic of fulvestrant. We expect to submit an application to the NMPA in 2019.

Flumatinib Mesylate (甲磺酸氟馬替尼)

Flumatinib mesylate is our self-developed Category 1.1 innovative oncology product candidate. Flumatinib mesylate is a second-generation TKI targeting Bcr-Abl with greater efficacy than imatinib based on the results from our clinical trials.

Bcr-Abl TKIs are the first-line therapy for most patients with chronic myelogenous leukemia ("**CML**"). TKI can block the activity of tyrosine kinase, inhibit cell proliferation by the combination of TKI and ATP site on fusion gene, making CML to be a controllable disease.

According to Frost & Sullivan, the first-generation drug imatinib for treatment of CML is proven to have better efficacy in chronic stage than progressive stage. New forms of resistance can arise as of result of the missense mutations within the Abl kinase domain and over-expression of Bcr-Abl, and approximately 20% of the patients enter the acute phase due to drug resistance. As a result of the superior efficacy over the first-generation drugs, second-generation TKI targeting Bcr-Abl is expected to be used in the first-line treatment of newly diagnosed CML. Compared with other second-generation Bcr-Abl drugs, flumatinib mesylate was not found to cause any pleural effusion or cardiotoxicity in its clinical trials.

According to the same source, the sales revenue of chronic myelogenous leukemia drugs in China was RMB4.6 billion in 2018, and is estimated to increase to RMB14.2 billion in 2023.

We submitted an NDA for flumatinib mesylate in July 2018 and it is currently under NMPA review.

We have one patent on the flumatinib mesylate compound that is valid until 2025. The research and development of our flumatinib mesylate drug candidate has been recognized by the Ministry of Science and Technology of China as a National Major Science and Technological Special Project in the "Significant New Drug Development" category.

Lenalidomide (來那度胺)

National medical insurance

We are developing a generic of lenalidomide in the field of hematological oncology. It is a tumor necrosis factor-alpha synthesis inhibitor used to treat multiple myeloma and myelodysplastic syndromes. Lenalidomide was included in the NRDL in 2017.

Lenalidomide is a new generation of structural analogues thalidomide, whose chemical properties are more stable and exhibit stronger angiogenesis inhibition and immune regulation. According to NCCN Guidance on the treatment of multiple myeloma, Lenalidomide is safer and has fewer adverse reactions than thalidomide. Lenalidomide is complementary to Xintai, which are used for the same indications resulting in significant sales growth potential. According to NCCN Guidance, the combined use of lenalidomide, bortezomib and dexamethasone is an induction therapy option for patients before receiving transplant.

According to Frost & Sullivan, one domestic Chinese company has received approval for sales for a first-to-market version of lenalidomide at the end of November 2017. Based on the same source, in 2018, all lenalidomide sales in China were sales of the originator drug and sales of the generic drug of this domestic Chinese company.

According to Frost & Sullivan, the sales revenue of lenalidomide drugs in 2018 globally and in China were US$9.7 billion and RMB650.2 million, respectively. According to the same source, the Chinese market for lenalidomide drugs has tremendous potential and it is estimated that total sales revenue of lenalidomide drugs in the Chinese market will reach RMB2.5 billion in 2023.

We have completed the bioequivalence test for our generic of lenalidomide and submitted an NDA to the NMPA in November 2018.

Anti-infective Product Candidates

HS-10234

HS-10234 is a Category 1.1 innovative anti-viral drug that we independently researched and developed.

HS-10234 is a nucleoside reverse transcriptase inhibitor expected to be used for the treatment of hepatitis B. HS-10234 is a new generation of monophosphoramide monoesters prodrug of tenofovir, which is very stable in plasma, thereby providing a new type of tenofovir prodrug that can both improve efficacy and reduce toxicity and side effects.

According to Frost & Sullivan, the number of chronic HBV patients reached 20.1 million in China in 2018. According to the same source, the sales revenue of hepatitis B therapeutics in 2018 globally and in China were US$15.6 billion and RMB51.0 billion, respectively. Frost & Sullivan estimates that by 2023, the market size for hepatitis B therapeutics will increase to US$17.0 billion and RMB74.9 billion, respectively.

We are conducting a Phase III clinical trial for HS-10234. We expect to submit an NDA to the NMPA in 2019.

We have one patent on the HS-10234 compound that is valid until 2033. The research and development of our HS-10234 drug candidate has been recognized by the Ministry of Science and Technology of China as a National Major Science and Technological Special Project in the "Significant New Drug Development" category.

Diabetes Product Candidates

Canagliflozin (卡格列淨)

We are developing a potential first-to-market generic of canagliflozin, which is in the field of diabetes and belongs to the class of sodium-glucose cotransporter 2 (SGLT-2) inhibitors for the treatment of Type II diabetes.

Canagliflozin is the first SGLT-2 inhibitor approved by the U.S. FDA. Canagliflozin has good efficacy and exhibits a low risk of causing hypoglycemia and can increase the survival rate of patients suffering from cardiovascular diseases and reduce the hospitalization for heart failure. It can also reduce weight and be used in combination with other hypoglycemic agents, including insulin. Canagliflozin is an antidiabetic product of novel mechanism.

According to Frost & Sullivan, the global sales revenue of canagliflozin pharmaceuticals was approximately US$881.0 million in 2018. The Chinese market has a tremendous potential for sales of canagliflozin. Canagliflozin launched in the China market in the second half of 2018 and Frost & Sullivan estimated that, by 2023, the global market size for canagliflozin will increase to US$1.5 billion and the Chinese market size for canagliflozin will increase to RMB1,205.8 million.

We have completed the bioequivalence tests for our potential first-to-market generic of canagliflozin and submitted an NDA to the NMPA in 2017.

Polyethylene Glycol Loxenatide (聚乙二醇洛塞那肽)

Polyethylene glycol loxenatide is our independently researched and developed Category 1.1 innovative diabetes product candidate, a long-acting hypoglycemic drug.

Polyethylene glycol loxenatide is a GLP-1 receptor agonist indicated for the treatment of Type II diabetes. Certain GLP-1 agonists were included in the NRDL in July 2017. Currently, GLP-1 agonists are indicated for Type II diabetes patients, which are recommended for those patients who are resistant to metformin monotherapy. Low hypoglycemia incidence and immunogenicity are observed in GLP-1 agonists treatment. Through amino acids modification and polyethylene glycol modification, polyethylene glycol loxenatide has a long half-life period in vivo. As a result of its molecular structure, polyethylene glycol loxenatide only needs one injection per week to achieve a long-term effect. Compared to currently available comparable treatment options in the market, which require daily injection, treating patients with GLP-1 drugs enables better patient compliance. As of the Latest Practicable Date, we were the only domestic company that had obtained the NDA approval for the innovative long-acting GLP-1 drug that had been independently developed in the Chinese market according to Frost & Sullivan.

According to Frost & Sullivan, the sales revenues of GLP-1 drugs in 2018 globally and in China were US$9.3 billion and RMB715.9 million, respectively. Frost & Sullivan estimates that by 2023, the market size for GLP-1 drugs will increase to US$28.7 billion and RMB10.5 billion, respectively.

We have completed the Phase III clinical trial for polyethylene glycol loxenatide. We obtained the NDA approval from the NMPA in May 2019.

We have one patent on the polyethylene glycol loxenatide that is valid until 2026. The research and development of our polyethylene glycol loxenatide drug candidate has been recognized by the Ministry of Science and Technology of China as a National Major Science and Technological Special Project in the "Significant New Drug Development" category.

Vildagliptin (維格列汀)

National medical insurance

We have developed our first-to-market generic of vildagliptin, which is in the diabetes field. Vildagliptin was included in the NRDL in 2017.

Vildagliptin is a new type of antidiabetic drug and belongs to the class of dipeptidyl peptidase-IV (DPP-IV) inhibitors for the treatment of type II diabetes. Vildagliptin can protect the function of islet β cells, reduce β cells apoptosis and increase β cells hyperplasia. It has a low risk of causing hypoglycemia, can reduce the risk of cardiovascular events and has no effect on a patient's weight. With a low likelihood of having an adverse drug interaction with other drugs, vildagliptin can be used for combination therapy.

According to Frost & Sullivan, the sales revenue of vildagliptin drugs in 2018 globally and in China was US$1.3 billion and RMB99.4 million, respectively. The Chinese market has tremendous potential for sales of vildagliptin drugs. Frost & Sullivan estimates that in 2023, sales revenue in China will reach RMB2.1 billion.

We have completed the bioequivalence tests for our first-to-market generic of vildagliptin and obtained NDA approval from the NMPA in March 2019.

Gastrointestinal Product Candidates

Prucalopride succinate (琥珀酸普蘆卡必利)

National medical insurance

We have developed our first-to-market generic of prucalopride succinate, which is in the field of gastrointestinal. Prucalopride succinate was included in the NRDL in 2017.

Prucalopride succinate is a highly selective 5-HT4 receptor agonist for the treatment of severe chronic constipation that can significantly improve bowel function in patients with severe chronic constipation and reduce the severity of symptoms. Prucalopride succinate has exhibited few adverse drug interactions with other drugs. Prucalopride succinate only needs to be administered once per day.

According to Frost & Sullivan, sales revenue of prucalopride succinate in 2018 globally and in China was US$48.4 million and RMB5.0 million, respectively. Succinate drugs were included in the NRDL in 2017 and the Chinese market has tremendous potential for sales of prucalopride succinate drugs, which are expected to reach RMB728.4 million by 2023.

We have completed the bioequivalence tests for our first-to-market generic of prucalopride succinate and obtained NDA approval from the NMPA in December 2018.

Dexlansoprazole (右蘭索拉唑)

We are developing a potential first-to-market generic of dexlansoprazole, which is in the gastrointestinal field.

Dexlansoprazole is a second-generation proton pump inhibitor for the treatment of non-erosive esophageal reflux disease and corrosive esophagitis, and for the maintenance treatment of corrosive esophagitis that has been cured. The dexlansoprazole sustained-release capsules can significantly prolong the effective plasma concentration maintenance time, maintain highly efficient acid suppression during the interval of administration, and can be orally administered once per day.

According to Frost & Sullivan, the global sales revenue of dexlansoprazole in 2018 was US$652.9 million. Frost & Sullivan estimates that, by 2023, global sales will reach US$873.6 million. As of December 31, 2018, China has not approved the sale of any dexlansoprazole products. Frost & Sullivan estimates that dexlansoprazole will be launched in China market in 2020, and the sales revenue of dexlansoprazole products is expected to reach RMB517.4 million in China in 2023.

We are conducting clinical validation trials for our potential first-to-market generic of dexlansoprazole and expect to submit an NDA to the NMPA in 2019.

Cardiovascular Product Candidates

Apixaban (阿哌沙班)

National medical insurance

We have developed the first-to-market generic of apixaban, which is in the cardiovascular field. Apixaban was included in the NRDL in 2017.

Apixaban is a factor Xa inhibitor and is used to prevent venous thromboembolic events ("**VTE**") (hip or knee arthroplasty). Apixaban is a highly potent, orally-administered, reversible, and direct active site selective Xa inhibitor that does not affect thrombin activity. It is safer, and has a lower risk of bleeding according to Frost & Sullivan. It can be orally administered with a fixed dose and without the need for laboratory testing.

According to Frost & Sullivan, the sales revenue of apixaban drugs in 2018 globally and in China was US$6.4 billion and RMB12.7 million, respectively. The Chinese market has tremendous potential for sales of apixaban. Frost & Sullivan estimates that by 2023, the market size for apixaban will increase to RMB2.0 billion.

We have completed the bioequivalence tests for our first-to-market generic of apixaban and obtained NDA approval from the NMPA in January 2019.

Rivaroxaban (利伐沙班)

National medical insurance

We are developing a generic of rivaroxaban, which is in the cardiovascular field. Rivaroxaban was included in the NRDL in 2009.

Rivaroxaban is a factor Xa inhibitor for the treatment and prevention of adult deep venous thrombosis and pulmonary embolism. Xa factor is an important target of the endogenous coagulation pathway and the extrinsic coagulation pathway. It is the first step of the common pathway of coagulation pathway and rivaroxaban can directly inhibit free and bound factor Xa, blocking an outbreak of thrombin generation inhibiting thrombosis. Rivaroxaban has many advantages, including easy administrability, no requirement for routine coagulation monitoring, dose adjustments as well as rapid efficacy.

According to Frost & Sullivan, the sales revenue of rivaroxaban drugs in 2018 globally and in China was US$6.8 billion and RMB923.2 million, respectively. The Chinese market has tremendous potential for sales of rivaroxaban. Frost & Sullivan estimates that by 2023, the market size for rivaroxaban will increase to RMB2.9 billion.

We are conducting bioequivalence tests for our generic of rivaroxaban and we expect to submit an NDA to the NMPA in 2019.

Dabigatran etexilate (甲磺酸達比加群酯)

National medical insurance

We are developing a generic of dabigatran etexilate, which is in the cardiovascular field. Dabigatran etexilate was included in the NRDL in 2017.

Dabigatran etexilate is a direct thrombin inhibitor indicated to reduce the risk of stroke and systemic embolism in patients with non-valvular atrial fibrillation. As a new type of oral anticoagulant drug, dabigatran etexilate, after being orally administered, is absorbed by the stomach and blocks fibrinogen cleavage to fibrin by binding to the fibrin-specific binding site of thrombin, thereby blocking the last step of the coagulation cascade and the occurrence of thrombosis. Dabigatran etexilate is an important drug in the fields of anticoagulant therapy and for treatment of potentially fatal thromboprophylaxis. Dabigatran etexilate can be orally administered, is potent, and there is no requirement for special drug monitoring given a decreased likelihood of adverse drug interactions.

According Frost & Sullivan, the sales revenue of dabigatran etexilate drugs in 2018 globally and in China was US$1.8 billion and RMB171.5 million, respectively. The Chinese market has tremendous potential for sales of dabigatran mesylate. Frost & Sullivan estimates that by 2023, China market size for dabigatran mesylate will increase to RMB2.6 billion.

We are conducting the bioequivalence tests for our generic of dabigatran etexilate and expect to submit an NDA to the NMPA in 2019.

Research and Development

We focus on developing Category 1.1 innovative drugs and first-to-market generic drugs. We ranked second for "R&D-driven pharmaceutical companies in China" (中國醫藥研發產品線最佳工業企業) by the Center of Pharmaceutical Industry and Information Technology in China (醫藥工業信息中心) in 2017, and have been placed among the top 10 for six consecutive years from 2013 to 2018. According to Frost & Sullivan, we ranked top two as of June 30, 2018 in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. In addition, we have received numerous awards for our technological innovation and our proven capabilities to develop pharmaceutical products. See "— Our Products" and "— Our Products under Development" above.

We believe our R&D capabilities have been and will continue to be the driving force behind our long-term competitiveness, as well as our future growth and development. We focus on clinical-need based and market oriented R&D, which targets and identifies pharmaceuticals that have the potential for gaining widespread market acceptance within China's fastest growing, large and underserved therapeutic areas.

We have more than 20 years of R&D experience, with a proven track record of successfully researching, developing and commercializing first-to-market generic drugs and Category 1.1 innovative drugs. We self-developed all of our main products. As of the Latest Practicable Date, we had launched more than 30 first-to-generic drugs and two Category 1.1 innovative drugs. In addition, we had a pipeline of nearly 100 product candidates, six of which are Category 1.1 innovative drugs that have entered into Phase II clinical trials or more advanced stages.

In 2014, we obtained NMPA approval for the sale of Mailingda, our self-developed Category 1.1 innovative drug. This represented a milestone in our endeavors to successfully self-develop and commercialize Category 1.1 innovative drugs. In May 2019, we obtained NMPA approval for the sale of another self-developed Category 1.1 innovative drug polythylene glycol loxenatide, a GLP-1 receptor agonist, indicated for the treatment of Type-II diabetes.

As of December 31, 2018, our dedicated professional R&D team consisted of approximately 1,200 full-time employees, approximately 400 of whom hold a Master's degree or above. One of them is entitled to special subsidies from the State Council. Our employment contracts with our core R&D personnel include non-compete clauses and confidentiality clauses which prohibit them from disclosing trade secrets to any third party.

In 2016, 2017 and 2018, our total R&D costs amounted to RMB403.1 million, RMB575.5 million and RMB881.3 million, respectively, representing 7.4%, 9.3% and 11.4% of our total revenue for the respective periods. Please refer to "Financial Information — Critical Accounting Policies and Estimates — Significant Accounting Policies — Research and Development Costs" for further details of accounting policies relating to R&D costs.

Our R&D Centers and Platforms

We have two R&D centers located in Lianyungang and Shanghai. We conduct substantially all of our R&D activities in-house. We strategically conduct our R&D activities across these two R&D centers, which work seamlessly together throughout our product development. Our R&D centers also provide training programs for national-level technology centers, provincial-level academic workstations and key national laboratories, and have undertaken more than 20 major research projects for national and provincial governments.

Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, CMC, as well as clinical development, which have ensured our high efficiency in developing new drugs. Our chemical compound design and screening platform focuses on the study of overall conformations of drugs and receptors and the subsequent analysis on the binding mode of such, with the aim to design and improve molecular structures in active pharmaceutical ingredients. Our pharmacological and toxicological study platform conducts multiple types of laboratory tests to assess pre-clinical safety and efficacy of, and to screen pharmaceutical compounds, including through *in vivo* and *in vitro* testing. Our pharmaceutical research platform primarily conducts studies on drug forms and drug delivery technologies. Our clinical research platform designs clinical research projects, manages large-scale, multi-center clinical studies, and collects and analyzes clinical data with respect to the efficacy and safety profiles of our drug candidates.

We have industry leading technologies to develop long-acting drugs. For drug candidates with long-acting potential and demand for clinical use, we intend to rely on our technical advantages to conduct targeted evaluation and testing. Compared with non-long-acting drugs in the related categories, long-acting drugs have unique advantages, such as better efficacy and lower toxic side effects, which can reduce the frequency of medication and improve medication compliance, thereby representing significant commercial value. Having applied this technology to the development of two of our Category 1.1 innovative drugs candidates, polyethylene glycol loxenatide and HS-20039, we plan to continue to apply this technology to develop other suitable new products and we expect to introduce more long-acting drugs in the future.

Our Product Development Process

We employ a clinical-demand-oriented and market-driven approach to our R&D efforts. Our experienced R&D team identifies innovative product candidates with significant market potential, conducts pre-clinical development and clinical trials, and ultimately commercializes these products. We carefully select drug development programs by balancing the commercial potential of each drug candidate and its likelihood of successful development, and its potential competition and market size.

Each of our product development projects must be reviewed by our project committee prior to launch of the project. Our project committee consists of researchers and management personnel from various internal departments, including our drug design and selection department, drug development department, clinical research department, and regulatory affairs department. When a development project is approved, a project management team will be appointed to supervise the technical progress and budget of the project. We also conduct periodic reviews of our ongoing drug development programs and may elect to discontinue programs which fail to make satisfactory progress.

Our product development process typically involves the following milestone stages:

Product development stage	
Pre-clinical	• Identification and selection of molecules and chemical compounds that have pharmaceutical efficacy and market potential • Tests and data gathering in preparation for clinical trials • Pharmaceutical data gathered related to chemistry, manufacturing, control, pharmacology pharmacodynamics and toxicology study and clinical trial protocol
IND	• Application for approval from the NMPA prior to commencing clinical trials • The NMPA at the provincial level reviews our submission and conduct on-site inspections. Thereafter, it submits its inspection opinion and review report, as well as the application materials, to the national level NMPA
Phase I clinical trials	• Preliminary pharmacology and human safety evaluation trials • For new chemical drugs which have never been marketed in China or abroad, the minimum number of cases required by the NMPA for the trial group is 20 to 30
Phase II clinical trials	• Preliminary exploration on the therapeutic efficacy • For new chemical drugs which have never been marketed in China or abroad, the minimum number of cases required by the NMPA for the trial group is 100
Phase III clinical trials	• Confirmation of the therapeutic efficacy • For new chemical drugs which have never been marketed in China or abroad, the minimum number of cases required by the NMPA for the trial group is 300
NDA	• Application for approval of new drug registration from the NMPA • The NMPA conducts on-site inspections and preliminary review of the application materials at the provincial level. Thereafter, the NMPA at the provincial level and the drug inspection bureau report to the NMPA, which conducts a final assessment
Launch	• NMPA approval for new drug registration is obtained; new drug certificate and drug approval number are granted • Mass production commences

Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the Registration of Pharmaceutical Products" for further details the laws and regulations relating to the registration of pharmaceutical products in China.

SALES, MARKETING AND DISTRIBUTION

We generate demand for our pharmaceutical products primarily from hospitals and other medical institutions through our sales and marketing activities, and generate revenue by selling our pharmaceutical products to distributors who, in turn, sell our products to hospitals and other medical institutions.

Sales and Marketing

Academic Marketing

Our marketing strategy focuses on benefiting patients and precision marketing through academic promotion to enhance medical professionals' knowledge and understanding of the clinical effects and advantages of our drug products. We regularly organize and participate in various academic conferences, seminars and symposia, which include international conferences, national and provincial conferences, regional conferences, as well as smaller events tailored for specific hospital departments, to continuously enhance our brand recognition.

Through academic organizations or associations, we support our KOLs to participate in international academic conferences, to gather and study international cutting-edge technologies and new approaches in clinical research and treatment, and to network with top international experts, in order to promote the advancement of clinical medicine in China. The majority of our KOLs are medical professionals from hospitals and academic associations at the provincial level and above. We also cooperate with large hospitals, including class III hospitals, mainly in relation to carrying out clinical studies for pipeline products and post-launch clinical studies.

We sponsor forums and satellite conferences in relation to our main therapeutic areas at major national and provincial academic conferences, and invite KOLs to share the latest developments and experience in the therapeutic areas with participating experts. For example, for many years, we have actively cooperated with the Chinese Society of Clinical Oncology to sponsor and hold various forums on oncology, to bring internationally advanced cancer therapies to China and increase awareness among medical professionals, so as to improve cancer diagnosis and treatment and benefit patients. Since 2016, we have cooperated with the Wu Jieping Medical Foundation (吳階平醫學基金會) to create the "Great Love Spirit (大愛精神)" initiative, and to help more people better understand mental diseases through activities such as public welfare micro film production.

Through regional conferences and smaller events tailored for specific hospital departments, we communicate with medical professionals in key areas about detailed clinical data of our products, and assist them in making independent comparisons among similar products in the market.

We generally assist our KOLs in key therapeutic areas with organizing regional academic conferences and conducting regional clinical research. Through clinical and pharmacovigilance research on our drug products, we enhance the recognition of our brand and the awareness of the safety and efficacy of our products among medical professionals, enabling us to market and sell our products more efficiently. We have also established an online platform for medical professionals to communicate with each other in respect of the latest developments in the therapeutic areas we focus on.

We have regularly communicated with our KOLs, who have substantial national or regional influence and are selected by our marketing department. Prescription of our products is not a criterion for our selection of KOLs. Many KOLs serve as professional members in national medical associations. We provide KOLs with assistance in organizing national and international academic conferences and seminars and conducting clinical studies. The KOLs' independent reviews and studies of our products, which may be published on academic journals or shared in conferences and seminars, help increase the recognition of our products.

We offer certain expense coverage and travel support to our KOLs in light of the enhanced publicity our products receive as a result of the KOLs' participation. Both our marketing department and our finance department review the related invoices and other supporting documents prior to reimbursement of valid conference expenses and account for such expenses in our financial and accounting systems. We have set limits on travel expenses for reimbursement of KOLs depending on the level and/or location of the conference. In each of 2016, 2017 and 2018, such expenses represented less than 1% of our total selling and distribution expenses.

Our Sales and Marketing Force

Our marketing strategies are implemented by our in-house sales and marketing team that are aligned across various therapeutic areas and geographic regions. Our in-house sales and marketing team generates market demand for our products among medical professionals primarily through its academic promotion efforts to enhance medical professionals' knowledge and understanding of the usage, clinical effects and advantages of our drug products. As of December 31, 2018, our sales and marketing team included approximately 4,500 employees in over 600 sales offices across 30 provinces, municipalities and autonomous regions in China. As of December 31, 2018, our core sales personnel had on average more than 10 years of experience working in the relevant field with us.

We regularly provide in-house and external trainings to enhance the industry knowledge and marketing skills of our sales and marketing team. We place particular emphasis on training our sales representatives, who are categorized into different levels based on their experience and capabilities and receive tailored mandatory and elective trainings.

We have also put in place measures and policies for our employees involved in sales and marketing activities, including ongoing training and signing agreements with our marketing and sales personnel, which contain representations and undertakings to comply with applicable PRC laws and regulations and our internal policies.

Marketing Support

We have a sales effectiveness department, which is responsible for managing and monitoring the overall effectiveness of our sales and marketing process according to our business needs and analyzing monthly sales data from our distribution management system, focusing on sales behavior, achievement of sales targets, and sales growth in order to enhance the efficiency of our sales and marketing efforts.

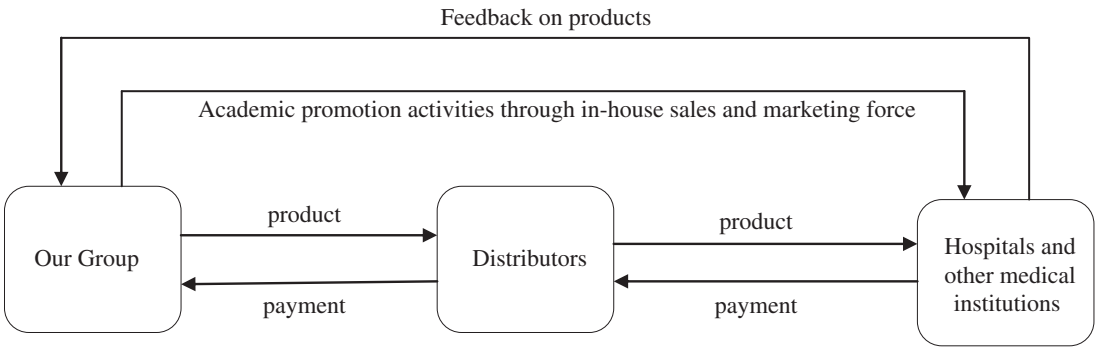
We have a department specialized in hospital cooperation, which is responsible for setting up cooperation platforms with different levels and types of hospitals based on our business needs, deepening mutual understanding with medical institutions, supporting their academic activities and personnel training, and enhancing our brand awareness, thereby improving the hospital coverage for our products.

Supported by our marketing and medical departments, we run in-depth analyses of the direction of academic promotion and accumulate clinical evidence-based support to ensure that our products can benefit patients as soon as possible after their launch.

Distribution

We sell our products to pharmaceutical product distributors, who are our customers. Consistent with industry practices, our distributors are not engaged to provide marketing and promotion services for our products. Instead, our in-house sales and marketing team makes promotion efforts to enhance professionals' knowledge and understanding of the usage, clinical effects and advantages of our drug products. We enter into annual distribution agreements with our distributors. We believe this distribution model helps extend our coverage in a cost-effective manner while retaining proper control over our distribution network and marketing and promotion process.

The following diagram illustrates the relationships among us, our distributors and the hospitals and other medical institutions that purchase our products:



Distribution Network

We have a nationwide third-party distribution network across 30 provinces, municipalities and autonomous regions in China as of December 31, 2018. Our distribution network had reached 1,900 class III hospitals, 5,000 class II hospitals, and other medical institutions in China as of December 31, 2018. We derive substantially all our revenue from sales of our products to our distributors, who, in turn, sell our products to hospitals and other medical institutions. As of December 31, 2016, 2017 and 2018, we had 266, 370 and 433 distributors, respectively. All of our distributors are independent third parties of the Company.

The following map shows the number of our distributors by region in China as of December 31, 2018:

For the year ended December 31, 2018, distributors in northern, central and eastern, and western regions in China contributed RMB1,499 million, RMB5,230 million and RMB950 million to our revenue, respectively.

The following table sets forth the total number of our distributors as of December 31, 2016, 2017 and 2018, respectively, as well as the number of new distributors and the number of distributors whose distributorship was terminated during the periods indicated:

	For the 12 months ended December 31,		
	2016	2017	2018
Distributors at the beginning of the period	253	266	370
Addition of new distributors	37	120	117
Termination of existing distributors	23	16	54
Net increase (decrease) in distributors	13	104	63
Distributors at the end of the period	266	370	433

We review the performance of our distributors on a regular basis using various criteria such as their coverage of the retail market, local and nation-wide enterprise ranking, sales growth, reputation, level of cooperation (including in the centralized tender process), compliance with the terms of our distribution agreement and overall risk profiles, among others. Based on the results of our review, we may elect to terminate or choose not to renew the contracts with those distributors who fail to meet our performance criteria.

We generally request that distributors settle any outstanding balances with us as soon as possible after termination of the relevant distribution agreement. The significant increase in the number of new distributors in 2017 and 2018 was primarily a result of the continued expansion of our sales network to lower-tier cities and preparation for potential launch of our new products.

Management of Distributors

Our distributor management division, which is part of our in-house sales and marketing team, is responsible for the overall management of our distributors, which includes screening, selecting, reviewing and risk management with respect to our distributors. We screen and select our distributors based on various criteria, including their creditworthiness, industry track record, reputation, financial condition, hospital coverage and other medical institution coverage, delivery capabilities, regional influence, infrastructure, and internal management. We give preferential consideration in our distributor selection process to well-established and reputable pharmaceutical distributors such as Distributor A, Distributor B, and Distributor C and their respective subsidiaries, and distributors that are listed companies. We conduct on-site inspections before entering into a distribution agreement with our distributors. In addition, we maintain a file for each distributor, which includes information on their GSP certificate or other licenses or permits required for distributing our products.

In 2016, 2017 and 2018, our revenue from sales to our top five distributors accounted for 13.8%, 13.6% and 11.4% of our total revenue, respectively. In the same period, sales to our single largest distributors during each period accounted for 4.7%, 4.0% and 3.6% of our total revenue. During the Track Record Period, none of our distributors individually contributed more than 5% of our total revenue. We have more than 10 years of business relationship with our top five distributors. None of our Directors, their respective associates and any Shareholder who, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company have any interest in any of our top five distributors. While the pharmaceutical distribution industry in China has traditionally been fragmented with a large number of small and local distributors, the Chinese government has introduced policies over the past few years to encourage industry consolidation by way of mergers and restructurings. These include the Dual-Invoicing System (兩票制) promulgated by the Chinese government in 2016. The dual-invoicing system allows a maximum of two invoices between a manufacturer and hospital — each manufacturer will sell to a distributor and that distributor will sell directly to hospitals, eliminating multi-tiered distribution. See "Regulatory Overview — PRC Law and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products — Dual-Invoicing System." for more details. As we rely on our in-house sales and marketing team, instead of distributors or other third-party agents to generate market demand for our products among medical professionals, implementation of the dual-invoicing system has not had a material effect on our distribution model. In addition, as a result of the implementation of the dual-invoicing system, several groups of distributors have combined to form a single entity. Many of our individual distributors are members of larger pharmaceutical distributorship groups in China, including Distributor A, Distributor B and Distributor C. These distributorship groups are among the largest pharmaceutical distributors in China. The individual members of each larger pharmaceutical distributorship group are distinct legal entities holding separate GSP certificates and we separately evaluate these members on an individual basis, negotiate our contractual arrangements with them individually and ultimately enter into distribution agreement with them rather than the distributorship group as a whole. As a result, we believe that concentration risk does not constitute a specific risk to our Company. During the Track Record Period, none of our distributors was also a supplier and vice versa.

In order to optimize our product delivery and market coverage, we actively monitor the number of our distributors and our distributors' inventory levels and further track the flow of our products by obtaining monthly product flow report from our distributors. The product flow report generally sets forth date of sale, name of the hospital, product name, product dosage, unit price, sales volume and batch number, customer name which allow us to monitor the performance of our sales and marketing team. Sales of our products to distributors are generally not subject to seasonal fluctuations. Our distributors are also required to maintain sufficient inventory level to ensure no shortage of supply of our products, which is jointly determined by the distributors and us. To reduce risks of excess inventory, our distributors are required to report to us in a timely manner information on the expiration date of products sold to hospitals and other end customers and the status of stagnant inventory. Our distributors are required to provide GSP-compliant storage conditions for our products and we may periodically inspect the storage conditions. All of our distributors are required by GSP regulations to

ensure that their sale of products are only made to qualified end customers. Each of our pharmaceutical products has a specified expiry period. We are generally responsible for disposing of our pharmaceutical products which are beyond the specified expiry period after they are returned to us. We do not permit our distributors to sell any expired pharmaceutical products.

We manage cannibalization risk among our distributors through enforcement of our distribution agreements, which specify the relevant products to be distributed and the geographic regions which each of our distributors is responsible for. Our distributors are prohibited from distributing our products to customers outside their specified regions. In addition, for each of our products, we generally only maintain one primary distributor for each hospital.

We review the performance of our distributors on a regular basis based on various criteria, including, among other things, their annual purchase amount, credit history, distribution capability, geographic location, length of business relationship with us and financial health. Based on the results of our review, we may elect to continue or enhance, adjust the assigned distribution regions, and terminate or choose not to renew the contracts with those distributors who fail to meet our performance criteria. Our distribution agreements typically do not contain any sales targets.

Terms of Our Distribution Agreements

We typically enter into distribution agreements with our distributors for a term of one year, pursuant to which the distributors purchase our products and, in turn, sell such products to hospitals and other medical institutions.

Our agreements with distributors generally do not specify an agreed minimum annual purchase amount. We set pricing terms under our distribution agreements primarily based on the sales price to hospitals and other medical institutions in the specific region. In the event of a price change as a result of regulatory or policy changes or bidding, we and the relevant distributor may adjust the price of our products. Under such circumstances, we bear the upside potential as well as downside risk from such price changes for products delivered prior to such price change but not sold to hospitals by the time of such price change. The financial impact of such price adjustments is generally less than 1% of our total revenue in each period during the Track Record Period. We generally grant our distributors credit terms of 60 to 180 days, with longer terms granted to selected distributors with whom we have built a strong business and financial track record. We also require pre-payments for product deliveries to our distributors in certain instances from a credit control perspective.

Our distributors are required to inspect the products on delivery. Any products that have been accepted on delivery are not eligible for returns without our written consent except in the following situations that are typically expressly mentioned in our distribution agreements: (i) where we fail to win the bid with respect to the products contemplated by the distribution agreement; or (ii) as a result

of quality defects, if such defects are properly documented by the relevant pharmaceutical product examination department and do no result from improper storage by the distributor. Consequently, we typically recognize revenue from the sale of pharmaceutical products at the invoice price once our distributors have accepted our products for delivery. We recorded a *de minimis* volume of product returns during the Track Record Period, representing less than 0.2% of our total sales during the same period.

We require our distributors to comply with applicable laws and regulations in their dealings with hospitals and other medical institutions, and indemnify us against any losses incurred by us as a result of their non-compliance.

We generally have the right to terminate our distribution agreements for material breaches, subject to certain rectification periods. Our distributors are required to provide us with copies of relevant licenses, permits and certificates, including pharmaceutical supply permits and GSP certificates, and to provide prompt updates on any material changes. If there is any change to the documentation, our distributors are required to issue a written notice to us within five working days of the change supported by copies of the updated licenses, permits or certificates.

International Marketing, Promotion, Sales and Distribution

We are one of the few China-based pharmaceutical companies exporting injectables to developed markets. In 2013, we received U.S. FDA approval and started to export our core product Zefei to the United States. In 2012, another of our oncology products also received U.S. FDA approval and we started their export to the United States. In addition, we passed the U.S. FDA on-site inspections for our core products Pulaile and Oulanning. Further, our core product Pulaile received Japanese PMDA certification in 2016. Besides these main products, we also manufacture and export certain of our key active pharmaceutical ingredients, including olanzapine, gemcitabine hydrochloride, pemetrexed disodium and vinorelbine tartrate to certain markets outside China, including developed markets such as the United States, Japan, and EU, and emerging markets such as India and the Philippines.

We rely on third-party agents and local distributors in the importing markets for our international sales and marketing. We have started to build a global distribution network by establishing partnerships with third-party agents and local distribution systems in the importing markets for international sales and marketing, and we continue to expand our international network of distributors.

PRODUCT PRICING

Prices of most pharmaceutical products in China are determined through a competitive centralized tender process at the provincial level. Our market entry department analyzes government policies and regulations in order to develop our product pricing strategies for the centralized tender process in China and our products' entry into the NRDL or other government-sponsored medical insurance programs at appropriate pricing levels.

Centralized Tender Process

The majority of the products we sell to our distributors are then sold to public hospitals and other medical institutions. Each public medical institution must make substantially all of their purchases of pharmaceutical products through a centralized tender process. The centralized tender process is held in different provinces and cities across China with varying terms, procedures and preferences and is usually organized at the national, provincial or city levels. How often a drug is required to resubmit a tender under the centralized tender process varies across different provinces, which generally ranges from two to three years. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products — Centralized Procurement And Bidding Process" for further details of the centralized tender process in China. The selection of the winning bidder is based on a number of criteria, including bid price, product quality, clinical effectiveness, qualifications and reputation of the manufacturer and after-sale services. The successful bid price in the centralized tender process dictates the price at which distributors sell the relevant product to the relevant public medical institutions. If we are successful in winning bids in the centralized tender process, the relevant products will be sold to public medical institutions at the bid prices, which primarily determines the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived by the market to be substitute products. During the Track Record Period, the prices of most of our main products decreased primarily due to downward pricing pressure from the centralized tender process in various provinces. Our bidding strategy generally focuses on differentiating our products instead of competing solely based on pricing.

Our sales department, marketing department, market entry department and a bidding support department work closely to monitor new policies affecting the pricing of pharmaceutical products in China, and formulate strategies to stay competitive and profitable. Our market entry department actively communicates with the local authorities in charge of the public tendering process and, with support from our centralized bidding support department, studies the tendering proposals, including minimum bid requirements, if any, pricing trends for each dosage and format of our products and of our competitor products on a province-by-province basis to form a bid. Each of our main products benefitted from certain advantages in price bidding in certain provinces during the Track Record Period either because (i) it was a first-to-market generic drug, (ii) it has received certain national-level recognition, including Major Science and Technology Project, National Key New Product or Advancement of Science and Technology Award, or (iii) our revenue from such product was among the highest nationwide in the applicable year. Our centralized tender process support department creates and executes a master plan to cope with competition in different provinces, with the goal of maintaining the price levels of our products and maximizing our overall sales in China.

The Chinese government requires existing generic drugs to undergo and pass consistency evaluation. See "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — The Quality and Efficacy Consistency Evaluation and the Bioequivalence Test of Generic Drugs — The Quality and Efficacy Consistency Evaluation of Generic Drugs." Generic drugs that have passed the consistency evaluation in China are afforded certain advantages, including preferential treatment in centralized tender process. Three of our main products,

Oulanning, Xinwei and Fulaidi, were the first generic olanzapine, imatinib mesylate and repaglinide, respectively, to pass the consistency evaluation in China, which is expected to significantly increase their sales potential. Our other generic drug main products are undergoing the consistency evaluation China.

Pricing Regulation Affecting Our Main Products

Prior to June 1, 2015, our pharmaceutical products included in a medical insurance catalogue are subject to pricing regulation mainly in the form of fixed or maximum retail prices at which our pharmaceutical products may be sold to patients through hospitals and pharmacies. Retail prices of pharmaceutical products under price controls were determined based on a variety of factors, including the profit margins that the relevant government authorities deem reasonable, product type, quality and production costs, as well as the prices of substitute pharmaceutical products. The government authorities in China have not imposed restrictions over the prices at which pharmaceutical products may be sold to distributors; however, fixed or maximum retail prices indirectly limited the wholesale prices at which we could sell the relevant products to our distributors. We set the selling prices for our products to our distributors by taking into account factors such as the successful bidding prices with hospitals, our costs of production, our gross profit margins, and the margins for our distributors. There was usually a reasonable gap between the maximum retail prices and our average selling prices to distributors.

In May 2015, seven state agencies in China including the NDRC and the NMPA issued a notice regarding pharmaceutical price reform, pursuant to which government price controls on pharmaceutical products (other than narcotic drugs and Class I psychiatric drugs) were lifted starting June 1, 2015, allowing for a more market-based drug pricing system. Meanwhile, the PRC government continued to regulate prices mainly through a centralized tender process, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices. The notice also reiterates the policy of establishing a transparent, multi-party negotiation mechanism for the pricing of patented and exclusive drugs. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance Program and Price of Pharmaceutical Products." Despite the regulatory change, the new regulations could still exert downward pressure on pricing from participation in the centralized tender process and, if significant, could have a corresponding impact on the prices at which we sell such products to our distributors, and consequently our gross profits and gross profit margins. For example, the PRC government launched the national pilot scheme for tendering with minimum procurement quantities in November 2018, which is aimed at reducing drug prices. Please refer to "Regulatory Overview — PRC Laws and Regulations in Relation to the National Medical Insurance and Price of Pharmaceutical Products — The Drug Centralized Procurement in '4+7 Cities'." Despite the fact that it is a pilot program, this newly implemented scheme for tendering with minimum procurement quantities has still resulted in increased pricing pressure on us. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease." for further details of risks associated with pricing regulation.

In addition, innovative drugs included in any national medical insurance negotiation list generally need to undergo pricing negotiation process with the government. As of the Latest

Practicable Date, Mailingda has entered into the NRDL via pricing negotiation, which resulted in a decrease of its price in certain provinces. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease."

During the Track Record Period, the NDRC price adjustments, the centralized tender process or the inclusion in the NRDL did not have a material negative impact on our results of operations as the increases in sales volume offset the price declines, and as we had a diverse portfolio and did not rely on any single product, and strategically structured our product portfolio to focus on higher margin products. Specifically, we have focused on high-growth therapeutic areas with significant unmet clinical demand. Within these therapeutic areas, our main products are in specific sub-fields where we believe we have developed a competitive advantage and are generally able to command a higher margin (compared to most of our non-main products in their respective therapeutic areas). In 2016, 2017 and 2018, the percentage of revenue from the sales of our main products increased from 83.4% in 2016, 85.7% in 2017, and 89.5% in 2018. Furthermore, we focus on Category 1.1 innovative and first-to-market generic drugs, which tend to command higher margins and provide the advantage of rapid market penetration. Moreover, most of our revenue has been derived from sales of finished dose drugs in China through our in-house sales team, instead of lower margin exports through agents or sales of active pharmaceutical ingredients.

PRODUCTION AND QUALITY CONTROL

As of December 31, 2018, we had obtained the latest version of China's GMP certifications for all our production lines and manufacturing permits for each of our pharmaceutical products and active pharmaceutical ingredients manufactured in-house. Our production quality management system is fully aligned with the current GMP, or cGMP requirements as implemented in many developed markets including the U.S. and Japan. The manufacturing processes of our main products and active pharmaceutical ingredients are set forth below. Please refer to "— Legal and Compliance — Licenses and Permits" below for further details of our material certificates.

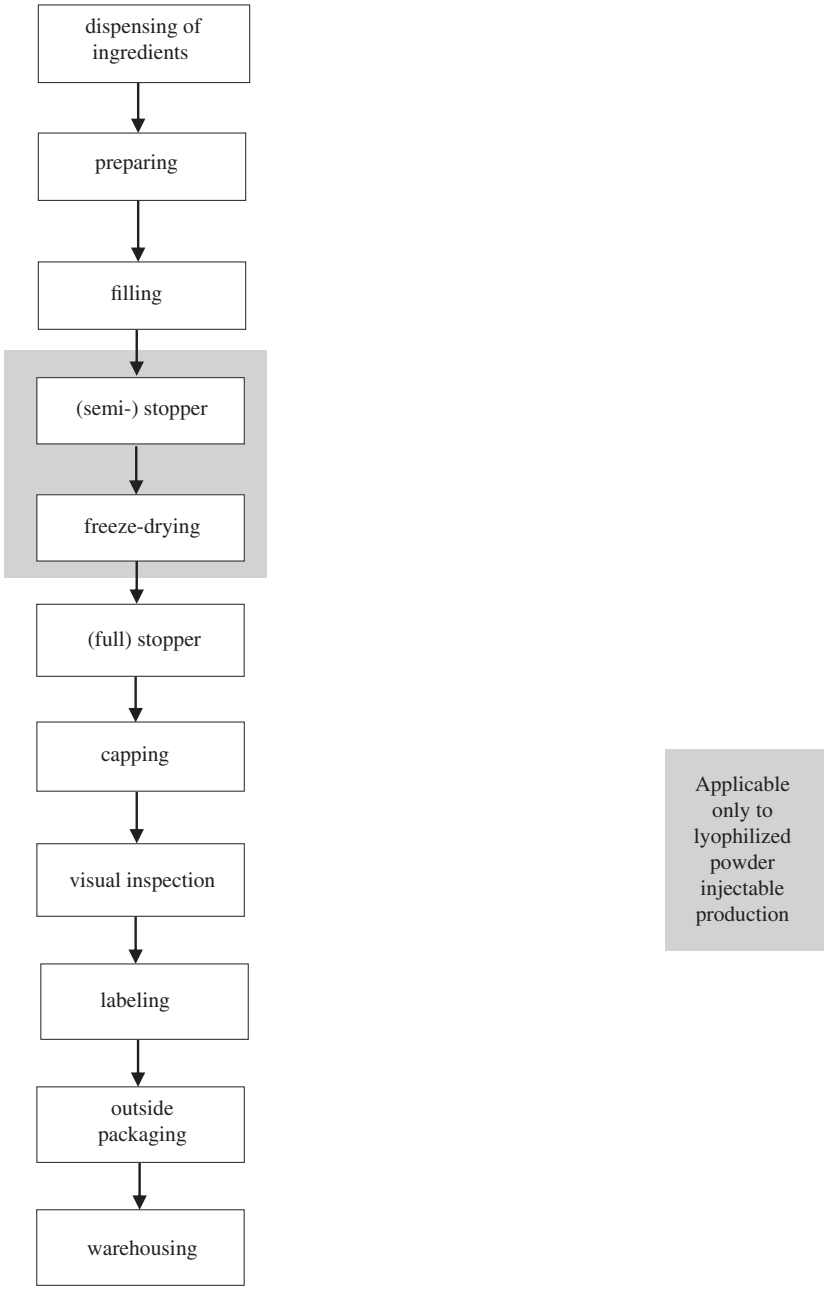
During the Track Record Period, we produced all of our pharmaceutical products in-house. In addition, we produced the majority of the active pharmaceutical ingredients used in our pharmaceutical products in-house, including active pharmaceutical ingredients for all our main products, except for Ruibote.

Production Process

We operate specific production processes for our injectable pharmaceutical products, tablet pharmaceutical products and active pharmaceutical ingredients, each of which are introduced below.

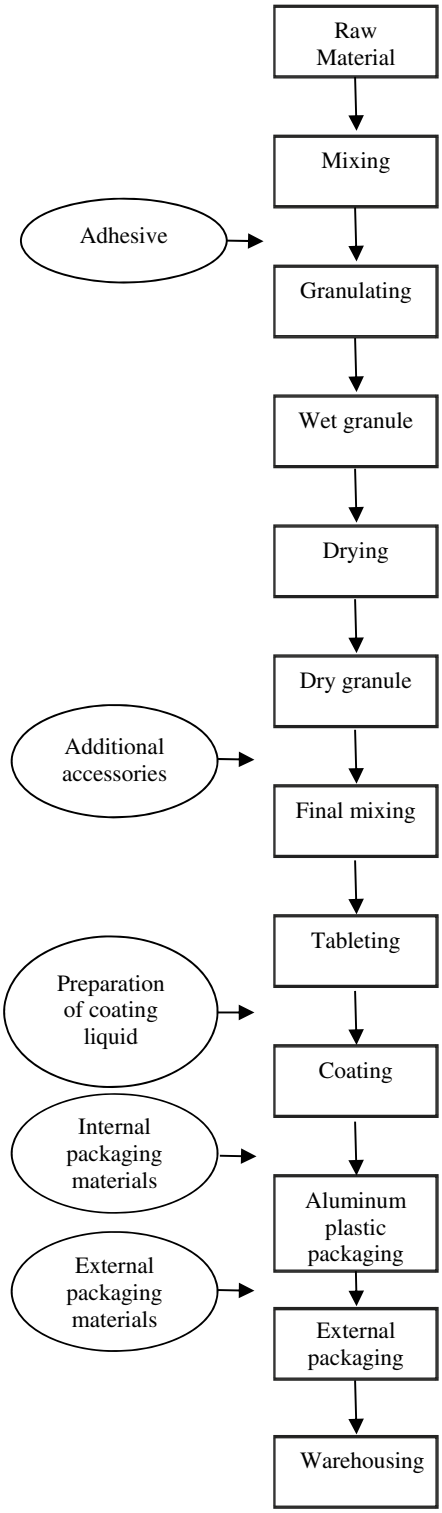
Production Process for Injectables

The following diagram summarizes the production process for our injectable pharmaceutical products, including lyophilized powder injectable, and liquid injectable. Our main products in the form of lyophilized powder injectable manufactured pursuant to the process below are Pulaile, Zefei, Xinmei, Xintai, Zetan and Hengsen. Our main products in the form of liquid injectable manufactured pursuant to the process below are Mailingda and Hengjie.



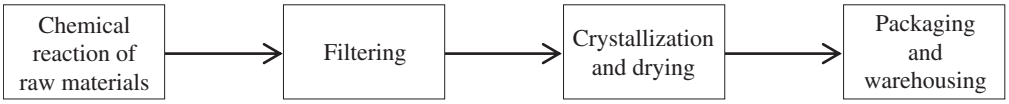
Production Process for Tablets

The following diagram summarizes the production process for tablets. Our main products manufactured pursuant to the process below are Oulanning, Ameining, Xinwei, Fulaidi, and Ruibote.



Production Process for Active Pharmaceutical Ingredients

The diagram below summarizes the major steps of the production process of our active pharmaceutical ingredients.



Our Production Sites and Facilities

Our production activities are currently carried out at our facilities at three sites: Lushan Road and Dongjin Road for the production of pharmaceutical products and Kaitai Road for the production of active pharmaceutical ingredients. All of our production sites and facilities are located in Lianyungang. Our key production processes are highly automated and can be used to produce different kinds of pharmaceuticals in the same dosage form without the need to significantly modify the existing production facilities and equipment. Therefore, we are able to adjust our production to meet market demand and our sales target in response to market demand. We import most key equipment used in our production processes from developed countries, as we believe the use of such state-of-the-art equipment provides better quality control and assurance and increases our production efficiency.

As of the Latest Practicable Date, we believe our facilities and equipment are in good working condition.

We own all of our production facilities and workshops. We conduct regular maintenance and repair work in compliance with the latest version of Chinese GMP requirements and applicable cGMP requirements.

The following table sets forth the designed production capacity, actual production volume and utilization rates of our production workshops for our finished-dose pharmaceutical products as of the dates indicated:

		As of December 31,								
		2016			2017			2018		
Production Line	Unit	Designed production capacity[1]	Production volume	Utilization rate (%)	Designed production capacity[1]	Production volume	Utilization rate (%)	Designed production capacity[1]	Production volume	Utilization rate (%)
Injectables[2][3]	million vials	26.2	17.9	68.3%	26.2	19.9	76.3%	45.8	24.7	53.9
Oral Tablets and Capsules[3]	100 million pieces	26.0	16.3	62.6%	26.0	18.0	69.3%	38.5	20.9	54.3

Notes:

(1) The designed production capacity for a production line is computed based on 255 effective production days a year and eight hours per day.

(2) Injectables include lyophilized powder injectables, small volume injectables and large volume injectables.

(3) In 2018, we added a new injectables workshop with a designed capacity of 11 million vials and injectables production line with a designed capacity of 2.85 million vials. In the same year, we also added new production lines for three oral tablet/capsule workshops to increase our production capacity for tablets by 1.246 billion tablets

Lushan Road Site

Our Lushan Road site occupies approximately 50,000 square meters with a total gross floor area of 25,435 square meters. It comprises manufacturing plants and supporting facilities including offices, a building for quality control and other public utilities. As of December 31, 2018, we produced oral medications and large-volume injectables at the Lushan Road site. The main products we produce at our Lushan Road site are Xinwei, Mailingda, and Hengjie.

Dongjin Road Site

Our Dongjin Road site occupies a site of approximately 144,000 square meters with a total gross floor area of 126,000 square meters. It comprises manufacturing plants and supporting facilities including offices, a building for quality control and other public utilities. As of December 31, 2018, we operated five production workshops at the Dongjin Road site, two of which produced oral medication, and three of which produced small-volume injectable. The main products we produce at our Dongjin Road site are Oulanning, Ameining, Pulaile, Zefei, Xinmei, Xintai, Zetan, Hengsen, Fulaidi, and Ruibote.

Kaitai Road Site

Our Kaitai Road site occupies a site of approximately 270,000 square meters with a total gross floor area of 23,898 square meters. As of December 31, 2018, we operated 13 production workshops at our Kaitai Road site to produce active pharmaceutical ingredients, as well as other ancillary facilities.

Future Expansion and Upgrade Plan

We plan to increase our production capacity by constructing new production lines, as well as upgrading existing production lines and production facilities, to meet demand for our products. We adopt a "Phase by Phase" approach in our expansion plan, primarily taking into consideration our projected sales, and continually re-evaluate our capital expenditures and the timing of our projects based on market demand for our products, the progress of the development of our product candidates and technological developments that are relevant to our production process. The following table sets forth additional details of our expansion and upgrade plan in respect of each of our production facilities and the corresponding estimated capital expenditure for the periods indicated.

Production site	Estimated capital expenditure from 2019 to 2021	Description
Lianyungang Dongjin Road site	RMB650 million	Establishment of five pharmaceuticals workshops, improvement of facilities to increase our production capacity, and improvement of facilities relating to access to utilities.
Lianyungang Kaitai Road site	RMB580 million	Completion of nine APIs workshops, one energy and power center, and establishment of new workshops and quality control centers for new products.
Changzhou City site	RMB1,570 million	Establishment of (1) a factory to manufacture pharmaceuticals with high technical barriers; (2) an R&D center; and (3) relevant supporting facilities.
Total	RMB2,800 million	

Upon completion of our currently contemplated expansion and upgrade plan, we expect our annual production capacity for oral pharmaceutical products and injectable to increase by approximately 7.0 billion capsules/tablets, 63.0 million vials/bottles, and 100.0 million large-volume parenterals. We believe the following factors substantiate sufficient market demand for the expected increase in our production capacity for injections and capsules:

- the historical growth rates of our sales of main products;
- our robust pipeline of late-stage product candidates which include 15 product candidates with significant market potential;
- our strategy to deepen our market penetration and expand our coverage of hospitals and other medical institutions through efficient sales and marketing efforts;
- any unexpected increases in the sales of our current pipeline drugs and/or existing drugs; and
- our potential acquisition of pharmaceutical or research companies and technologies to develop pipeline drugs, and/or in-license opportunities as further described under "Future Plans and Use of Proceeds."

In addition, we believe the contemplated upgrades to our production facilities would increase the efficiency of our production processes, equip us with new production technologies for our product candidates and allow us to continue to maintain an effective quality management system for our products.

We expect that our expansion and upgrade plan will require further capital expenditures in the foreseeable future. For 2019, 2020 and 2021, our estimated aggregate capital expenditures for the contemplated expansion and upgrade plan is expected to amount to approximately RMB0.8 billion, RMB1.0 billion and RMB1.0 billion, respectively. We expect to fund these capital expenditures through a combination of operating cash flows and net proceeds from the Global Offering. Please refer to "Future Plans and Use of Proceeds" for further details of our use of proceeds from the Global Offering in connection with capital expenditure projects to increase our production capabilities.

Raw Materials and Suppliers

The principal raw materials used for our finished pharmaceutical products are the necessary active pharmaceutical ingredients. Our top five raw materials in 2018 were sulfonated glucose (磺化糖), 7-AVCA, rabeprazole sodium (雷貝拉唑鈉), cisplatin (順鉑) and cefdinir active ester (地尼活性酯). During the Track Record Period, we produced the majority of our active pharmaceutical ingredients in-house including all active pharmaceutical ingredients for our main products (except for Ruibote). Except as otherwise disclosed in Note 32 of the Accountants' Report in Appendix I of this prospectus, we sourced additional base materials used to produce pharmaceutical intermediates for our active pharmaceutical ingredients, certain other active pharmaceutical ingredients and other raw materials, ancillary materials, packaging materials and printed instructions for all of our pharmaceuticals from independent third parties.

In 2016, 2017 and 2018, our purchases from our five largest raw material suppliers were RMB117.2 million, RMB100.5 million and RMB101.4 million, accounting for approximately 29.5%, 22.1% and 16.8% of our total cost of sales, respectively. Our purchases from our largest suppliers during each period, which were our suppliers of raw materials for the manufacturing of certain active pharmaceutical ingredients, were RMB64.5 million, RMB33.4 million and RMB33.9 million, accounting for approximately 16.2%, 7.3% and 5.6% of our total cost of sales, respectively.

We have worked together with the majority of our top five raw material suppliers for an average of more than ten years. Other than Hengyun, a company controlled by our Controlling Shareholders, which was among our top five suppliers in 2016 and 2017, none of our Directors, their respective associates and any Shareholder who, to the knowledge of our Directors, own more than 5% of the issued share capital of our Company have any interest in any of our top five suppliers. For more information, please refer to Note 32(b) of the Accountants' Report in Appendix I of this prospectus. We carefully select our suppliers based on various factors, including their product selection, quality, reputation and business scale. During the Track Record Period, we did not experience any product recall or litigation in connection with product quality complaints.

The raw materials of our main products which we sourced from our suppliers are generally readily available in the market through many suppliers. We believe we have alternative sources for our principal raw materials with comparable quality and prices. We have not experienced significant difficulties in maintaining reliable sources of supplies and expect to be able to maintain adequate sources of quality supplies in the future. We generally enter into supply agreements with a term of one year with our raw material suppliers. The purchase price of our raw materials is primarily based on prevailing market prices for raw materials of similar quality. We generally contract with more than one supplier for each major type of raw material. We believe short-term agreements with raw material suppliers provide us with the flexibility to re-negotiate prices when there are market fluctuations in the prices for raw materials. During the Track Record Period, we did not experience any material price volatility or any significant supply shortage with regards to the raw materials we sourced from our suppliers. The price for some of our raw materials experienced a slight increase in the Track Record Period due to more stringent environmental protection laws and its enforcement, which increased the production costs of our raw materials supplies. See "Regulatory Overview — PRC Laws and Regulations Relating to Environment Protection." Fluctuations in raw material costs have not had a material impact on our results of operations or gross profit margins during the Track Record Period. We may elect to enter into supply agreements with longer terms on a case-by-case basis. Our supply agreements generally do not contain minimum purchase requirements. We generally pay our suppliers upon delivery and inspection of the raw materials. A small percentage of our raw material suppliers require prepayments before delivery.

A minority of our raw materials are imported from overseas suppliers, who hold the requisite import licenses. As our purchases and revenues are primarily denominated in RMB, we do not engage in hedging transactions in our ordinary course of business.

Quality Management

We believe that an effective quality management system is critical to ensure the quality of our products and maintaining our reputation and success. We are required to adhere to the China GMP and NMPA-specified quality standards. In addition, since 2003, we have consistently passed various certifications and inspections in certain developed overseas markets, including the U.S. FDA, the PMDA in Japan, EDQM in Europe and KFDA in South Korea.

We have implemented comprehensive quality control procedures and protocols that span across the entire product development and production lifecycle from the initial R&D, raw material sourcing, to manufacturing, logistics and after-sales services in order to monitor product quality at all stages. Our quality management department, led by two managers in charge of quality management for active pharmaceutical ingredients and for finished preparations, respectively, consists of a quality assurance division and a quality control division. As of December 31, 2018, our quality management department had 252 employees, most of whom have pharmaceutical, chemistry or related educational

backgrounds. Our quality assurance division is primarily responsible for formulating the standards and procedures under our quality management system in accordance with the requirements under China GMP and the International Conference on Harmonisation of Technical Requirements for Registration of Pharmaceuticals for Human Use, or ICH, and that our product supply chain and production processes comply with these standards and procedures. Our quality control division is primarily responsible for the inspection of incoming pharmaceutical intermediaries, active pharmaceutical ingredients, other raw materials and ancillary materials, chemical reagents, production in-process, final products, and reviewing samples.

Our quality control processes are continuously monitored from the product research development stage to the final product. We have dedicated in-process control, or IPC personnel, and quality assurance and testing personnel. We conduct regular training so that our dedicated IPC personnel understand the regulatory requirements applicable to our product development process and operation of our production facilities. In addition to these skilled and trained personnel, we utilize state-of-the-art equipment and devices to inspect, test and ensure the quality of our pharmaceutical intermediaries, active pharmaceutical ingredients, other raw materials, ancillary materials, chemical reagents, production in-process, final products and samples. Our equipment and technical devices are capable of detecting impurities with an accuracy of one millionth.

Key aspects of our quality control procedures are as follows:

Procurement and Laboratory Sample Quality Control

We purchase raw materials, ancillary materials, chemical reagents, and other materials used in our product development and manufacturing process only from approved suppliers. All approved suppliers are selected by our quality management department, which conducts background checks on supplier candidates. We also regularly conduct on-site inspection and audit at key material suppliers' production facilities. Our quality control division inspects the quality of each batch of supplies for consistency and our quality control division checks samples from our R&D laboratories.

We have established a supply chain traceability system. Incoming raw materials are required to have a certificate of analysis from our manufacturers, as well as delivery sheets and purchase orders. Incoming raw materials are stored in quarantined areas upon receipt. Our IPC personnel inspect and cross-check packaging information and sample the incoming materials before taking delivery. Our quality management department examines raw materials, ancillary materials, chemical reagents, and other materials used in our product development and manufacturing process to confirm they are supplied from approved suppliers before sampling. Our warehousing personnel dispatch incoming raw materials for use in our production processes that have passed the quality control tests.

Production In-process Quality Control

Our highly-automated production facilities are able to screen out and discard in-process or semi-finished products that fail to meet certain criteria during the production process. In addition, our quality assurance division conducts sample testing on certain in-process products and semi-finished products at particular stages of production as required by approved procedures.

Our quality management department is responsible for verifying that our manufacturing processes continuously comply with standards set forth in the applicable GMP and certifications. We require our production operators to adhere to standard operating and equipment operation procedures and our quality management department regularly inspects our production processes on-site. After completion of each production process, we perform cleaning procedures to prevent contamination or cross contamination, and the quality assurance division verifies that the production line has been properly cleaned before we proceed to the next production process. All of our cleaning procedures have been tested before their implementation.

Final Product Quality Control

Each batch of our products is subject to a sample inspection by our quality control division. Before we deliver our final products to customers, our quality management department inspects the documentation relating to the quality of a product, including its batch records, laboratory control records, production process records and other information that may impact product quality. Authorized quality management personnel conduct final review on all documents and make the final decision as to whether a specific product can be released for sale. Final products that do not meet our quality standards are destroyed or otherwise disposed of based on the judgments of our authorized quality personnel. Only final products that have passed all testing requirements can be released and sold to the market.

Transportation and After-sales Service

Our quality management department verifies the transportation processes for our products annually. We test transportation conditions to ensure the transportation methods comply with storage and transportation requirements. Our quality management department also receives feedback from our distributors, hospitals, other medical institutions and end-users and handles any complaints with regard to the quality of our products. Quality complaints, both verbal and written, are documented and investigated pursuant to standard procedures by our adverse reaction management division. We have dedicated personnel who take complaint calls and regularly review and analyze the feedback received. We treat such feedback and complaints seriously. Upon receipt of a complaint, we conduct investigations and ensure necessary measures are taken. We have established product recall procedures and prescribed recall guidelines and processes, which specify the responsible person to notify upon a recall and the handling procedure of recalled products. As of the Latest Practicable Date, we had not recalled any of our products due to quality problems, or otherwise.

Logistics and Delivery Management

We have entered into logistic service agreements with third parties. Pursuant to the arrangement, logistics service providers provide delivery services in a safe and timely manner pursuant to our requirements, while we are responsible for the quality of goods. Our logistics service providers are responsible for any loss caused by their negligence during their provision of the logistics service, including transfer, loading, unloading, transportation and delivery. Our logistics service providers also liaise and handle the insurance aspects, while we arrange the payment of insurance premiums together with the freight charges.

Inventory Management

Our inventory consists primarily of finished products and production materials, including active pharmaceutical ingredients and other raw material, reagent, and packaging materials. We have established an inventory management system that monitors each stage of the warehousing process. Our warehousing personnel are responsible for receiving inspection, warehousing, storage and distribution of production materials and finished products. All materials and products are stored in different areas in warehouse according to their storage condition requirement, properties, usage and batch number. Our warehousing personnel regularly check to ensure consistency among the raw material or product, logbook and material card.

INTELLECTUAL PROPERTY RIGHTS

As of the Latest Practicable Date, we had applied for 107 main patents in China, including five patents on chemical compounds, and had been granted 119 main patents in China, including ten patents involving chemical compounds. In addition, as of the Latest Practicable Date, we had been granted 41 patents abroad, including 21 patents involving chemical compounds and have applied for 61 patents abroad, including 25 patents on chemical compounds. We also had 189 main registered trademarks in China, applied for 77 registered trademarks and two main registered domain names. Please refer to Appendix IV to this prospectus for further details of our material intellectual property rights.

We rely on intellectual property rights to protect our technologies, inventions and improvements that we believe are important to maintain the market share of our products. Please refer to "— Our Products" above for further details of the intellectual property rights for our main products.

In order to protect our own intellectual property rights, we enter into confidentiality agreements with our research employees which provide that all relevant intellectual properties developed by our research staff during their employment with us become our intellectual properties and are treated as trade secrets. Our employees are contractually required to refrain from disclosing trade secrets to any third party. Additionally, we also follow procedures, such as designating the Patent Affairs Department to be in charge of patent search and analysis, to ensure that we do not infringe on the intellectual property rights of others and are not engaged in the sale of counterfeit pharmaceutical products.

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 have 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. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, which may have a material adverse impact on our business and results of operations" and "Risk Factors — Risks Relating to Our Business and Industry — 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 or other business activities and/or our ability to commercialize our drug candidates" for further details of risks relating to intellectual property rights.

COMPETITION

The pharmaceutical market in China is highly competitive and is characterized by a number of established, large pharmaceutical companies, as well as some smaller emerging pharmaceutical companies. We face competition from other pharmaceutical companies engaged in the research, development, production, marketing or sales of pharmaceutical products. Our key competitors are large national and regional manufacturers of pharmaceutical products, including large state-owned pharmaceutical companies. We also compete with multinational pharmaceutical companies.

Our products primarily compete with products that are indicated for similar conditions as our products on the basis of efficacy, price and general market acceptance by medical professionals and hospitals. The identities of our key competitors vary by product and, in certain cases, our competitors may have greater financial and R&D resources than us, may elect to focus these resources on developing, importing or in-licensing and marketing products in China that are substitutes for our products and may have broader sales and marketing infrastructure with which to do so. Please refer to "— Our Products" above, and "Industry Overview" for further details of our major competitors.

We believe that we compete primarily on the basis of brand recognition, R&D capabilities, promotion activities, sales network, product efficacy, safety, reliability and price. We believe our continued success will depend on our following capabilities: the capability to develop innovative products and advanced technologies; the capability to apply technologies to all production lines; the capability to develop an extensive product portfolio; the capability to maintain a highly efficient operational model; the capability to attract and retain talented technology development personnel; the capability to maintain high quality standards; the capability to obtain and maintain regulatory approvals; and the capability to effectively market and promote products.

LAND AND PROPERTIES

As of the Latest Practicable Date, we owned 37 properties in China ranging from a gross floor area of approximately 124 square meters to approximately 29,623 square meters, with a total gross floor area of approximately 196,285 square meters. Our owned properties are located at Lianyungang, Shanghai and Changzhou, and are used as production facilities, ancillary facilities, administrative offices and R&D buildings. We hold land use rights for eight parcels of land for industrial use and one parcel of land for commercial and housing use ranging from a site area of approximately 6,639 square meters to approximately 168,523 square meters, with a total site area of approximately 606,927 square meters on which our owned properties are constructed. As of the Latest Practicable Date, none of our owned properties were subject to any encumbrance, mortgage, lien or pledge. The properties that are material to our Group are primarily our three production facilities. Please refer to "— Production and quality control — Our Production Sites and Facilities" above for further details of the size, use and location of each production facility.

We have obtained the building ownership certificates and the related land use right certificates for substantially all of our owned properties which had been put into production and use.

We do not engage in any property activities as defined in Rule 5.01 of the Listing Rules. The total carrying amounts of our property interests comprising buildings and construction in progress accounted for 9.49% of our total assets as of December 31, 2018, and, consequently, no single property interest had a carrying value exceeding 15% of our total assets. Accordingly, we are not required by Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests, and, pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance and paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

RISK MANAGEMENT

We are dedicated to establishing and maintaining a robust internal control system. We have adopted and implemented risk management policies in various aspects of our business operations to address various potential risks in relation to our strategic plan, research and development, infrastructure, procurement, manufacturing, distribution and retail. Our risk management system also covers general finance management, human resources, information technology, projects, logistics, subsidiaries and policy matters.

We have established a three-layer organizational framework to identify, analyze, categorize, control, and monitor various risks relating to our strategy, operation, market development, financial matters, legal matters, investment and financing, information security, anti-bribery and anti-money laundering. Below is a summary of our three-layer risk management organizational framework:

- ***Business departments.*** As the first line of defense against risks, business departments are responsible for systematically identifying, analyzing, managing and monitoring risks in relation to various business aspects, including research and development, procurement, manufacturing, distribution and retail. Business departments are required to conduct risk identification, assessment and control checks in accordance with the requirements set by the internal control and audit department, which shall establish sound internal control and management regulations to avoid and mitigate risks;

- ***Functional departments.*** These include departments such as the finance department, budget management department, and the information management center, and serves as a second line of defense against risks. These departments are responsible for managing and controlling the operations of various business departments and shall establish and implement rules of regulations to prevent risks in relation to financial matters and information security; and

- ***Internal control and audit department.*** Internal control and audit is the last line of defense against risks and serves as the core internal control and risk management authority. The department is responsible for promulgating and revising internal control and risk management policies, as well as assisting and guiding different business departments to identify, analyze, and control risks. It also audits and evaluates the risk management work of business departments through systematic and professional internal control and audit methods, for purpose of supervising the risk management.

Our risk management policies also set forth the reporting hierarchy of potential risks identified in our operations. By comprehensively conducting a qualitative and quantitative analysis with respect to the possibility of occurrence and influence of risks, various risks are further categorized into "high", "medium" and "low" levels. We have implemented various risk hedging strategies, including risk avoidance, risk mitigation, risk allocation and risk assumption.

In order to implement relevant risk control strategies, we have developed a number of risk management measures, which are broken down into the following components:

- Our separation control of positions that may give rise to potential conflicts of interests enables us to comprehensively analyze these positions involved in business procedures and adopt relevant separation measures to form an effective working mechanism and achieve effective checks and balances;

- Our authorization control enables us to distinguish the scope of authorizations, approval procedures and responsibilities of different positions in the process of our business administration; and

- Our operational analysis control system enables our management to identify the existing problems, find the cause and make relevant improvements after analyzing the process of manufacturing, procurement, distribution and retail, investment, and funding.

In addition, as part of our risk management measures, we have implemented specific measures against corruption, bribery and money laundering. We require our employees, especially those involved in procurement, distribution and sales, and other business functions which are highly susceptible to bribery and corruptions, to abide by our compliance requirements, and make necessary representations and warranties to the Company. We communicate our anti-bribery and anti-corruption principles to all relevant stakeholders, including customers and suppliers. We have established a system of supervision that allows complaints and reports to be submitted to management regarding non-compliant behavior of our internal employees, external customers and suppliers. We conduct strict customer identification procedures, and create necessary records, analysis, verification and reports in relation to large-sum or suspicious transactions, for purpose of avoiding anti-money laundering. Our internal control and audit department specifically supervises compliance matters in relation to procurement, construction, distribution and retails, and conducts special audit with respect to the implementation of anti-bribery, anti-corruption and anti-money laundering on a regular or irregular basis.

LEGAL 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.

Licenses and Permits

As a China-based pharmaceutical company that develops, produces, markets and sells innovative pharmaceutical products, we are subject to regular inspections, examinations, audits and are required to maintain or renew the necessary permits, licenses and certifications for our business. Our PRC legal advisor has advised that we have obtained all material requisite licenses, permits and approvals for our operation.

The following table sets forth key licenses, permits and certificates relating to our business and operations (apart from those pertaining to general business requirements), their respective purpose, issuing authority and expiry date:

License/Permit/Certificate	Purpose	Issuing authority	Expiry date
Drug Manufacturing Certificate(SU20160310).	Production of pharmaceutical products by our Lushan Road, Dongjin Road and Kaitai Road sites	Jiangsu Food and Drug Administration	December 31, 2020
Drug Trading Certificate (SUAA5180312)	Trading of pharmaceutical products	Jiangsu Food and Drug Administration	July 16, 2021
GSP (A-JS15-163)	Quality management of the supply of pharmaceutical products	Jiangsu Food and Drug Administration	November 15, 2020
GMP (JS20140255)*	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	June 2, 2019
GMP (JS20140313)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	August 3, 2019
GMP (JS20150433)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	June 10, 2020
GMP (JS20150489)	Production of tablets (workshop HS106) at our Dongjin Road site	Jiangsu Food and Drug Administration	December 7, 2020

License/Permit/Certificate	Purpose	Issuing authority	Expiry date
GMP (JS20160598)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	September 22, 2021
GMP (JS20160609)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	October 20, 2021
GMP (JS20170675)	Production of tablets (workshop HS103) at our Dongjin Road site	Jiangsu Food and Drug Administration	May 25, 2022
GMP (JS20170693)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	August 7, 2022
GMP (JS20170697)	Production of tablets (workshop HS102) and large volume parenteral solution (workshop HS201) at our Lushan Road site	Jiangsu Food and Drug Administration	August 29, 2022
GMP (JS20170745)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	December 18, 2022
GMP (JS20180777)	Production of tablets, hard capsule (cephalosporin) and tablets (antineoplastic drugs) at our Lushan Road site; Production of antineoplastic drugs at our Dongjin Road site	Jiangsu Food and Drug Administration	February 22, 2023
GMP (JS20180776)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	February 22, 2023
GMP (JS20180814)	Production of lyophilized power for injection at our Dongjin Road site	Jiangsu Food and Drug Administration	May 6, 2023
GMP (JS20180887)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	September 13, 2023

License/Permit/Certificate	Purpose	Issuing authority	Expiry date
GMP (JS20180880)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	September 3, 2023
GMP (JS20180951)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Drug Administration	December 3, 2023
GMP (JS20190980)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Drug Administration	January 13, 2024
GMP (JS20180919)	Production of large volume parenteral solution (multilayer co-extrusion membrane infusion bag, workshop HS207) at our Lushan Road site	Jiangsu Food and Drug Administration	October 16, 2023
GMP (JS20180879)	Production of active pharmaceutical ingredients at our Kaitai Road site	Jiangsu Food and Drug Administration	September 3, 2023
GMP (JS20191020)	Production of active pharmaceutical ingredients (workshop HD717 & HD708) at our Kaitai Road site	Jiangsu Drug Administration	March 17, 2024
GMP (JS20191060)	Production of active pharmaceutical ingredients, small volume parenteral solution	Jiangsu Drug Administration	May 20, 2024

Note:

* As of the date of this prospectus, we are still in the process of applying for the update of this certificate.

The renewal procedures for the above key licenses, permits and certificates are to be carried out six months prior to the expiration dates with the exception of GSP certificate, the renewal of which is to be carried out three months prior to its expiration date. Our Directors are not aware of any reason that would cause or lead to the non-renewal of the licenses, permits and certificates. Our PRC legal advisor confirmed that as of the Latest Practicable Date, there was no legal impediment known to the Company for renewing the licenses, permits and certificates as long as we comply with the relevant laws, regulations and requirements.

Please refer to "Regulatory Overview" for further details of the licenses, permits and certificates required for our business.

Legal Proceedings

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. As of the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or administrative proceedings of material importance and no litigation, claim or administrative proceedings of material importance is known to our Directors to be pending or threatened against any member of the Group.

We are currently involved in a patent challenge in the U.S. regarding pemetrexed disodium, which was initiated by us through an often-used paragraph (IV) ANDA challenge available under U.S. laws. The patent holder subsequently filed an infringement suit against us in August 2017 to seek injunction from launching relevant products in the United States. The case is still pending before the competent court in the U.S. and is expected to conclude no later than February 2020. If such court rules in our favor, we would be able to launch the relevant products for sale in the United States subsequent to such ruling. In the event that such court were to rule in favor of the patent holder, we would be allowed to launch the relevant products after the expiration of the disputed patents (i.e. after May 2022). We do not consider it a material legal proceeding, and the litigation and its outcome do not affect our manufacturing and sales of pemetrexed disodium (Pulaile) in China.

EMPLOYEES

As of December 31, 2018, we had 8,828 full-time employees, all of whom are located in the PRC. The table below sets forth a breakdown of our total number of employees by function as of December 31, 2018:

	Number of employees	%
Department		
Manufacture	1,253	14.2%
R&D	1,216	13.8%
Quality Control	252	2.9%
Sales, marketing and promotion	4,489	50.8%
Others (including operational and management)	1,618	18.3%
Total	8,828	100%

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. The PRC government requires us to provide work-related injury insurance for each of our employees who have entered into employment contracts with us. Our Directors believe that we maintain a good relationship with our employees.

The remuneration package for our employees generally includes salary and bonuses. We conduct periodic performance reviews for our employees, and their remuneration is performance-based. Employees also receive welfare benefits including medical care, housing subsidies, pension, occupational injury insurance and other miscellaneous benefits. As required by applicable PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing funds, pension, medical, maternity and unemployment benefit plans.

We recruit our employees based on a number of factors, including their work experience, educational background and our vacancies. We provide regular training to employees designed to strengthen staff commitment to us and improve staff knowledge in a number of important areas of our services, such as knowledge about our Company and our products as well as sales, laws and regulations applicable to our operation, requirements under applicable GMP or other certifications, quality control, workplace safety and corporate culture. We evaluate our training results every year and adjust our training programs accordingly for the coming year. We believe that these programs have enhanced the productivity of our employees.

INSURANCE

We maintain property insurance covering our production facilities and equipment that we believe are sufficient in accordance with customary industry practice, as well as social welfare insurance in accordance with the relevant laws and regulations in China. We do not carry any product liability insurance or business interruption insurance, which are not mandatory under PRC law as confirmed by our PRC legal advisor. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage is limited; if we experience uninsured losses it could adversely affect our financial condition and results of operations" for further details of risks relating to our current insurance coverage. To minimize our product liability risk, we have instituted quality control measures in order to avoid or reduce the incidence of product defects. Please refer to "— Production and Quality Control — Quality Management" above for further details of our quality control system. Our Directors are of the view that our current insurance coverage is in line with industry practice and is adequate for our operations.

HEALTH AND OCCUPATIONAL SAFETY

We are subject to various PRC laws and regulations in respect of health and occupational safety. We are committed to complying with PRC regulatory requirements, preventing and reducing hazards and risks associated with our operation, and ensuring the health and safety of our employees and surrounding communities. We have adopted and maintained a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees, including those required under the GMP certification. For example, we construct and maintain all of our production facilities in accordance with the GMP certification. We also engage qualified inspectors

each year to carry out on-site monitoring of our waste water, noise and boiler emission control, the results of which show that we have complied with relevant PRC laws and regulations. We require new employees to participate in safety training to familiarize themselves with the relevant safety rules and procedures. In particular, we invite experts on fire control safety to conduct training sessions and regularly perform emergency evacuation drills to reduce risks associated with potential fire accidents. Additionally, we appoint qualified consulting firms to conduct on-site safety assessment and hazard identification, which help us enhance our overall health and safety management effectiveness. As of the Latest Practicable Date, we had not experienced any material accidents in the course of our operation and our Directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

ENVIRONMENTAL MATTERS

Our business is subject to national, provincial and local environmental laws and regulations in China. The relevant laws and regulations applicable to pharmaceutical production in China include provisions governing air emissions, water discharge, the prevention and treatment of sewage and exhaust fumes and the management and disposal of hazardous substances and waste. Manufacturers are also required to conduct an environmental impact assessment before engaging in new construction projects to ensure that the production processes meet the required environmental standards to treat wastes before the wastes are discharged. The relevant environmental laws and regulations empower certain governmental authorities to shut down any enterprise that materially violates such laws and regulations through the discharge of pollutants.

The main pollutants generated during our production process include waste water, waste gas and solid waste. We have established a pollution control system in order to comply with the applicable laws and regulations. For solid waste, we generally contract with qualified sanitation companies or recycling companies for special treatment. We seek to reduce, treat and recycle the waste generated in our production process and improve our production technique to reduce the pollutants we discharge to the environment. In 2016, 2017 and 2018, our cost of compliance with applicable environmental rules and regulations was approximately RMB4.6 million, RMB4.5 million and RMB11.0 million, respectively. These costs do not include historical capital expenditure on property, plant and equipment that may be attributable to environmental compliance. We expect that our cost of compliance with applicable environmental rules and regulations for 2019 will not materially deviate from the 2018 level. We believe we have maintained good relationship with the communities surrounding our production facilities.

Our PRC legal advisor confirmed that, as of the Latest Practicable Date, we had complied with all applicable laws and regulations relating to production safety and environmental requirements in all material respects.

You should read the following discussion and analysis of our financial condition in conjunction with our consolidated financial information included in Appendix I — "Accountants' Report" to this prospectus, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2016, 2017 and 2018 refer to our fiscal years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. We have a broad, diversified and leading drug portfolio in (i) CNS diseases, (ii) oncology, (iii) anti-infectives, and (iv) diabetes. We also focus on gastrointestinal and cardiovascular therapeutic areas. Together, these six therapeutic areas accounted for 62.5% of the total sales revenue of pharmaceuticals in China in 2018, and grew faster than the Chinese pharmaceutical industry as a whole, which grew at 8.1% on average from 2014 to 2018. Please see "Industry Overview — Pharmaceutical Market in China by Therapeutic Areas" for more information on the historical and forecast growth rates of each of the six therapeutic areas.

Our diversified product portfolio includes eight main products with established market-leading positions and track record, which we refer to as our core products, and five other main products we launched more recently with strong growth potential. These thirteen main products accounted for 83.4%, 85.7% and 89.5% of our revenue in 2016, 2017 and 2018, respectively. Most of our products are in the CNS diseases, oncology, anti-infective and diabetes areas, the four therapeutic areas we strategically target. In addition, we have one main product in the gastrointestinal area. Among our main products, Mailingda is a Category 1.1 innovative drug, Oulanning, Ameining, Pulaile, Zefei, Xinwei, Xintai, Zetan, Hengjie, Hengsen, Fulaidi and Ruibote are first-to-market generic drugs, and Xinmei is a generic drug. Futhermore, we target to launch nearly 30 drug candidates from 2019 to 2020, including 15 drug candidates that we think have high growth potential, which comprise four candidates of Category 1.1 innovative drugs with NMEs and eight potential first-to-market generic drugs. As of the Latest Practicable Date, we launched four of these 15 drug candidates between December 2018 to May 2019, including one Category 1.1 innovative drug, polyethylene glycol loxenatide, launched in May 2019. Our broad and diversified portfolio and pipeline ensure our ability to withstand market and regulatory changes and maintain a strong financial growth trajectory.

We have a proven track record of over 20 years' R&D experience, as evidenced by our top-two ranking as of June 30, 2018 in both the number of Category 1.1 innovative drug candidates with IND approval and the number of first-to-market generic drug approvals since 2011. We began developing Category 1.1 innovative drugs in 2002. As of the Latest Practicable Date, we are one of the few Chinese pharmaceutical companies that have successfully developed and marketed two Category 1.1 innovative drugs with NMEs, including our pipeline Category 1.1 innovative drug polyethylene glycol loxenatide, launched in May 2019. We have a pipeline of six Category 1.1 innovative drugs that have entered into Phase II clinical trial or more advanced stages of development, including four drug candidates which we expect to launch from 2019 to 2020 in multiple therapeutic areas, among which our polyethylene glycol loxenatide was launched in May 2019. Our in-house R&D activities span the entire R&D process, including chemical compound design and screening, pharmacological and toxicological studies, CMC as well as clinical development, which lead to our high efficiency in developing new drugs. We have developed various proprietary technologies, including a proprietary PEGylation technology, which we used to develop Category 1.1 innovative long-acting drugs. We also launched more than 30 first-to-market generic drugs as of the Latest Practicable Date. Our track record of successful commercialization has enabled us to continue to make significant investments into our R&D pipeline. Our strong R&D capabilities have also enabled us to quickly respond to regulatory developments, particularly the consistency evaluation requirement imposed by the NMPA since 2016.

We market and sell our products through an effective team of approximately 4,500 sales professionals. Our patient-centric and clinical-data-driven academic promotion increases the knowledge and awareness of the clinical benefits of our products and enhances our brand awareness among doctors and other medical professionals. Our core sales staff have an average of more than ten years of sales experience in their respective therapeutic areas. We cover over 1,900 class-III hospitals, 5,000 class-II hospitals, and other medical institutions across China. In our key therapeutic areas, we cover substantially all provincial and municipal level oncology hospitals and provincial, municipal and county-level psychiatric hospitals across China.

We have established world-class facilities and a manufacturing quality management system that complies with the cGMP requirements of China, the United States and Japan. During the Track Record Period, we passed 16 official inspections or audits. Our advanced manufacturing quality management system is also critical for pursuing consistency evaluation approvals for our generic drugs.

Our large portfolio of marketed drugs has enabled us to achieve strong financial results. Our revenue was RMB5,433.0 million, RMB6,185.5 million and RMB7,722.3 million in 2016, 2017 and 2018, respectively, representing a year-on-year growth of 13.9% and 24.8%, respectively. Our net profit was RMB1,476.0 million, RMB1,595.5 million and RMB1,903.0 million in 2016, 2017 and 2018, respectively, representing a year-on-year growth of 8.1% and 19.3%, respectively. For 2016, 2017 and 2018, our gross profit margin was 92.7%, 92.6% and 92.2%, respectively, and our net profit margin was 27.2%, 25.8% and 24.6%, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following are the principal factors that have affected, and we expect will continue to affect, our business, financial condition, results of operations and prospects:

- the growth of the Chinese pharmaceutical industry, in particular, the therapeutic areas we focus on;
- our ability to develop, commercialize and increase market share of new products;
- our ability to compete in the centralized tender process for pharmaceutical procurement by public hospitals in China;
- the entry of our products in the national, provincial or other government-sponsored medical insurance programs in China;
- our product mix; and
- our ability to effectively control our costs and expenses.

The growth of the Chinese pharmaceutical industry, in particular, the therapeutic areas we focus on

We believe that the overall growth of the Chinese pharmaceutical market, in particular, the therapeutic areas we focus on, has significantly, and will continue to significantly impact, our revenue growth. We are one of the few R&D-driven Chinese pharmaceutical companies with a broad, diversified and leading drug portfolio measured in terms of market share and growth rate in some of the largest and fastest-growing therapeutic areas in China: (i) CNS diseases, (ii) oncology, (iii) anti-infectives and (iv) diabetes. Together these four therapeutic areas accounted for 88.8%, 90.4% and 92.9% of our total revenue in 2016, 2017 and 2018, respectively. We also focus on gastrointestinal and cardiovascular therapeutic areas. Together, these six therapeutic areas accounted for 62.5% of the total sales revenue of pharmaceuticals in China in 2018, and grew faster than the Chinese pharmaceutical industry as a whole, which grew at 8.1% on average from 2014 to 2018. Specifically, CNS diseases, oncology, diabetes, gastrointestinal and cardiovascular therapeutic areas grew at a CAGR of 9.7%, 12.3%, 10.4%, 7.0% and 8.5%, respectively, from 2016 to 2018. While the overall anti-infective market only grew at 3.5% from 2016 to 2018, due to the government policies for cautious use of such drugs in response to the public health problem of increasing resistance of pathogens, new anti-infectives, such as anti-Gram-positive multi-drug resistant bacteria antibiotics, have been growing much faster than the growth of the overall anti-infective market, with a CAGR of 21.0% from 2016 to 2018. Please refer to “Industry Overview” for further details on the historical

growth of these therapeutic areas and the relevant segments. In line with the growth of these therapeutic areas and segments, our total revenue increased from RMB5,433.0 million in 2016 to RMB6,185.5 million in 2017, and further to RMB7,722.3 million in 2018, representing a CAGR of 19.2% during the period.

According to Frost & Sullivan, the CNS diseases, oncology, and diabetes segments are expected to continue growing rapidly from 2018 to 2023 at the CAGR of 6.7%, 15.0% and 15.6%, respectively, still higher than the expected CAGR of 6.8% of the overall Chinese pharmaceutical market. While the overall anti-infective market is expected to grow at a CAGR of 2.9% from 2018 to 2023, new anti-infectives, such as anti-Gram-positive multi-drug resistant bacteria antibiotics, are expected to continue to grow much faster than the growth of the overall anti-infective market, with a CAGR of 21.2% from 2018 to 2023. Please refer to "Industry Overview" for further details on the expected growth of these therapeutic areas and the relevant segments. We believe we are well positioned to capitalize on the expected growth of the Chinese pharmaceutical market in general and some of its fastest growing and largest therapeutic areas we strategically focus on.

Our ability to develop, commercialize and increase market share of new products

Our ability to develop new products, replenish our product pipeline with additional candidates, in particular Category 1.1 innovative drugs and first-to-market generic drugs, and further diversify our product portfolio has had, and will continue to have, a significant impact on our results of operations and business prospects.

We have a proven track record in developing Category 1.1 innovative drugs and first-to-market generic drugs. We have established a comprehensive portfolio of marketed drugs, including one Category 1.1 innovative drug and more than 30 first-to-market generic drugs, and a robust pipeline of products in different stages of development. As of the Latest Practicable Date, we had a pipeline of nearly 100 product candidates, six of which are Category 1.1 innovative drugs with NMEs that have entered into Phase II clinical trial or more advanced stages. We target to launch nearly 30 drug candidates from 2019 to 2020, including 15 product candidates that we think have significant market potential, which comprise four candidates of Category 1.1 innovative drugs with NMEs, including our pipeline Category 1.1 innovative drug polyethylene glycol loxenatide, launched in May 2019 and eight generic drugs which we believe have first-to-market potential. We believe Category 1.1 innovative drugs and first-to-market generic drugs generally command higher margins and provide the advantage of rapid market penetration. Innovative pharmaceuticals are protected by intellectual property rights with their invention patents, which has a term of 20 years from its application date, and therefore enjoy a longer exclusivity period. The NMPA may grant a monitoring period for Category 1.1 innovative drugs approved for production, during which time the NMPA will not accept applications for drugs with the same chemical structure, dosage form and indication.

Our results of operations and business prospects also depend on our ability to successfully commercialize new products as they come out of pipeline. We generally commence preparatory work for the marketing and promotion of each new product before its expected launch date to help maximize sales. We generally expect accelerated growth in sales of our new products during the first few years after launch, followed by an extended period of steady growth. The sales volume of our new products will be affected by the level of our market penetration. In accordance with the tiered diagnosis and treatment system (分級診療制度) in China and increasing preferential government policies for smaller hospitals, we intend to expand our sales and distribution network by deepening our penetration and increasing our presence at the county-level and community hospitals, which we anticipate to contribute to the sales growth of new products.

Our ability to successfully develop, commercialize and increase the market penetration for our new pharmaceuticals is subject to a number of risks and uncertainties, many of which are beyond our control. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — Development of new pharmaceutical products, in particular innovative drugs, is time-consuming and costly and the outcome is uncertain; if we fail to develop and commercialize new pharmaceutical products, our business prospects could be adversely affected" and "Risk Factors — Risks Relating to Our Business and Industry — We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors, which could adversely affect our revenue and profitability" for further details.

Our ability to compete in the centralized tender process for pharmaceutical procurement by public hospitals in China

The majority of the pharmaceutical products we sell to distributors are then sold to public hospitals and other medical institutions in China. Public medical institutions in the PRC are required to implement a centralized tender process for the procurement of medicines listed in the medical insurance catalogues and medicines that are consumed in large volumes and commonly prescribed for clinical uses. We submit bids in a centralized tender process to supply our products to these institutions at specified prices. These bids are generally considered on the basis of price competitiveness, clinical effectiveness, as well as product quality and reputation of the manufacturer, among other things. The centralized tender process for pharmaceuticals with the same chemical composition must be conducted at least annually, and pharmaceuticals that have won in the centralized tender process previously must participate and win in the centralized tender process in the following period before new purchase orders can be placed. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public hospitals at the bid prices, which is the primary determinant of prices at which we sell our products to our distributors. The centralized tender process has created pricing pressure among substitute products or products that are perceived to be substitute products, including our products. During the Track Record Period, the prices of most of our main products decreased primarily due to downward pricing pressure from centralized tender process in various provinces. Our bidding strategy generally focuses on differentiating our products instead

of competing solely based on pricing. Our sales volumes and profitability depends on our ability to successfully differentiate our products and price our bids in a manner that enables us to succeed in the provincial centralized tender process. We believe each of our main products has had competitive advantages in the centralized tender process at the provincial level during the Track Record Period as a result of them being Category 1.1 innovative or first-to-market generic drugs, their respective market leading positions or certain national-level awards and recognitions. For more information, please also see "Business — Product Pricing — Centralized Tender Process."

In recent years, the PRC government has adopted measures aimed at raising the operating standards of pharmaceutical manufacturing companies in China in order to ensure a stable supply of safe and effective medicines. For example, in March 2016, the General Office of the State Council issued the Opinion on Conducting the Consistency Evaluation of the Quality and Efficacy 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), which requires existing generic drugs to undergo and pass consistency evaluation. See "Regulatory Overview — PRC Law and Regulations in Relation to the Registration of Pharmaceutical Products — The Quality and Efficacy Consistency Evaluation and the Bioequivalence Test of Generic Drugs — The Quality and Efficacy Consistency Evaluation of Generic Drugs." Generic drugs that have passed the consistency evaluation in China are afforded certain advantages, including preferential treatment in the centralized tender process. We expect that the implementation of these requirements for the manufacturing of pharmaceutical products will affect market competition and drive industry consolidation. Three of our main products, Oulanning, Xinwei and Fulaidi, were the first generic of olanzapine, imatinib mesylate and repaglinide, respectively, to pass the consistency evaluation in China, and are expected to receive certain advantages in the centralized tender process. All of our other generic drugs in our main products portfolio are undergoing the consistency evaluation in China.

If we are unable to differentiate our products or are otherwise not successful in winning bids in the centralized tender process at profitable levels, we will lose the revenue associated with the sale of the affected pharmaceutical products to the relevant public hospitals. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — If we are unable to win bids to sell our products to PRC public hospitals through the centralized tender process, we will lose market share and our revenue and profitability could be adversely affected." for further details of the risks associated with the centralized tender process. In November 2018, the PRC government launched the national pilot scheme for tendering with minimum procurement quantities. The implementation of this program may further impact our strategies on how to commercialize drug products in China and how to best compete in the bidding process with other generic drug manufacturers. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease." for further details of the risks associated with the national pilot scheme for tendering with minimum procurement quantities.

The entry of our products in the national, provincial or other government-sponsored medical insurance programs in China

Under the medical insurance programs in China, patients are entitled to reimbursement of all or a portion of the cost of pharmaceutical products listed in the NRDL, the provincial medical insurance catalogues, or the provincial list of special medications related to the severe diseases insurance. Consequently, the inclusion or exclusion of a pharmaceutical product in or from any of these medical insurance programs will significantly affect the demand for such product in China. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — If our products are removed or excluded from national, provincial or other government-sponsored medical insurance programs, our sales and profitability could be adversely affected." for more details.

As of the Latest Practicable Date, 30 of our pharmaceutical products, including all thirteen of our main products, were included in the NRDL. For 2016, 2017 and 2018, our revenue from sales of these thirteen main products accounted for approximately 83.4%, 85.7% and 89.5% of our total revenue for the respective periods.

While the inclusion of a pharmaceutical product in national, provincial or other government-sponsored medical insurance programs can significantly increase the demand and potentially sales volume, pharmaceuticals so included are subject to relevant pricing regulation and are subject to pricing pressure in the centralized tender process. In addition, drugs included in the national medical insurance negotiation list must undergo pricing negotiation process with the government. For example, as of the Latest Practicable Date, Mailingda had entered into the NRDL via pricing negotiation, which resulted in an increase in sales volume and a decrease of its price in certain provinces. Please refer to "Risk Factors — Risks Relating to Our Business and Industry — The prices of certain of our products are subject to pricing regulation, competition and other factors and therefore may decrease." for more details.

On balance, the benefits of inclusion of our pharmaceuticals in the national or provincial medical insurance programs in China significantly outweighed the costs of such inclusion during the Track Record Period, and we believe the benefits of such inclusion will continue to contribute to our business expansion in the foreseeable future.

Our product mix

We have a diverse portfolio of products across six key therapeutic areas, which ensures our ability to withstand market and regulatory changes while maintaining a strong financial growth trajectory. As the gross profit margins of our products vary, the mix of products in our portfolio may materially affect our financial performance and results of operations. We intend to continue to diversify our existing portfolio according to prevailing market conditions, expected clinical demand for our products in our focused therapeutic areas as well as our development plan and business strategies. We believe that we can continue developing a product mix that supports sustainable growth and helps us meet our current and future profitability targets.

Our ability to effectively control our costs and expenses

Our profitability has benefited from our effective control of cost of sales. Our cost of sales primarily includes material costs, staff costs, depreciation and utilities and others. We have devoted significant efforts to continuously improving our production efficiency, including through increased automation in our production processes. As a result, we were able to increase our production volumes to meet growing market demand without significantly increasing our material costs, staff and other costs. As our production efficiency and economies of scale improve, our cost of sales as a percentage of revenue has remained relatively stable at 7.3% in 2016, 7.4% in 2017 and 7.8% in 2018.

Compared to our ability to control our cost of sales, our ability to effectively control our operating expenses, particularly our selling and distribution expenses, has a greater impact on our profitability. Our operating expenses include selling and distribution expenses, administrative expenses, research and development costs and finance costs. Selling and distribution expenses are the largest component of our operating expenses, accounting for 43.8%, 43.7% and 41.6% of our revenue in 2016, 2017 and 2018, respectively. In the future, we intend to continue to control our selling and distribution expenses and enhance our sales productivity through additional tailored training of sales personnel and more targeted marketing activities.

BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Development and Reorganization" in this prospectus, we became the holding company of the companies now comprising the Group on December 2, 2015. The companies now comprising the Group were under the common control of Ms. Zhong and Miss Sun before and after the Reorganization. Accordingly, our Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of Ms. Zhong and Miss Sun, where it is a shorter period. The consolidated statements of financial position of the Group as of December 31, 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries using their existing book values from the perspective of Ms. Zhong and Miss Sun. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of our significant accounting policies is set forth in Notes 2.4 and 3 to the Accountants' Report in Appendix I to this prospectus. Critical accounting policies are those that require our management to exercise judgment in applying assumptions and making estimates that would yield materially different results if our management applied different assumptions or made different estimates. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. We believe the following critical accounting policies involve the most significant judgments in the preparation of our consolidated financial statements.

Significant Accounting Policies

Revenue recognition on the sale of pharmaceutical products

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expects to be entitled in exchange for those goods or services. Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the pharmaceutical products by the customer.

Please refer to Note 2.4 "Summary of Significant Accounting Policies — Revenue Recognition" to the Accountants' Report included in Appendix I to this prospectus for further details of our revenue recognition accounting policy.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realizable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal. If the cost of inventory is higher than the net realizable value, the provision of inventory is recognized in profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciate them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	3 years
Machinery equipment	10 years
Computer and office equipment	3 - 5 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the year or period during the Track Record Period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents an asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each of the year or period during the Track Record Period.

Intangible assets are amortized on a straight-line basis over the following useful economic lives:

Software	3 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is 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, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Significant Accounting Judgement and Estimates

Impairment of trade receivables

We make allowances on trade receivables based on assumptions about risk of default and expected loss rates. We used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on our history, existing market conditions as well as forward-looking estimates at the end of each of the year or period during the Track Record Period. When the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the repair and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognized if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each of the year or period during the Track Record Period based on changes in circumstances.

Income tax

We are subject to income taxes in various regions. As a result, when certain matters relating to income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realized.

Application of HKFRS 9 and HKFRS 15

HKFRS 9 "Financial Instruments" replaces HKAS 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 apply HKFRS 9 consistently in the Track Record Period.

We have assessed the effects of adoption of HKFRS 9 on our financial statements and concluded that there was no significant impact on the Group's financial position and performance as compared to the requirements of HKAS 39. Specifically:

- The application of expected credit loss model under HKFRS 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 HKAS 39.

HKFRS 15 "Revenue from contracts with customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. We have elected to apply HKFRS 15 consistently in the Track Record Period.

We have assessed the effects of adoption of HKFRS 15 on our financial statements and identified the following areas that have been affected:

- Presentation of contract assets and contract liabilities in the balance sheet. HKFRS 15 requires separate presentation of contract assets and contract liabilities in the balance sheet. This has resulted in some reclassifications in relation to our unsatisfied performance obligations. As of December 31, 2016, 2017 and 2018, contract liabilities of RMB56.1 million, RMB41.5 million and RMB36.3 million, respectively, should have been presented as advances from customers should HKAS 18 have been applied throughout the Track Record Period.

Taking into account the impact disclosed above, we consider that the adoption of HKFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The table below summarizes our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Revenue	5,432,960	100.0	6,185,537	100.0	7,722,278	100
Cost of sales	(397,279)	(7.3)	(455,171)	(7.4)	(603,100)	(7.8)
Gross profit	5,035,681	92.7	5,730,366	92.6	7,119,178	92.2
Other income	85,811	1.6	93,230	1.5	77,953	1.0
Selling and distribution expenses	(2,378,040)	(43.8)	(2,704,200)	(43.7)	(3,208,680)	(41.6)
Administrative expenses	(537,972)	(9.9)	(614,075)	(9.9)	(790,158)	(10.2)
Research and development costs	(403,065)	(7.4)	(575,544)	(9.3)	(881,288)	(11.4)
Other gains/(expenses), net	5,274	0.1	3,014	0.0	(7,680)	(0.1)
Finance costs	(3,411)	(0.1)	—	—	—	—
Profit before tax	1,804,278	33.2	1,932,791	31.2	2,309,325	29.9
Income tax expense	(328,244)	(6.0)	(337,318)	(5.4)	(406,277)	(5.3)
Profit for the year	1,476,034	27.2	1,595,473	25.8	1,903,048	24.6

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We generate substantially all of our revenue from sales of pharmaceutical products. Our revenue represents the net invoiced value of goods sold, after trade discounts. The following table sets forth a breakdown of our revenue, both in absolute amounts and as percentages of our revenue, from the sale of products by therapeutic area for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Therapeutic Area						
CNS diseases	1,473,305	27.1	1,681,680	27.2	1,941,495	25.1
Oncology	2,026,873	37.3	2,443,708	39.5	3,518,159	45.6
Anti-infective	847,390	15.6	986,175	15.9	1,273,110	16.5
Diabetes	479,555	8.8	480,331	7.8	440,855	5.7
Gastrointestinal	530,462	9.8	528,067	8.5	461,258	6.0
Others	75,375	1.4	65,576	1.1	87,401	1.1
Total	5,432,960	100.0	6,185,537	100.0	7,722,278	100.0

Our current product portfolio centers around thirteen main products, which include eight core products, Oulanning, Pulaile, Zefei, Xinwei, Xinmei, Zetan, Fulaidi and Ruibote. These core products represented 81.6%, 81.8% and 77.7% of our revenue in 2016, 2017 and 2018, respectively.

Cost of Sales

Our cost of sales primarily consists of material costs, staff costs, depreciation, utilities and others.

The table below sets forth a breakdown of the components of our cost of sales, in absolute amounts and as percentages of our total cost of sales, for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Material costs	191,245	48.1	212,935	46.8	287,528	47.7
Staff costs	86,724	21.8	103,829	22.8	136,755	22.7
Depreciation	54,604	13.7	64,481	14.2	79,751	13.2
Utilities and others	64,706	16.4	73,926	16.2	99,066	16.4
Total	397,279	100.0	455,171	100.0	603,100	100.0

Our material costs include raw material costs, excipient costs and packaging costs, while raw material costs primarily consist of costs of materials for pharmaceutical intermediates used to produce the APIs that we manufacture in-house, as well as APIs that we procure from third-party suppliers. Our staff costs include salaries and benefits for employees involved in the production of our products. Depreciation mainly relates to plants and equipment used for the production of our products. Utilities and others primarily consist of costs of electricity and water, and other manufacturing overhead used for the production of our products.

We purchase raw materials on an as-needed basis at market prices. Generally, each of our main products require distinct raw materials. Our cost of sales accounted for 7.3%, 7.4% and 7.8% of our revenue, and our material costs accounted for 48.1%, 46.8% and 47.7% of our cost of sales, in 2016, 2017 and 2018, respectively. Therefore, fluctuations in the market prices of materials did not have a significant impact on our business or results of operations.

The below table shows a sensitivity analysis for our cost of sales for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Cost of sales	397,279		455,171		603,100	
Gross profit	5,035,681		5,730,366		7,119,178	
Profit for the year	1,476,034		1,595,473		1,903,048	
Material costs (5% increase)*						
Cost of sales	9,562	2.4	10,647	2.3	14,376	2.4
Gross profit	(9,562)	(0.2)	(10,647)	(0.2)	(14,376)	(0.2)
Profit for the year	(8,128)	(0.6)	(9,050)	(0.6)	(12,220)	(0.6)
Staff costs (5% increase)*						
Cost of sales	4,336	1.1	5,191	1.1	6,838	1.1
Gross profit	(4,336)	(0.1)	(5,191)	(0.1)	(6,838)	(0.1)
Profit for the year	(3,686)	(0.2)	(4,413)	(0.3)	(5,812)	(0.3)
Depreciation (5% increase)*						
Cost of sales	2,730	0.7	3,224	0.7	3,988	0.7
Gross profit	(2,730)	(0.1)	(3,224)	(0.1)	(3,988)	(0.1)
Profit for the year	(2,321)	(0.2)	(2,740)	(0.2)	(3,389)	(0.2)
Utility and others (5% increase)*						
Cost of sales	3,235	0.8	3,696	0.8	4,953	0.8
Gross profit	(3,235)	(0.1)	(3,696)	(0.1)	(4,953)	(0.1)
Profit for the year	(2,750)	(0.2)	(3,142)	(0.2)	(4,210)	(0.2)

* A 5% decrease would result in changes in the same absolute amounts but opposite direction.

Gross Profit and Gross Margin

Gross profit represents our revenue less cost of sales. Gross margin represents gross profit as a percentage of revenue. In 2016, 2017 and 2018, our gross profit was RMB5,035.7 million, RMB5,730.4 million and RMB7,119.2 million, respectively. Our gross profit margin was 92.7%, 92.6% and 92.2% in 2016, 2017 and 2018, respectively.

Despite the downward pricing pressure from the centralized tender process, we maintained a relatively stable gross margin as we have a diverse portfolio and do not rely on any single product. Our main products are in specific sub-fields where we believe we have developed a competitive advantage and are generally able to command a higher margin (compared to most of our non-main products in their respective therapeutic areas). In 2016, 2017 and 2018, the percentage of revenue from the sales of our main products increased from 83.4% in 2016, to 85.7% in 2017, and further to 89.5% in 2018, which helped to offset the downward pricing pressure.

Other Income and Gains

Other income and gains primarily comprise investment income, government grants, income from technology transfer (primarily income from the transfer of certain of our non-main products), bank interest income, gain on disposal of items of property, plant and equipment, fair value gains of financial assets at fair value through profit or loss, donations, and foreign exchange gains and losses. The following table sets forth a breakdown of our other income and gains for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Other income			
Investment income	6,438	12,815	17,666
Government grants	64,725	54,307	33,489
Income from technology transfer - at a point in time	4,682	22,371	21,966
Bank interest income	2,645	1,597	2,853
Dividend income from equity investments at fair value through profit or loss	2	2	8
Others	7,319	2,138	1,971
	85,811	93,230	77,953
Other gains/(expenses), net			
Gain/(loss) on disposal of items of property, plant and equipment	776	531	(727)
Fair value gains of financial assets at fair value through profit or loss	7,481	8,338	31,764
Donations	(6,212)	(7,431)	(39,382)
Foreign exchange gains/(losses), net	3,210	(4,689)	2,382
(Provision of)/reversal of impairment for trade receivables	(2,033)	2,708	(2,567)
Others	2,052	3,557	850
	5,274	3,014	(7,680)

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of: (i) marketing and promotion expenses, which primarily consist of the expenses associated with various marketing and promotion activities, including marketing activities for our newly-launched products, clinical studies of our marketed products, hosting of and participation in different levels of academic conferences, seminars and symposia, among others. Academic conferences expenses primarily consist of registration fees, space and equipment rent, costs related to preparing company brochures, product catalogs and other marketing materials, as well as related meeting disbursements; (ii) travel expenses, which primarily consist of the travel costs of our in-house marketing and promotion staff that are directly related to the promotion of our products, (iii) sales and marketing staff costs, which primarily consist of the salaries and benefits for our in-house marketing and promotion staff, and (iv) other selling and distribution expenses, which primarily consist of logistics expenses, depreciation and amortization, office expenses, and certain other expenses that are directly related to our marketing and promotion activities.

The following table sets forth a breakdown of our selling and distribution expenses, by amount and as a percentage of our total selling and distribution expenses, for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Marketing and promotion expenses	1,894,587	79.7	2,119,520	78.4	2,500,712	77.9
Travel expenses	125,797	5.3	202,364	7.5	252,659	7.9
Staff costs	331,915	14.0	346,715	12.8	401,816	12.5
Others	25,741	1.0	35,601	1.3	53,493	1.7
Total	2,378,040	100.0	2,704,200	100.0	3,208,680	100.0

Administrative Expenses

Administrative expenses primarily consist of: (i) administrative staff costs, which primarily consist of compensation for management and administrative staff, (ii) general operating expenses, which primarily consist of utilities, repairs and maintenance, and office expenses, (iii) depreciation and amortization, (iv) vehicle and transportation expenses, which primarily consist of corporate vehicle costs and reimbursement of commuting expenses incurred for business affairs by management and administrative staff, (v) travel expenses, which primarily consist of travel costs of our management and administrative staff, (vi) meeting and related expenses, which primarily consist of expenses in connection with our participation and hosting of conferences and other related expenses; and (vii) others, which primarily consist of taxes and surcharges, professional fees, and other administrative expenses.

The table below sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of our total administrative expenses for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Staff costs	280,085	52.1	328,720	53.5	397,890	50.4
General operating expenses	42,906	8.0	51,710	8.4	79,807	10.1
Depreciation and amortization	22,276	4.1	24,875	4.1	35,991	4.6
Vehicle and transportation costs	43,884	8.2	37,630	6.1	46,829	5.9
Travel expenses	56,340	10.5	62,685	10.2	57,934	7.3
Meeting and related expenses	65,610	12.2	74,168	12.1	82,062	10.4
Others	26,871	4.9	34,287	5.6	89,645	11.3
Total	537,972	100.0	614,075	100.0	790,158	100.0

Research and Development Costs

Our research and development costs comprise costs incurred in performing research and development activities, including (i) R&D staff costs, (ii) costs of materials, (iii) depreciation and amortization, (iv) testing and examination fees, and (v) other research and development costs.

The table below sets forth a breakdown of our research and development costs in absolute amounts and as percentages of our total research and development costs for the years indicated:

	Year ended December 31,					
	2016		2017		2018	
	RMB ('000)	*%*	*RMB ('000)*	*%*	*RMB ('000)*	*%*
Staff costs	145,653	36.1	189,791	33.0	257,511	29.2
Cost of materials	69,487	17.2	118,036	20.5	156,002	17.7
Depreciation and amortization	36,560	9.1	41,575	7.2	47,821	5.4
Testing and examination	125,028	31.0	197,781	34.4	386,868	43.9
Others	26,337	6.6	28,361	4.9	33,086	3.8
Total	403,065	100.0	575,544	100.0	881,288	100.0

Finance Costs

Our finance costs primarily consist of the interest we pay on our borrowings. Please refer to Note 27 "Interest-bearing bank borrowings" to the Accountants' Report included in Appendix I to this prospectus for further details of our interest-bearing bank borrowings. The following table sets forth a breakdown of our finance costs for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Interest on bank loans	3,411	—	—
Total	3,411	—	—

Income Tax Expenses

Our income tax expenses consist of current tax and deferred tax. We are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

The following table sets forth a breakdown of our income tax expenses for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Current income tax	256,219	244,283	291,273
Deferred income tax	72,025	93,035	115,004
Total income tax expenses	328,244	337,318	406,277

Pursuant to the rules and regulations of the Cayman Islands and BVI, we are not subject to any income tax in the Cayman Islands and BVI.

Our subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the assessable profits arising in Hong Kong during the Track Record Period.

The provision for China current income tax is based on the statutory rate of 25% of the assessable profits of certain of our PRC subsidiaries as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008, except for certain of our subsidiaries in China which are granted tax concession and are taxed at preferential tax rates. For more information on the preferential tax treatment we were entitled to during the Track Record Period, please refer to Note 10 "Income Tax" to the Accountants' Report included in Appendix I to this prospectus.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2018 Compared to the Year Ended December 31, 2017

Revenue

Our revenue increased by RMB1,536.8 million, or 24.8%, from RMB6,185.5 million in 2017 to RMB7,722.3 million in 2018. This increase was primarily attributable to the increase in revenue from our oncology, anti-infectives and CNS diseases therapeutic areas, which were in turn driven primarily by the increases in revenue from our core products in these therapeutic areas in 2018.

- ***CNS diseases***. Revenue from our CNS disease drug portfolio increased by RMB259.8 million, or 15.4%, from RMB1,681.7 million in 2017 to RMB1,941.5 million in 2018. This increase was primarily due to an increase in revenue of our core CNS disease product as described in more detail below. In addition, the sales volume of our other main product with strong growth potential, Ameining, increased substantially as a result of Ameining's inclusion in the NRDL in February 2017.

  - *Oulanning*: Our revenue from sales of Oulanning increased by RMB186.9 million, or 11.7%, from RMB1,598.5 million in 2017 to RMB1,785.4 million in 2018 mainly due to its increased sales volume. The continuing growth in sales volume of Oulanning was driven primarily by the continued increase in public awareness driving overall demand for psychotropic drugs, as well as Oulanning's passing of the consistency evaluation in China in May 2018.

- ***Oncology***. Revenue from our oncology drug portfolio increased by RMB1,074.5 million, or 44.0%, from RMB2,443.7 million in 2017 to RMB3,518.2 million in 2018. The increase in our revenue from oncology products was primarily due to an increase in sales of our core oncology products as described in more detail below. Furthermore, we launched Xintai in January 2018, which also contributed to the increase in revenue from our oncology drug portfolio.

  - *Pulaile*: Our revenue from sales of Pulaile increased by RMB459.0 million, or 42.2%, from RMB1,088.7 million in 2017 to RMB1,547.7 million in 2018 primarily due to its increased sales volume. The sales volume of Pulaile increased primarily because of the continuing positive effects on demand for Pulaile resulting from (i) its inclusion in the NRDL in February 2017 and (ii) its increased use in combo therapies due to the inclusion of other newly launched NSCLC drugs in the NRDL.

- *Zefei*: Our revenue from sales of Zefei increased by RMB127.0 million, or 14.1%, from RMB899.0 million in 2017 to RMB1,026.0 million in 2018 primarily due to its increased sales volume. The sales volume of Zefei increased primarily due to the expansion of indications and Zefei's increased penetration of markets at the county level.

- *Xinwei*: Our revenue from sales of Xinwei increased by RMB76.4 million, or 31.2%, from RMB244.8 million in 2017 to RMB321.2 million in 2018, primarily due to its increased sales volume. The sales volume of Xinwei increased primarily due to the continuing positive effect on the demand of Xinwei from its inclusion in the NRDL in February 2017, the expansion of its indications to include gastrointestinal stromal tumors in December 2017, as well as Xinwei's passing of the consistency evaluation in China in May 2018.

- *Xinmei*: Our revenue from sales of Xinmei increased by RMB40.0 million, or 45.5%, from RMB87.9 million in 2017 to RMB127.9 million in 2018, primarily due to its increased sales volume. The sales volume of Xinmei increased primarily due to the continuing positive effect on the demand of Xinmei resulting from its inclusion in the NRDL in February 2017.

- ***Anti-infectives***. Revenue from our anti-infectives drug portfolio increased by RMB286.9 million, or 29.1%, from RMB986.2 million in 2017 to RMB1,273.1 million in 2018. The increase in our revenue from anti-infective products was in part, due to increase in sales of our core anti-infective products as described in more details below. In addition, the sales volume of Hengjie, another anti-infective main product, increased substantially due to increase in clinical demand, and the sales volume of Mailingda, another anti-infective main product, increased substantially as a result of its inclusion in the NRDL in July 2017, both of which also contributed to the increase in revenue from our anti-infectives drug portfolio.

  - *Zetan*: Our revenue from sales of Zetan increased by RMB143.0 million, or 61.2%, from RMB233.5 million in 2017 to RMB376.5 million in 2018, primarily driven by the increase in its sales volume. The sales volume of Zetan increased primarily due to its inclusion in the NRDL in February 2017.

- ***Diabetes.*** Revenue from our diabetes drug portfolio decreased by RMB39.4 million, or 8.2%, from RMB480.3 million in 2017 to RMB440.9 million in 2018. The decrease in our revenue from diabetes was primarily due to a decrease in price of our core diabetes product, as described in more details below.

  - *Fulaidi*: Our revenue from sales of Fulaidi decreased by RMB41.2 million, or 8.8%, from RMB470.1 million in 2017 to RMB428.9 million in 2018. The revenue from Fulaidi decreased primarily due to price reductions as a result of increased

competition in the centralized tender process in various provinces. As Fulaidi is a mature product for a chronic disease, which has been on the market since 2000 and included in the NRDL since 2004, the increase in its sales volume did not offset the decrease in its price in 2018 compared to 2017.

- ***Gastrointestinal.*** Revenue from our gastrointestinal drug portfolio decreased by RMB66.8 million, or 12.6%, from RMB528.1 million in 2017 to RMB461.3 million in 2018, primarily due to a decrease in price of our core gastrointestinal product as described in more details below.

  - *Ruibote*: Our revenue from sales of Ruibote decreased by RMB49.3 million, or 11.3%, from RMB435.4 million in 2017 to RMB386.1 million in 2018. The revenue from Ruibote decreased primarily due to price reductions resulting from increased competition in the centralized tender process in various provinces. As Ruibote is a mature product in a competitive market, which has been on the market since 2002 and included in the NRDL since 2004, the increase in its sales volume did not offset the decrease in its price in 2018 compared to 2017.

Cost of sales

Our cost of sales increased by RMB147.9 million, or 32.5%, from RMB455.2 million in 2017 to RMB603.1 million in 2018. The increase was primarily a result of the increase in the cost of materials of RMB74.6 million due to our increased sales volumes as well as an increase of RMB32.9 million in staff costs as a result of an increase in the number of production-related staff as well as increased compensation levels. Expenses for utilities and others also increased by RMB25.1 million which is in line with our business expansion and increased production.

Gross profit and gross margin

As a result of the cumulative effect of the factors described above, our gross profit increased by RMB1,388.8 million, or 24.2%, from RMB5,730.4 million in 2017 to RMB7,119.2 million in 2018. Our gross margin remained stable at 92.6% in 2017 and 92.2% in 2018.

Other income

Our other income decreased by RMB15.2 million, or 16.3%, from RMB93.2 million in 2017 to RMB78.0 million in 2018. The decrease was primarily due to a decrease in government grants of RMB20.8 million, which was mainly related to the timing of distribution and acceptance of government grants, which depends on the progress of relevant projects.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB504.5 million, or 18.7%, from RMB2,704.2 million in 2017 to RMB3,208.7 million in 2018, primarily attributable to an increase in marketing and promotion expenses of RMB381.2 million as we continued to enhance our sales and promotion efforts with a focus on academic promotion, as well as an increase of RMB55.1 million in staff costs as a result of an increase in the number of sales and marketing staff and rising wage levels.

Administrative expenses

Our administrative expenses increased by RMB176.1 million, or 28.7%, from RMB614.1 million in 2017 to RMB790.2 million in 2018, primarily due to an increase of RMB69.2 million in staff costs resulting from an increase in the number of staff and increased compensation levels as well as an increase of RMB55.3 million in other administrative expenses, primarily attributable to our increased listing expenses.

Research and development costs

Our research and development costs increased by RMB305.8 million, or 53.1%, from RMB575.5 million in 2017 to RMB881.3 million in 2018, primarily driven by the increase in testing and examination costs by RMB189.1 million as well as an increase in material costs of RMB38.0 million. Testing and examination costs and material costs increased as we ramped up the preparation of consistency evaluations for our generic drug portfolio as well as the advancement of clinical trials for our innovative drugs. In addition, staff costs increased by RMB67.7 million due to the increase in the number of our R&D staff as well as their wage levels as part of our ongoing talent strategy.

Other gains/(expenses), net

We had other losses of RMB7.7 million in 2018, compared to other gains of RMB3.0 million in 2017, which was primarily due to an increase in our donations, including our donations to charitable organizations, research institutes and university scholarships, partially offset by an increase in fair value gains of our financial products and net exchange gains.

Income tax expenses

Our income tax expense increased by RMB69.0 million, or 20.5%, from RMB337.3 million in 2017 to RMB406.3 million in 2018, which was primarily due to higher profit before tax. Our effective income tax rate, calculated as income tax expenses divided by profit before tax, increased from 17.5% in 2017 to 17.6% in 2018. Please refer to Note 10 "Income Tax" to the Accountants' Report included in Appendix I to this prospectus for a reconciliation of our tax expense applicable to profit before tax.

Profit for the period

As a result of the foregoing, our profit increased by RMB307.5 million, or 19.3%, from RMB1,595.5 million in 2017 to RMB1,903.0 million in 2018.

Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our revenue increased by RMB752.5 million, or 13.9%, from RMB5,433.0 million in 2016 to RMB6,185.5 million in 2017. This increase was primarily attributable to the increases in revenue from our oncology, CNS diseases and anti-infective therapeutic areas, which were in turn driven primarily by the increases in revenue from our core products in these therapeutic areas.

- ***CNS diseases***. Revenue from our CNS disease drug portfolio increased by RMB 208.4 million, or 14.1%, from RMB1,473.3 million in 2016 to RMB1,681.7 million in 2017, faster than the industry average growth for CNS disease products of 10.5% for the same period. The increase in our revenue from CNS diseases was primarily due to an increase in revenue of our core CNS disease product as described in more details below.

    - *Oulanning*: Our revenue from sales of Oulanning increased by RMB184.8 million, or 13.1%, from RMB1,413.7 million in 2016 to RMB1,598.5 million in 2017, primarily as a result of increased sales volume. The increase in sales volumes of Oulanning was driven by its increased coverage of psychiatric hospitals at county level, and the expansion of its indications. The increase in the sales volume of Oulanning was partially offset by a decrease in its sales price as a result of increased competition in the centralized tender process.

- ***Oncology***. Revenue from our oncology drug portfolio increased by RMB416.8 million, or 20.6%, from RMB2,026.9 million in 2016 to RMB2,443.7 million in 2017, faster than the industry average growth for oncology products of 11.5% for the same period. The increase in our revenue from oncology products was primarily due to increase in revenue of our core oncology products as described in more details below.

    - *Pulaile*: Our revenue from sales of Pulaile increased by RMB208.9 million, or 23.7%, from RMB879.8 million in 2016 to RMB1,088.7 million in 2017 due to increased sales volumes. The sales volumes of Pulaile increased primarily due to the strong demand for Pulaile resulting from its inclusion in the NRDL.

- *Zefei*: Our revenue from sales of Zefei increased by RMB151.8 million, or 20.3%, from RMB747.2 million in 2016 to RMB899.0 million in 2017 due to increased sales volume. The continuing fast growth in sales volume of Zefei was primarily due to the consolidation of certain public medical insurance schemes ("三保合一") which contributed to the penetration of Zefei in county level hospitals as well as increased clinical demand.

- *Xinwei*: Our revenue from sales of Xinwei increased by RMB16.6 million, or 7.3%, from RMB228.2 million in 2016 to RMB244.8 million in 2017 primarily due to its increased sales volume. The sales volume of Xinwei increased primarily due to its inclusion in the NRDL in February 2017. The increase in the sales volume of Xinwei was partially offset by a decrease in average sales price as a result of increased competition in the centralized tender process in various provinces.

- *Xinmei*: Our revenue from sales of Xinmei increased by RMB21.3 million, or 32.0%, from RMB66.6 million in 2016 to RMB87.9 million in 2017 primarily due to its increased sales volume. The sales volume of Xinmei increased primarily due to its inclusion in the NRDL in February 2017.

- ***Anti-Infectives***. Revenue from our anti-infectives drug portfolio increased by RMB138.8 million, or 16.4%, from RMB847.4 million in 2016 to RMB986.2 million in 2017, faster than the industry average growth for anti-infective products of 3.5% for the same period. The increase in our revenue from anti-infective products was primarily due to an increase in revenue of our core anti-infective products as described in more details below. In addition, the sales volume of Hengjie increased primarily due to increased clinical demand, which also contributed to the increase in revenue from our anti-infectives drug portfolio.

  - *Zetan*: Our revenue from sales of Zetan increased by RMB48.2 million, or 26.0%, from RMB185.3 million in 2016 to RMB233.5 million in 2017, as a result of increased sales volume. The sales volume of Zetan increased primarily due to its inclusion in the NRDL in 2017.

- ***Diabetes***. Revenue from our diabetes drug portfolio remained relatively stable at RMB480.3 million in 2017, compared to RMB479.6 million in 2016, as the sales of our core diabetes product remained relatively stable as described in more details below. During the same period, the industry average growth for diabetes products was 8.9%.

  - *Fulaidi*: Our revenue from sales of Fulaidi remained relatively stable at RMB470.1 million in 2017, compared to RMB471.7 million in 2016, primarily due to price reductions as a result of increased competition in centralized tender process in various provinces. As Fulaidi is a mature product for a chronic disease, the increase in its sales volume did not offset the decrease in its price in 2017 compared to 2016.

- ***Gastrointestinal.*** Revenue from our gastrointestinal drug portfolio remained relatively stable at RMB528.1 million in 2017, compared to RMB530.5 million in 2016, as the price of our core gastrointestinal product decreased as described in more details below. During the same period, the industry average growth of gastrointestinal products was 9.1%.

    - *Ruibote*: Our revenue from sales of Ruibote remained relatively stable at RMB435.4 million in 2017 compared to RMB438.6 million in 2016. Revenue from Ruibote decreased due to price reductions resulting from increased competition in the centralized tender process, which could not be offset by an increased in its sales volume.

Cost of sales

Our cost of sales increased by RMB57.9 million, or 14.6%, from RMB397.3 million in 2016 to RMB455.2 million in 2017. The primary drivers of our increased cost of sales were (i) an increase in the cost of materials of RMB21.7 million driven by our increased sales volumes, (ii) an increase in depreciation of RMB9.9 million, primarily due to continuing capital expenditures in production facilities and equipment and the ongoing renovation of some of our workshops, and (iii) higher staff costs of RMB17.1 million resulting from an increase in the number of production-related staff as well as higher wages.

Gross profit and gross margin

As a result of the cumulative effect of the factors described above, our gross profit increased by RMB694.7 million, or 13.8%, from RMB5,035.7 million in 2016 to RMB5,730.4 million in 2017, in line with our revenue growth. Our gross margin remained stable at 92.6% in 2017, compared to 92.7% in 2016.

Other income

Our other income increased by RMB7.4 million, or 8.6%, from RMB85.8 million in 2016 to RMB93.2 million in 2017. The increase was primarily due to an increase in income from technology transfer of RMB17.7 million as well as an increase in our investment income, which was offset by a decrease in government grants. We recognized income of RMB22.4 million from technology transfer in 2017 in connection with the transfer of several non-main products. Our investment income, which was primarily generated from investment in financial products provided by banks increased by RMB6.4 million, or 100.0%, from RMB6.4 million in 2016 to RMB12.8 million in 2017 due to an increase in surplus funds. Our government grants decreased by RMB10.4 million, or 16.1%, from RMB64.7 million in 2016 to RMB54.3 million in 2017, which mainly related to the timing of distribution and acceptance of government grants, which depends on the progress of relevant projects.

Selling and distribution expenses

Our selling and distribution expenses increased by RMB326.2 million, or 13.7%, from RMB2,378.0 million in 2016 to RMB2,704.2 million in 2017, primarily attributable to (i) an increase in marketing and promotion expenses of RMB224.9 million, as we continued to grow our sales and promotion efforts with a focus on academic promotion, and (ii) an increase in travel expenses of RMB76.6 million due to a larger sales force and more business travels as a result of our overall growth.

Administrative expenses

Our administrative expenses increased by RMB76.1 million, or 14.1%, from RMB538.0 million in 2016 to RMB614.1 million in 2017, primarily attributable to the increase in our staff costs by RMB48.6 million, or 17.4%, from RMB280.1 million in 2016 to RMB328.7 million in 2017 resulting from rising wage levels.

Research and development costs

Our research and development costs increased by RMB172.4 million, or 42.8%, from RMB403.1 million in 2016 to RMB575.5 million in 2017, primarily driven by the increase in cost of materials by RMB48.5 million and the increase in testing and examination cost by RMB72.8 million in connection with the preparation of consistency evaluations for our generic drugs, and increased research and development activities in line with the clarification of relevant regulatory policies. The increase in research and development costs was also attributable to the increase in staff costs by RMB44.1 million due to the increase in the number of our R&D staff as well as their wage levels.

Other gains, net

Our gains decreased by RMB2.3 million, or 43.4%, from RMB5.3 million in 2016 to RMB3.0 million in 2017, primarily attributable to net foreign exchange losses in 2017.

Finance costs

Our finance costs were RMB3.4 million in 2016, which related primarily to interest expenses on our loans from commercial banks. Please refer to "— Indebtedness and Contingencies" below for further details on our bank borrowings. We did not incur any finance cost in 2017 as a result of our repayment of all outstanding loan balances in 2016.

Income tax expenses

Our income tax expense increased by RMB9.1 million, or 2.8%, from RMB328.2 million in 2016 to RMB337.3 million in 2017, as a result of the increase in profit before tax. The increase in income tax expenses was offset by a decrease in our current income tax from 2016 to 2017, mainly due to additional deductible allowances for qualified research and development costs, which increased from RMB39.9 million in 2016 to RMB71.9 million in 2017 as a result of increased R&D costs in 2017. Our effective income tax rate, calculated as income tax expenses divided by profit before tax, decreased from 18.2% in 2016 to 17.5% in 2017. Please refer to Note 10 "Income Tax" to the Accountants' Report included in Appendix I to this prospectus for a reconciliation of our tax expense applicable to profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 8.1% from RMB1,476.0 million in 2016 to RMB1,595.5 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through cash generated from our operating activities. Our primary uses of cash were to fund working capital and other recurring expenses, and capital expenditures. Taking into account the financial resources available to us, including cash flow from operations, pre-IPO investments, and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our requirements within at least the next 12 months from the date of this prospectus.

Cash Flows

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2016	**2017**	**2018**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Net cash generated from operating activities	1,246,507	1,402,252	2,072,227
Net cash generated/(used in) from investing activities	829,538	(614,271)	(1,388,744)
Net cash used in financing activities	(2,048,558)	(730,475)	—

Operating Activities

Our net cash generated from operating activities in 2018 was RMB2,072.2 million. This cash inflow was primarily attributable to (i) a profit before tax of RMB2,309.3 million, and (ii) depreciation of property, plant and equipment of RMB148.6 million. This cash inflow was partially offset primarily by (i) an increase in trade and bills receivables of RMB455.3 million due to our sales growth, (ii) income tax paid of RMB306.2 million, and (iii) an increase in inventories of RMB33.1 million due to expansion of our business.

Our net cash generated from operating activities in 2017 was RMB1,402.3 million. This cash inflow was primarily attributable to (i) profit before tax of RMB1,932.8 million, and (ii) depreciation of property, plant and equipment of RMB131.4 million. This cash inflow was partially offset primarily by (i) an increase in trade and bills receivables of RMB466.3 million due to our sales growth, (ii) income tax paid of RMB231.2 million, and (iii) an increase in inventories of RMB78.4 million due to expansion of our business.

Our net cash generated from operating activities in 2016 was RMB1,246.5 million. This cash inflow was primarily attributable to (i) profit before tax of RMB1,804.3 million, and (ii) depreciation of property, plant and equipment of RMB115.4 million. This cash inflow was partially offset primarily by (i) an increase in trade and bills receivables of RMB692.0 million due to our sales growth, (ii) income tax paid of RMB311.3 million, and (iii) an increase in inventories of RMB95.0 million due to expansion of our business.

Investing Activities

Our net cash used in investing activities in 2018 was RMB1,388.7 million. This was primarily attributable to (i) the net cash outflow of RMB1,038.1 million in relation to our investment in financial products, and (ii) purchases of items of property, plant and equipment of RMB381.4 million.

Our net cash used in investing activities in 2017 was RMB614.3 million. This cash outflow was primarily attributable to (i) the net cash outflow of RMB370.6 million in relation to our investment in financial products, and (ii) purchase of items of property, plant and equipment of RMB256.3 million.

Our net cash from investing activities in 2016 was RMB829.5 million. This was primarily attributable to the net cash inflow of RMB1,018.3 million in relation to our investment in financial products. This was partially offset primarily by purchases of items of property, plant and equipment of RMB238.9 million.

Financing Activities

We did not engage in any financing activities in the year ended December 31, 2018.

Our net cash used in financing activities in 2017 was RMB730.5 million. The cash outflow was primarily attributable to (i) dividend paid to the then shareholders of RMB404.1 million, and (ii) repayments related to capital reduction of subsidiaries of RMB324.3 million.

Our net cash used in financing activities in 2016 was RMB2,048.6 million. The cash outflow was attributable to (i) dividend paid to the then shareholders of RMB2,368.5 million, and (ii) deemed distribution of disposed assets of RMB647.5 million in connection with the Reorganization. The cash outflow was partially offset by (i) the proceeds from the issue of shares of RMB1,302.4 million in connection with our Reorganization, and (ii) the proceeds from bank borrowing of RMB400.0 million.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of March 31,
	2016	**2017**	**2018**	**2019**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*	*RMB ('000) (unaudited)*
Current Assets				
Inventories	353,051	439,355	479,664	465,856
Trade and bills receivables	1,723,535	2,192,518	2,645,207	2,536,923
Prepayments, deposits and other receivables	42,962	62,382	66,252	83,767
Financial assets at fair value through profit or loss	268,327	607,722	2,016,439	2,456,406
Other financial assets	867,125	849,446	511,792	1,379,365
Bank deposits with initial term of over three months	—	—	—	673,350
Cash and cash equivalents	208,699	266,444	964,831	1,482,823
Total current assets	3,463,699	4,417,867	6,684,185	9,078,490
Current Liabilities				
Trade and bills payables	44,908	98,794	158,810	157,261
Other payables and accruals	1,256,582	1,024,006	1,460,221	1,560,352
Contract liabilities	56,057	41,512	36,311	28,074
Tax payable	50,283	63,362	48,443	103,557
Dividends payable	404,134	—	2,800,000	2,800,000
Total current liabilities	1,811,964	1,227,674	4,503,785	4,649,244
Net current assets	1,651,735	3,190,193	2,180,400	4,429,246

We had net current assets of RMB4,429.2 million as of March 31, 2019, as compared to net current assets of RMB2,180.4 million as of December 31, 2018. This change was primarily due to a significant increase in other financial assets of RMB867.6 million attributable to our increased investments in financial products, an increase in bank deposits with initial term of over three months of RMB673.4 million, and an increase in cash and cash equivalents of RMB518.0 million.

We had net current assets of RMB2,180.4 million as of December 31, 2018, as compared to net current assets of RMB3,190.2 million as of December 31, 2017. This change was primarily due to (i) a dividend payable of RMB2,800.0 million, representing the current portion of our Unpaid Dividends; (ii) an increase of other payables and accruals of RMB436.2 million primarily due to an increase in our accrued expenses and other payables, partially offset by (i) an increase in financial assets at fair value through profit or loss of RMB1,408.7 million due to our additional investments in financial products as we had more cash inflows from operations to make these short-term investments. These financial products are principal protected but return not guaranteed; and (iii) an increase in trade and bills receivables of RMB452.7 million due to our sales growth. Our accrued expenses primarily consist of accrued selling, listing and R&D expenses. The increase in our accrued expenses was primarily due to our increased selling expenses as a result of our sales growth. Our other payables consist of, among others, deposits payable and employee expense reimbursement. The increase in our other payables was primarily due to an increase in our employee expense reimbursement.

We had net current assets of RMB3,190.2 million as of December 31, 2017, as compared to net current assets of RMB1,651.7 million as of December 31, 2016. This change was primarily due to (i) an increase of trade and bills receivable of RMB469.0 million due to our sales growth, and (ii) an increase in financial assets at fair value through profit or loss of RMB339.4 million due to more investments in financial products, and (iii) a decrease in other payables and accruals of RMB232.6 million due to a decrease in amounts due to related parties, partially offset by an increase in trade and bills payables of RMB53.9 million due to more purchases in connection with our overall growth.

SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITIONS

Inventories

Our inventories include raw materials we purchased from suppliers, our work in progress and finished goods. Please refer to Note 2.4 "Summary of Significant Accounting Policies — Inventories" to the Accountants' Report included in Appendix I to this prospectus for further details of our accounting policies on inventories. The table below sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Raw materials	63,541	82,321	98,247
Work in progress	223,628	245,722	229,858
Finished goods	65,882	111,312	151,559
	353,051	439,355	479,664

We formulate annual plans for production, sales and procurement of raw materials and supplies. We actively monitor the sales performance, production progress, inventory level and projected sales of each of our products, and adjust our sales and purchase plans accordingly every month, to minimize the risk of inventory shortage or accumulation. We did not experience any material shortage or accumulation of inventory during the Track Record Period.

Our inventory balance increased by 9.2% from RMB439.4 million as of December 31, 2017 to RMB479.7 million as of December 31, 2018, primarily reflecting an increase in finished goods of RMB40.3 million as we proactively stocked up finished goods to prepare for anticipated increases in product demand as a result of positive developments in our business. Subsequent sales and usage of our inventory up to March 31, 2019 amounted to RMB397.2 million, which accounted for 82.8% of our inventory balance as of December 31, 2018.

Our inventory balance increased by 24.4% from RMB353.1 million as of December 31, 2016 to RMB439.4 million as of December 31, 2017, primarily reflecting an increase in finished goods of RMB45.4 million due to higher production to meet the increasing demand for our products.

The following table sets forth the average turnover days of our inventories for the years indicated:

	Year ended December 31,		
	2016	2017	2018
Average turnover days of raw materials[(1)]	47.1	58.5	54.6
Average turnover days of work-in-progress[(2)]	177.2	188.2	143.9
Average turnover days of finished goods[(3)]	53.4	71.0	79.5

(1) Calculated using the average of the beginning and ending raw materials balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year.

(2) Calculated using the average of the beginning and ending work-in-progress balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year.

(3) Calculated using the average of the beginning and ending finished goods balances of the period, divided by cost of sales for the period and multiplied by 365 days for a year.

Our inventory turnover days are analyzed through turnover days of raw materials, working-in-progress, and finished goods.

Average raw materials turnover days remain relatively stable. With respect to work-in-progress, our vertical integration in pharmaceutical manufacturing from raw material procurement, API production, to production and sale of finished drugs has contributed to relatively long average work-in-progress turnover days, while at the same time reducing our exposure to risks associated with production process. Average finished goods turnover days increased as we proactively stocked up inventories to prepare for anticipated increase in product demand in response to positive developments in our business, including inclusion in the NRDL and passing of consistency evaluation for certain main products.

Trade and bills receivables

Our trade receivables primarily represented the balances due from our distributors. We generally grant our distributors credit terms from 60 to 180 days. We take into consideration a number of factors in determining the credit term of a distributor, including its cash flow conditions and credit worthiness. Please refer to "Business — Sales, Marketing and Distribution — Distribution" in this prospectus for more details of our distributor management. We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the above and the fact that the our trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. We do not hold any collateral or other credit enhancements over our trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

Our bills receivable primarily represent bank notes received from our distributors in lieu of cash payments. Our bills receivable is generally due in 90 to 180 days.

The following tables set forth a summary of our trade and bills receivables as of the dates indicated and the average trade receivables turnover days for the years indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,591,546	1,384,346	1,610,677
Provision of impairment	(19,253)	(12,598)	(5,870)
	1,572,293	1,371,748	1,604,807
Bills receivable	151,242	820,770	1,040,400
	1,723,535	2,192,518	2,645,207

	Year ended December 31,		
	2016	2017	2018
Average turnover days of trade receivables[(1)]	109.5	87.8	70.8

(1) Average turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days.

Our trade and bills receivables as of December 31, 2016, 2017 and 2018 were RMB1,723.5 million, RMB2,192.5 million and RMB2,645.2 million, respectively. The increase from December 31, 2016 to December 31, 2017 was primarily due to increase in bills receivable in line with our increased sales. The increase from December 31, 2017 to December 31, 2018 was primarily due to an increase in both trade receivables and bills receivable in line with our increased sales. Subsequent settlement of trade and bills receivables up to March 31, 2019 amounted to RMB2,250.6 million, which accounted for 85.1% of our trade and bills receivables as of December 31, 2018.

Our average trade receivables turnover days were 109.5 days, 87.8 days and 70.8 days in 2016, 2017 and 2018, respectively. Our trade receivables turnover days decreased as we continued to optimize our trade receivables management.

The following table sets forth an ageing analysis of our trade receivables as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Within 90 days	1,447,414	1,343,096	1,560,095
91 days to 180 days	118,202	23,030	41,346
Over 180 days	6,677	5,622	3,366
Total	1,572,293	1,371,748	1,604,807

The following table sets forth an ageing analysis of our bills receivable as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Within 90 days	111,703	431,727	608,017
91 days to 180 days	39,539	389,043	431,883
Over 180 days	—	—	500
Total	151,242	820,770	1,040,400

The following table sets forth an ageing analysis of the trade receivables that are past due but not impaired as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Overdue by:			
Within 90 days	16,462	2,568	18,043

Trade receivables that were neither past due nor impaired relate to independent customers that have a good track record with us.

We apply the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on past experience and forward-looking information, there is no significant credit risk associated with bills receivables and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

Trade and bills payables

Our trade and bills payables primarily consist of balances due to our suppliers. Our trade payables are non-interest-bearing and are normally settled on 90-day terms.

	As of December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	44,908	92,454	95,291
Bills payable	—	6,340	63,519
	44,908	98,794	158,810

Our trade and bills payables were RMB44.9 million, RMB98.8 million and RMB158.8 million as of December 31, 2016, 2017 and 2018, respectively. Our trade and bills payables increased in 2017 primarily due to increased purchases of raw materials and equipment in line with our overall business growth. Our trade and bills payables increased in 2018 primarily due to increased use of bills payable for payment. Subsequent settlement of trade and bills payables up to March 31, 2019 amounted to RMB112.2 million, which accounted for 70.7% of our trade and bills payables as of December 31, 2018.

The following table sets forth the turnover days of our trade payables for the years indicated:

	Year ended of December 31,		
	2016	**2017**	**2018**
Turnover days of trade payables[(1)]	47.4	55.1	56.8

(1) Average turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying by 365 days.

The increase of our trade payables turnover days in 2017 was primarily due to increased purchases as a result of our overall business growth during the period. Our trade payables turnover days remained stable from 2017 to 2018. See Note 32 of the Accountants' Report in Appendix I for more information on the changes of related party balance.

The following table sets forth the ageing analysis of trade and bills payables as of the dates indicated:

	As of December 31,		
	2016	**2017**	**2018**
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Within 90 days	43,306	90,589	121,530
91 days to 180 days	132	7,627	36,386
181 days to 1 year	139	225	321
Over 1 year	1,331	353	573
Total	44,908	98,794	158,810

Other payables and accruals

Our other payables and accruals primarily comprise accrued expenses, staff payroll, welfare and bonus payables, other tax payables and amounts due to related parties. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Payables for purchase of items of property, plant and equipment	48,150	32,784	75,329
Staff payroll, welfare and bonus payables	252,910	275,620	366,306
Accrued expenses	350,966	369,166	586,816
Other tax payables	147,781	204,015	74,630
Due to related parties	326,504	8,104	—
Other payables	130,271	134,317	357,140
Total	1,256,582	1,024,006	1,460,221

Please refer to Note 32 of the Accountants' Report included in Appendix I to this prospectus for more information on the changes in amounts due to related parties during the periods presented.

Financial Assets At Fair Value Through Profit Or Loss / Other Financial Assets

Our financial assets at fair value through profit or loss comprise investments in financial products issued by banks which can be redeemed at any time with principal protected but returns not guaranteed, and investments in listed ordinary shares. Our other financial assets comprise investments in financial products issued by banks that are principal protected and have guaranteed returns.

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Listed equity investments[(1)]	1,251	1,050	—
Investments in financial products[(2)]	267,076	606,672	2,016,439
Total	268,327	607,722	2,016,439

(1) The fair value of the listed equity investments are determined based on the closing prices quoted in active markets without any adjustments.

(2) The investments represent investments in certain financial products issued by commercial banks in the PRC with expected interest rates ranging from 1.60% to 4.30% per annum and can be redeemed at any time. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected interest. None of these investments are either past due or impaired.

The following table sets forth our other financial assets as of the dates indicated:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Investments in financial products	867,125	849,446	511,792

The above investments represent investments in certain financial products issued by commercial banks. These financial products had terms of less than one year and had guaranteed annual return rates ranging from 0.72% to 3.80%. None of these investments are either past due or impaired.

Our treasury policy aims to generate minimum-risk safe returns and limits the investment of current funds to certain investment-grade financial products that are mostly principal-protected and highly liquid. We have in place various approval and authorization policies based on the investment amount.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in note 32 to the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business and on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

The following table sets forth our sales to related parties for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Hengyun	397	2	—
Hengrui Medicine	—	4,401	272

The following table sets forth our purchases from related parties for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB '000	*RMB '000*	*RMB '000*
Hengyun	64,516	33,355	2,306
Hengrui Medicine	6,292	9,008	206

For 2016, 2017 and 2018, our purchases from Hengyun amount to approximately of RMB64.5 million, RMB33.4 million and RMB2.3 million, respectively. Our purchases from Hengyun for the years indicated related to purchases of raw materials.

The following table sets forth our loans to related parties for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Loans to			
Jiangsu Mingtai Group	—	—	367,000

The loans to Jiangsu Mingtai Group was interest free with maturity terms of within two months. We had received the repayment in full by July 31, 2018.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures principally comprise expenditures for purchases of property and plants, machinery and equipment relating to our production and R&D activities. We funded our capital expenditures during the Track Record Period mainly from cash generated from operating activities. The following table sets out our capital expenditures for the years indicated:

	Year ended December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Buildings	18,802	81,214	8,682
Leasehold improvement	—	—	—
Machinery equipment	65,029	73,096	132,753
Computer and office equipment	9,436	10,643	12,869
Motor vehicles	8,974	4,607	4,418
Construction in progress	74,318	96,343	224,052
Software	5,662	6,741	1,295
Land lease payments	28,901	—	24,543
Total capital expenditure	211,122	272,644	408,612

Capital expenditures amounted to RMB211.1 million, RMB272.6 million and RMB408.6 million in 2016, 2017 and 2018, respectively. Capital expenditures in 2016, 2017 and 2018 are primarily related to the construction, renovation and purchase of additional land, buildings and workshops, and purchase of equipment, vehicles and software required for our production, research and development and administrative activities.

For more information on our future capital expenditure plan, see "Business — Production and Quality Control — Future Expansion and Upgrade Plan."

Operating Lease Arrangements

We lease certain of our office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

The following table sets out our total future minimum lease payments under non-cancellable operating leases falling due as of the dates indicated.

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Within one year	741	698	624
In the second to fifth years, inclusive	403	59	—
Total lease commitments	1,144	757	624

Capital Commitments

In addition to the operating lease commitments described above, we have the following capital commitments:

	As of December 31,		
	2016	2017	2018
	RMB ('000)	*RMB ('000)*	*RMB ('000)*
Contracted, but not provided for acquisition of property, plant and equipment	189,837	176,344	173,963

INDEBTEDNESS AND CONTINGENCIES

Bank Borrowings

As of December 31, 2016, December 31, 2017, December 31, 2018 and March 31, 2019, we did not have any borrowings. As of March 31, 2019, we had unutilized banking facilities of approximately RMB3,900.0 million. 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 bank borrowings or other loan facilities.

Contingent liabilities and guarantees

We did not have any debt securities, borrowings, indebtedness, mortgages, charges, contingent liabilities and guarantees outstanding as of March 31, 2019.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the year/period or as of the dates indicated:

	Year ended or as of December 31,		
	2016	2017	2018
Current ratio[(1)]	1.9	3.6	1.5
Return on total assets (%)[(2)]	26.2	29.8	26.6
Net profit margin (%)[(3)]	27.2	25.8	24.6

Notes:

(1) Current assets divided by current liabilities.

(2) Profit for the year divided by average assets (the arithmetic mean of the opening and closing balance of assets) and multiplied by 100%.

(3) Profit for the year divided by revenue.

MARKET RISKS

We are exposed to various types of market risks, including credit risk and liquidity risk. Our Directors review and agree policies for managing each of these risks.

Credit Risk

The carrying amounts of cash and cash equivalents, bank deposits with initial term of over three months, other financial assets, trade receivables and other receivables represent our maximum exposure equal to credit risk in relation to financial assets.

We expect that there is no significant credit risk associated with cash and cash equivalents, bank deposits with initial term of over three months and other financial assets since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. We do not expect that there will be any significant losses from non-performance by these counterparties.

We trade only with recognized and creditworthy customers with no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimize the credit risk, we review the recoverable amount of each individual trade receivable periodically and we also have monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the Directors consider that our credit risk is significantly reduced.

We measure loss allowances for bills receivable at an amount equal to lifetime ECLs. Based on past experience and forward-looking information, there is no significant credit risk associated with bills receivables and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

We measure loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As our historical credit loss experiences do not indicate significantly different loss patterns for different segments, the loss allowance based on past due status is not further distinguished between our different customer bases.

We also expect that there is no significant credit risk associated with amounts due from related parties and other receivables since counterparties to these financial assets have no history of default.

For other financial assets, amounts due from related parties and other receivables, impairment is measured as 12-month expected credit losses since there has no significant increase in credit risk since initial recognition.

Liquidity Risk

We monitor our risks arising from a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of financial instruments and financial assets (e.g. trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

Please refer to Note 35 "Financial Risk Management Objectives and Policies — Liquidity Risk" to the Accountants' Report included in Appendix I to this prospectus for further details of the liquidity risk we face.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

DIVIDEND

We paid dividends of RMB3,474.6 million, RMB404.1 million, and RMB nil to our then shareholders in 2016, 2017 and 2018, respectively. In 2016, 2017 and 2018, we declared dividends of RMB nil, RMB nil, and RMB4,000.0 million, respectively. Pursuant to a resolution of the Board of our Company and a resolution of the shareholders of our Company dated May 27, 2019, we declared special dividends, or the Second Unpaid Dividends, to our existing shareholders. The Second Unpaid Dividends are declared out of, and expected to represent, approximately 90% of our cumulative distributable profits as of April 30, 2019. In that connection, we will engage our auditor to perform the Special Audit of our accounts for the period from January 1, 2019 to April 30, 2019, which is currently expected to be completed by the end of August 2019, and we will announce the amount of the Second Unpaid Dividends payable determined by the Special Audit. A majority of the Unpaid Dividends were not settled as of the Latest Practicable Date.

We expect to settle the majority of the Unpaid Dividends in installments within two years after Listing with our financial resources and cash flow from operations. In May 2019, we paid the first installment of RMB600 million of the Unpaid Dividends to our existing shareholders. Based on available information and our best estimate, we expect to make the payments of approximately RMB1,100 million after Listing by the end of the third quarter of 2019, approximately RMB1,100 million around December 2019, and the remaining balance of the Unpaid Dividends in 2020, subject to our then available fund resources, financial position, business prospects and anticipated capital requirements.

The preliminary payment schedule was estimated by the Company taking into account various factors, including our available financial resources, cash flows forecast, potential savings in interest expenses and other financial costs (which may be incurred if the Unpaid Dividends were to be paid immediately), and administrative procedures and related processing time for capital movements and dividend payments. The Unpaid Dividends are not payable upon demand and no interest will be charged on any unsettled balance.

Although we expect to settle the majority of the Unpaid Dividends after Listing, our Directors consider we will (i) have sufficient funds to make payment of the Unpaid Dividends, (ii) record retained profits after declaration of the Unpaid Dividends, and (iii) continue to have sufficient working capital upon the full payment of the Unpaid Dividends without using any of the net proceeds from the Global Offering. As of March 31, 2019, we had cash and cash equivalent of RMB1,482.8 million, financial assets at fair value through profit or loss of RMB2,456.4 million, other financial assets of RMB1,379.4 million, bills receivable of RMB1,090.2 million, and unutilized bank facilities of RMB3,900.0 million.

After taking into account the declaration of the Second Unpaid Dividends, there will be (i) a decrease in our unaudited pro forma consolidated net tangible assets per Share as of December 31, 2018 taking into account the Second Pre-IPO Investment; and (ii) a significant increase in our consolidated non-current liabilities, while our consolidated current liabilities and consolidated net current assets will not be affected. We confirm that the payment of the Unpaid Dividends will not affect the sufficiency of our working capital taken as a whole having considered that we have sufficient cash surplus to finance our operations from internally generated cash flows and to maintain

a satisfactory financial position derived from our business growth. In addition, we do not expect any impairment to our ability to pay dividends to public shareholders after the Listing as a result of the settlement of the Unpaid Dividends, and the future dividend payment to public shareholders is not conditional upon the full settlement of the Unpaid Dividends.

Except as disclosed in this section, we had not made any payment of, or set any payment schedule for, dividends as of the Latest Practicable Date.

After Listing, we may declare and pay dividends by way of cash or by other means that we consider appropriate. Distribution of dividends will be formulated by our Board at their discretion and will be subject to shareholders' approval, if required. Decisions to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits, contractual and legal restrictions and other factors that our Directors may consider relevant. In any event, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocation to the statutory common reserve fund of an amount equivalent to 10% of profit after tax of our PRC subsidiaries; and
- allocation, if any, to a discretionary common reserve fund of an amount approved by the shareholders in a shareholders' meeting.

The minimum allocation to the statutory common reserve fund is 10% of our PRC subsidiaries' profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of the registered capital, no further allocation to this statutory common reserve fund will be required. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years.

Our future declarations of dividends may not reflect our historical declaration of dividends and will be at the absolute discretion of our Directors. There is no assurance that we will be able to distribute dividends of any amount each year or in any year. In addition, declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2018, our reserves available for distribution to our equity holders amounted to approximately RMB947.1 million. Also see "— Dividend".

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with paragraph 4.29 of the Listing Rules is set out below for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on our audited consolidated net tangible assets as of December 31, 2018 as if the Global Offering had taken place on December 31, 2018.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of our consolidated net tangible assets as of December 31, 2018 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2018, derived from the Accountants' Report, the text of which is set out in Appendix II to this prospectus, and adjusted as below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report as set forth in Appendix II to this prospectus.

	Audited consolidated net tangible assets attributable to owners of the Company as of December 31, 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000 *(note 1)*	*RMB'000* *(note 2)*	*RMB'000* *(note 5)*	*RMB* *(note 3,5)*	*HK$* *(note 4,5)*
Based on an Offer Price of HK$13.06 per Share	2,457,423	6,211,884	8,669,307	1.52	1.72
Based on an Offer Price of HK$14.26 per Share	2,457,423	6,794,896	9,252,319	1.62	1.84

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at December 31, 2018 is arrived at after deducting intangible assets of RMB10,475,000 from the audited consolidated equity attributable to owners of the Company of RMB2,467,898,000 as at December 31, 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$13.06 or HK$14.26 per Share after deduction of the underwriting fees and other related listing expense which are not recorded in consolidated statements of profit or loss for the Track Record Period and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 5,705,919,200 Shares are in issue assuming that the Global Offering has been completed on December 31, 2018.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8813 to HK$1.00.

5. The unaudited pro forma consolidated net tangible assets of the Group does not take into account the net proceeds of USD248,581,849 (equivalent to RMB1,682,278,000) from the Second Pre-IPO Investment on February 13, 2019. The unaudited pro forma consolidated net tangible assets per Share would have been RMB1.81 (equivalent to HK$2.05) and RMB1.92 (equivalent to HK$2.18) based on an Offer Price of HK$13.06 per Share and HK$14.26 per Share under the Global Offering, respectively, taking into account the net proceeds of USD248,581,849 (equivalent to RMB1,682,278,000) from the Second Pre-IPO Investment on February 13, 2019.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF THE LISTING RULES

We confirm that, as of the Latest Practicable Date, we were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

LISTING EXPENSES

Assuming an Offer Price of HK$13.66 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately HK$214.9 million. We have charged approximately HK$63.7 million listing expenses to profit or loss in the year ended December 31, 2018. We expect to charge approximately HK$9.2 million of the estimated listing expenses to profit or loss and to capitalize approximately HK$142.0 million in 2019.

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 Unpaid Dividends, there has been no material adverse change in our financial and trading positions or prospects since December 31, 2018 (the date of the latest audited financial statements of the Company) and there is no event since December 31, 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

BOARD OF DIRECTORS

The Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing resolutions passed in these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for dividend distributions as well as the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles.

The table below sets forth certain information of each of our Directors:

Name	Age	Position	Roles and Responsibilities	Date of Appointment as Director	Time of joining our Group
Ms. Zhong Huijuan (鍾慧娟)	58	Chairlady, Chief Executive Officer	Strategic development and planning, overall operations, sales and decision making of our Group	December 2, 2015[(1)(4)]	July 1996
Mr. Lyu Aifeng (呂愛鋒)	42	Executive Director	Overall management of the business operations and the scientific development of our Group, operations and management of certain subsidiaries	March 11, 2016[(2)]	July 1998
Miss Sun Yuan (孫遠)	32	Executive Director	Providing guidance on research and development strategies, business development, investment strategies and the scientific development of our Group	December 2, 2015[(3)(4)]	October 2011
Ms. Ma Cuifang (馬翠芳)	43	Non-executive Director	Providing advice on business development of our Group	March 11, 2016	March 2016
Mr. Lin Guoqiang (林國強)	76	Independent non-executive Director	Providing independent opinion and judgment to our Board	the date of this prospectus	the date of this prospectus
Mr. Chan Charles Sheung Wai (陳尚偉)	65	Independent non-executive Director	Providing independent opinion and judgment to our Board	the date of this prospectus	the date of this prospectus
Ms. Yang Dongtao (楊東濤)	61	Independent non-executive Director	Providing independent opinion and judgment to our Board	the date of this prospectus	the date of this prospectus

Notes:

(1) Before being appointed as Director, Ms. Zhong was appointed as a director of Jiangsu Hansoh in September 1998.

(2) Before being appointed as Director, Mr. Lyu was appointed as a director and president of Jiangsu Hansoh in December 2015.

(3) Before being appointed as Director, Miss Sun was appointed as director of Jiangsu Hansoh in October 2011. Miss Sun is the daughter of Ms. Zhong.

(4) Our Company was incorporated in the Cayman Islands in 2015.

Executive Directors

Ms. ZHONG Huijuan (鍾慧娟), aged 58, is the founder of our Group and currently the Chairlady, Chief Executive Officer and an executive Director of our Group. Ms. Zhong was appointed as a director of Jiangsu Hansoh in September 1998. Ms. Zhong is primarily responsible for our Group's strategic development and planning, overall operations, sales and decision making, board governance and supervision of key management issues. Ms. Zhong is the mother of Miss Sun.

Ms. Zhong has approximately 30 years of experience in the pharmaceutical industry in China, with substantial experience in pharmaceutical enterprise operation and management, as well as extensive industry knowledge on the development and expansion of our oncology and psychotropic drug portfolio in their respective therapeutic areas. From September 1994 until the establishment of our Group, Ms. Zhong served at Lianyungang Drug Administration. Ms. Zhong has been responsible for our Group's overall development since its establishment. Under Ms. Zhong's leadership, our Group has developed into one of the few R&D-driven Chinese pharmaceutical companies with an established leadership position in some of the largest and fastest-growing therapeutic areas in China with significant unmet clinical needs. Two of our core products, Zefei and Pulaile, received U.S. FDA approval and PMDA certification, respectively, and we have started to export Zefei to the U.S. Our Group was recognized as a "Leading Enterprise in the Internationalization of Pharmaceuticals (製劑國際化先導型企業)" by the China Chamber Of Commerce For Import & Export Of Medicines & Health Products (中國醫保商會) and China Pharmaceutical Enterprises Association (中國醫藥企業管理協會) in 2014. Since 2016, our Group has been recognized as a National Enterprise Technology Center (國家級企業技術中心) and National Intellectual Property Exemplary Enterprise (國家知識產權示範企業). Our Group has also been continuously recognized as the Top 100 Most Powerful Chinese Pharmaceutical Industrial Enterprises (中國醫藥工業百強企業) by the China Pharmaceutical Industry Information Center (中國醫藥工業信息中心).

Ms. Zhong is the vice president of the council of Jiangsu Pharmaceutical Association (江蘇省藥學會) and a standing supervisor of the China Quality Association for Pharmaceuticals (中國醫藥質量管理協會). Ms. Zhong was also elected as a representative of the 12th and 13th Jiangsu Provincial People's Congress (江蘇省人民代表大會).

Over the years, Ms. Zhong received numerous awards and recognitions for her contributions to both the pharmaceutical industry and pharmaceutical industrial and commercial enterprises. She received State Council Special Allowance in February 2013. In December 2013, she also received the "All China Federation of Industry Commerce Scientific and Technological Progress Award (first prize)" (中華全國工商業聯合會科技進步獎一等獎). In December 2014, Ms. Zhong received the "State Science and Technology Award (second prize)" (2014年度國家科技進步獎二等獎) from the State Council.

In July 1982, Ms. Zhong obtained her undergraduate degree in chemistry from Jiangsu Normal University (江蘇師範大學) (formerly known as Xuzhou Normal University (徐州師範學院)) in Xuzhou. She then obtained her Executive Master of Business Administration ("**EMBA**") from Nanjing University (南京大學) in December 2005.

Mr. LYU Aifeng (呂愛鋒) aged 42, is an executive Director of our Company. Mr. Lyu was appointed as director and president of Jiangsu Hansoh in December 2015. Mr. Lyu is primarily responsible for overall management of the business operations and the scientific development of our Group, and the operations and management of certain subsidiaries of our Group.

Mr. Lyu has more than 20 years of technical and management experience in R&D and product quality control systems in the pharmaceutical industry. Mr. Lyu joined our Group in July 1998 and has served in various positions, including director of product development in August 2001, and director of research institution in March 2009. Mr. Lyu was also appointed as president of Jiangsu Hansoh and the general manager of Shanghai Hansen in December 2015 and April 2016, respectively.

Mr. Lyu has obtained numerous awards and recognitions. Mr. Lyu obtained the "State Science and Technology Progress Award (second prize)" (國家科技進步獎二等獎) in 2013 and 2014. Mr. Lyu was recognized as a "Young Expert with Outstanding Contributions" by the People's Government of Jiangsu Province in March 2015. He was also chosen for the "100 Million Talents Programme" (國家百千萬人才工程) by the PRC Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) in October 2017. He was further selected for the Ten Thousand Talents Programme" (國家萬人計劃) by the PRC Ministry of Science and Technology (中華人民共和國科學技術部) in May 2018.

Mr. Lyu obtained both his bachelor of science degree in chemistry and his master of science degree in organic chemistry from Nanjing University (南京大學), in July 1998 and June 2005, respectively. Mr. Lyu also obtained his doctorate degree in biomedical engineering from Southeast University (東南大學) in Nanjing in June 2015.

Miss SUN Yuan (孫遠) aged 32, is an executive Director of our Company. Miss Sun was appointed as director of Jiangsu Hansoh in October 2011. Miss Sun is primarily responsible for providing guidance on research and development strategies, business development, investment strategies and the scientific development of our Group, which includes monitoring and introducing latest industry development and pharmaceutical technologies to the Group and exploring overseas business opportunities. Miss Sun is the daughter of Ms. Zhong.

Miss Sun has approximately seven years of experience in healthcare investment management and industry research. Prior to joining our Group in October 2011, Miss Sun had worked as an analyst at Hony Capital since June 2009.

Miss Sun received her bachelor's degree in biomedical sciences from Cambridge University in June 2007.

Non-Executive Directors

Ms. MA Cuifang (馬翠芳), aged 43, is a non-executive Director of our Company. Ms. Ma was appointed as Director in March 2016.

Ms. Ma has more than ten years of experience in finance and investment management. Ms. Ma joined Hillhouse Capital Management, Ltd. in June 2005, and is currently serving as its partner.

Ms. Ma obtained her bachelor of science degree from Beijing Normal University (北京師範大學) in July 1998, and her master of management degree from the Chinese Academy of Sciences (中國科學院) in June 2001. Ms. Ma received her Master of Business Administration from the University of Chicago Booth School of Business in March 2012.

Ms. Ma is a Chinese certified public accountant.

Independent Non-Executive Directors

Mr. LIN Guoqiang (林國強), aged 76, is an independent non-executive Director of our Company. Mr. Lin has been appointed as an independent non-executive Director of our Company with effect from the date of this prospectus. Mr. Lin is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Lin has more than 50 years of research experience in chemistry. Mr. Lin joined the Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in 1968. He was promoted to researcher of such institute in 1990, served as deputy director from 1988 to 1993 and director of such institute from 1993 to 1999. Mr. Lin was a visiting scholar at the Royal Institute of Technology in Sweden in 1980, and also a visiting scientist at both the University of Pittsburgh and R&D Department of SmithKline in the U.S. (美國史克藥業研究開發部) in 1986. Since 1992, Mr. Lin has been the director and executive editor of the publication "Tetrahedron/Tetrahedron Letters" in China and served as deputy chief editor of "China Science: Chemistry" (中國科學：化學) from 2008 to 2017. Mr. Lin was also elected as academician of the Chinese Academy of Sciences (中國科學院院士) in 2001.

Mr. Lin has received numerous awards, including State Natural Science Awards and Science Progress Awards. Examples of which are set out in the table below:

Honor/Award	Awarding Body	Timing of granting the award
Second Prize of State Natural Science Award of 2016	State Council	December 2016
Second Prize of State Scientific and Technological Progress Award of 2013	State Council	December 2013
Third Prize of State Scientific and Technology Progress Award of 1995	State Scientific and Technological Commission	December 1995
Second Prize of State Scientific and Technology Progress Award of 1987	State Science & Technology Award Judging Panel	July 1987
Third Prize of State Invention Award of 1987	State Scientific and Technological Commission	January 1987

Mr. Lin obtained his bachelor's degree in organic chemistry from Shanghai University of Science and Technology (上海科學技術大學) in July 1964, and obtained his master degree in organic chemistry from Shanghai Institute of Organic Chemistry of the Chinese Academy of Sciences (中國科學院上海有機化學研究所) in July 1968.

Mr. CHAN Charles Sheung Wai (陳尚偉), aged 65, is an independent non-executive Director of our Company. Mr. Chan has been appointed as an independent non-executive Director of our Company with effect from the date of this prospectus. Mr. Chan is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Chan has more than 40 years of experience in corporate finance, financial regulations and risk management. Mr. Chan started his career as an auditor at the Canadian office of Arthur Andersen in 1977 and was promoted to partnership in 1988. He subsequently joined the China & Hong Kong office of Arthur Andersen as an audit partner in 1994. From July 2002 to June 2012, Mr. Chan was a partner of the China & Hong Kong office of PricewaterhouseCoopers. Mr. Chan served as a member of the Listing Committee of the Hong Kong Stock Exchange from 1998 to 2001 and also as a member of the Election Committee for the first Legislative Council of Hong Kong in 1998. From 1996 to 1999, Mr. Chan was a council member of the Hong Kong Institute of Certified Public Accountants. He also served as a member of the Accounting Standards Committee, Auditing Standards Committee and the chairman of the China Technical Committee of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan has been an independent non-executive director of SRE Group Limited (Hong Kong Stock Exchange Stock Code: 1207) and CITIC Securities Company Limited (Hong Kong Stock Exchange Stock Code: 6030) since July 2012, and December 2015, respectively, and an independent director of Changyou.com Ltd (NASDAQ Stock Code: CYOU) since September 2013.

In May 1977, Mr. Chan obtained a Bachelor of Commerce degree from the University of Manitoba, in Canada. He is a member of both the Chartered Accountants of Canada and the Hong Kong Institute of Certified Public Accountants.

Ms. YANG Dongtao (楊東濤), aged 61, is an independent non-executive Director of our Company. Ms. Yang has been appointed as an independent non-executive Director of our Company with effect from the date of this prospectus. Ms. Yang is primarily responsible for providing independent opinion and judgment to our Board.

Ms. Yang has over 30 years of experience in the field of education. She was a lecturer of the Management Department of Nanjing University School of Business (南京大學商學院管理學系) from March 1985 to March 1992. She then served as associate professor from March 1992 to March 1999 and as professor from March 1999 to February 2007 of the Management Department of Nanjing University School of Business (南京大學商學院管理學系). Ms. Yang has been a professor of the Human Resources Management Department of Nanjing University School of Business (南京大學商學院人力資源管理系) since February 2007. Since May 2016, she has also been the vice president of the Jiangsu Province Human Resources Society (江蘇省人力資源學會).

Ms. Yang is currently an independent non-executive director of Perfect Group Corp., Ltd. (倍加潔集團股份有限公司) (Shanghai Stock Exchange stock code: 603059).

Ms. Yang received her bachelor of engineering from Southeast University (東南大學) (formerly known as Nanjing Institute of Technology (南京工學院)) in Nanjing in July 1982. She obtained both her master's degree in economics and her doctorate degree in corporate management from Nanjing University (南京大學) in February 1992 and December 1998, respectively.

GENERAL

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.

None of the Directors has any interest in a 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.

SENIOR MANAGEMENT

The members of our senior management team and details of each of their experience are as follows:

Name	Age	Position	Responsibilities within our Group	Date of the position	Date of joining our Group	Years of experience in the pharmaceutical manufacturing industry
Mr. Wu Gongzheng (吳公正)	48	Senior vice president	Overall financial management of our Group	March 2012	September 1997	21
Ms. Zhong Chunhua (鍾春華)	43	Senior vice president	Production and human resources management of our Group	January 2013	July 2000	18
Mr. Xu Chuanhe (徐傳合)	55	Senior vice president	Sales management of our Group	March 2009	August 1997	21
Mr. Bao Rudi (包如迪)	55	Senior vice president	Research and development and management of innovative drugs and the scientific development of our Group	October 2016	September 2012	23

Mr. WU Gongzheng (吳公正), aged 48, is a senior vice president of our Group and has been appointed to this position since March 2012. Mr. Wu is primarily responsible for the Group's overall financial management.

Mr. Wu has more than 20 years of experience in financial management. Mr. Wu joined our Group in September 1997 as a financial supervisor and was promoted to finance director of Jiangsu Hansoh in February 2003.

Mr. Wu obtained his bachelor's degree in statistical economics from Nanjing University of Finance & Economics (南京財經大學) (formerly known as Nanjing College of Economics (南京經濟學院)) in July 1993. Mr. Wu is currently completing his EMBA program at Nanjing University (南京大學).

Ms. ZHONG Chunhua (鍾春華), aged 43, is a senior vice president of our Group and has been appointed to this position since January 2013. Ms. Zhong Chunhua is primarily responsible for overseeing production and human resources management of our Group.

Ms. Zhong Chunhua has 18 years of managerial experience in pharmaceutical manufacturing quality control and human resources and joined our Group in July 2000. She was appointed as a quality assurance supervisor in February 2002, and was then promoted to quality assurance manager in August 2004. In March 2009, Ms. Zhong Chunhua was appointed as executive deputy general manager of the production division of Jiangsu Hansoh and has been responsible for managing the pharmaceutical production division.

Ms. Zhong Chunhua received her bachelor of pharmaceutical sciences degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京醫學院)) in Nanjing in July 2000.

Mr. XU Chuanhe (徐傳合), aged 55, is a senior vice president of our Group and has been appointed to this position since March 2009. Mr. Xu is primarily responsible for matters related to sales management of our Group.

Mr. Xu has more than 20 years of experience in pharmaceutical sales management. Mr. Xu joined our Group in August 1997 and was appointed as deputy general manager of the sales division in October 1997.

Mr. Xu obtained his bachelor of science degree from China Pharmaceutical University (中國藥科大學) (formerly known as Nanjing Medical College (南京藥學院)) in Nanjing in July 1985 and his EMBA from Wuhan University (武漢大學) in December 2008.

Mr. BAO Rudi (包如迪), aged 55, is a senior vice president of our Group and has been appointed to this position since October 2016. Mr. Bao joined our Group in September 2012 as deputy general manager of Shanghai Hansen. Mr. Bao is mainly responsible for the management of R&D of innovative drugs and the scientific development of our Group.

Mr. Bao has approximately 23 years of experience in the pharmaceutical manufacturing industry, including 16 years of experience in management of R&D of drugs. Prior to joining our Group, he was a senior researcher at Novartis Pharmaceuticals from October 2002 to December 2006, and a senior director at Curis Inc. from December 2006 to July 2012.

Mr. Bao obtained his bachelor's degree in medicine from Changwei Medical College (昌潍醫學院) (formerly known as Weifang Medical College (潍坊醫學院)) in July 1986 and his master's degree in medicine from Harbin Medical University (哈爾濱醫科大學) in December 1989. He obtained his doctorate degree in medicine from Peking Union Medical College (北京協和醫學院) (formerly known as China Union Medical College (中國協和醫科大學)) in October 1992.

Each of our senior management members has confirmed that he or she does not and has not held any directorships in listed companies during the three years immediately prior to the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. ZHONG Shengli (鍾勝利), aged 50, has served as a joint company secretary and a senior vice president of our Group since August 2018 and March 2012, respectively.

Ms. Zhong Shengli joined our Group in July 2010 as investment director and was responsible for investment management. Before joining our Group, she had more than ten years of work experience in financial institutions. Ms. Zhong Shengli joined Ping An Bank in November 1998 and she was serving as a senior manager of Ping An Bank when she left in July 2010.

Ms. Zhong Shengli obtained her bachelor of arts degree from Beijing Foreign Studies University (北京外國語大學) (formerly known as Beijing Foreign Studies College (北京外國語學院)) in July 1991.

Ms. LI Yan Wing Rita (李昕穎) was appointed as a joint company secretary of our Company with effect from the Listing Date. Ms. Li is an executive director of Corporate Services of Tricor Services Limited and has over 20 years of experience in the corporate secretarial field, providing professional corporate secretarial services to listed companies as well as multi-national, private and offshore companies. She is currently the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Li is a chartered secretary, a chartered governance professional and a fellow of both of The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators ("**ICSA**") in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Ms. Li received her bachelor of arts degree from City University of Hong Kong in November 1994.

COMMITTEES UNDER THE BOARD OF DIRECTORS

We have established the following committees under our Board of Directors: Audit Committee, Remuneration Committee and Strategy and Development Committee. The committees operate in accordance with their respective terms of reference established by our Board of Directors.

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three members: two independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai and Mr. Lin Guoqiang, and one non-executive Director, namely, Ms. Ma Cuifang. The chairman of the Audit Committee is Mr. Chan Charles Sheung Wai.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members: two independent non-executive Directors, namely, Ms. Yang Dongtao and Mr. Lin Guoqiang, and one executive Director, namely, Ms. Zhong. The chairlady of the Remuneration Committee is Ms. Yang Dongtao.

The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

Strategy and Development Committee

We have established the Strategy and Development Committee with written terms of reference adopted by the Board. The Strategy and Development Committee consists of four members: two independent non-executive Directors, namely, Mr. Chan Charles Sheung Wai and Ms. Yang Dongtao, and two executive Directors, namely Ms. Zhong and Mr. Lyu Aifeng. The chairlady of the Strategy and Development Committee is Ms. Zhong.

The primary duties of the Strategy and Development Committee are to review and make suggestions in respect of the strategic directions, development proposals, annual operation plans investment proposals, major investments, financing and capital injection, expansion of business and any major reorganization or restructuring proposal of our Company.

DIRECTORS AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management members receive compensation in the form of salaries, bonuses, contributions to pension schemes, housing and other allowances from our Company subject to applicable laws, rules and regulations. The aggregate amount of compensation (including fees,

salaries, bonuses, contributions to pension schemes, housing and other allowances) paid to the Directors for the three years ended December 31, 2016, 2017 and 2018 was approximately RMB19.6 million, RMB25.4 million and RMB36.3 million, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individual employees of our Group for the three years ended December 31, 2016, 2017 and 2018 was approximately RMB21.9 million, RMB27.9 million and RMB41.5 million, respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2019 to be RMB30.0 million. The executive Directors receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. Please refer to the section headed "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders—2. Particulars of Service Contracts" in Appendix IV to this prospectus for further details on the executive Directors' compensation.

The independent non-executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company and are paid out of the funds of our Company by way of fees for their services as directors such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as our Company may by ordinary resolution determine. Save as disclosed above, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following listing, will receive recommendations from the Remuneration Committee which will take into account applicable laws, rules and regulations.

POST-IPO RSU SCHEME

We have conditionally approved and adopted the Post-IPO RSU Scheme. For details of the Post-IPO RSU Scheme, please refer to the section headed "Statutory and General information — D. Post-IPO RSU Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISOR

Our Company has appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon the Listing in compliance with Rule 3A.19 of the Listing Rules. We have entered into a compliance advisor's agreement with the Compliance Advisor, the material terms of which are as follows:

(i) the term of the appointment will commence on the Listing Date and end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier;

(ii) pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will, inter alia, advise our Company with due care and skill on a timely basis when consulted by our Company in the following circumstances:

- before the publication by our Company of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated by our Company including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- where the Hong Kong Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules;

(iii) the Compliance Advisor will, as soon as reasonably practicable, inform us of any amendment or supplement to the Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws and guidelines;

(iv) the Compliance Advisor will act as an additional channel of communication between our Company and the Hong Kong Stock Exchange; and

(v) each of our Company and the Compliance Advisor has the right to terminate the agreement if the other party commits a material breach of the agreement.

BOARD DIVERSITY

We have adopted a board diversity policy (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 diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, 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 in management, strategic development, business development, sales, research and development, industry research, investment management, finance, corporate finance, risk management, education, chemistry and the

pharmaceutical industry. They obtained degrees in various areas including chemistry, organic chemistry, biomedical engineering, biomedical sciences, management, business administration, commerce, engineering, economics and corporate management. Our Directors range from 32 years old to 76 years old.

Our Board is responsible for reviewing the diversity of our Board. After the Listing, our Board will monitor the implementation of the Board Diversity Policy and review the Board Diversity Policy from time to time to ensure its continued effectiveness. We will also disclose in our annual corporate governance report a summary of the Board Diversity Policy together with information regarding the implementation of the Board Diversity Policy.

CODE ON CORPORATE GOVERNANCE PRACTICES

Pursuant to A.2.1 of Appendix 14 of the Listing Rules, the roles of chairman and chief executive officer should be separated. However, due to the nature and the extent of the Group's operations and Ms. Zhong's in-depth knowledge and experience in the PRC pharmaceutical industry, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairlady of the Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole. In addition, our Company did not establish a nomination committee. The Board considers that, having considered the size of the Group, the determination of appointment and removal of Directors is a collective decision of the Board, and thus does not intend to adopt the recommended best practice under Code A.4.4 to set up a nomination committee. The Board is empowered under our Company's Articles to appoint any person as a director either to fill a causal vacancy on or as an addition to the Board. The Board selects and recommends candidates for directorship and senior management having regard to the balance of skills, experience and qualifications appropriate to the Group's business. For further information relating to our Company's corporate governance measures, please refer to the section headed "Relationship with Our Controlling Shareholders — Corporate Governance Measures". Save as disclosed herein above, as at the Latest Practicable Date, the Directors consider that our Company has fully complied with the applicable code provisions as set out in the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules from the Listing Date.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering, Stellar Infinity will be interested in approximately 68.35% of our issued share capital (assuming the Over-Allotment Option is not exercised). Stellar Infinity is wholly-owned by Sunrise Investment, which in turn is wholly-owned by the Sunrise Trust Trustee. Ms. Zhong is the person who has consent right on key matters in respect of the Sunrise Trust under the trust deed for the Sunrise Trust. As a result, Ms. Zhong, Stellar Infinity and Sunrise Investment are considered as our Controlling Shareholders immediately after the completion of the Global Offering.

Ms. Zhong holds 90.0% and 10.0% equity interests of Jiangsu Mingtai Investment Group Limited ("**Mingtai Group**") and Lianyungang Mingtai Pharmaceutical Technology Investment Co., Ltd. ("**Mingtai Pharmaceutical**"), respectively. As at the Latest Practicable Date, Mingtai Group and Mingtai Pharmaceutical did not carry out any operations relating to the research and development, manufacturing and sales of pharmaceuticals.

Each of Stellar Infinity and Sunrise Investment is an investment holding company with no substantial business activities.

THE ASSOCIATE'S INVESTEE GROUP

The spouse of Ms. Zhong (our Controlling Shareholder, executive Director and Chairlady) is Mr. Sun Piaoyang ("**Mr. Sun**"). As at the Latest Practicable Date, Mr. Sun indirectly held approximately 24.15% equity interest in Jiangsu Hengrui Medicine Co., Ltd., (the "**Associate's Investee Company**" and together with its subsidiaries, the "**Associate's Investee Group**"). The shares of the Associate's Investee Company are listed on the Shanghai Stock Exchange and it mainly engages in the research and development, manufacturing and sales of pharmaceuticals in the PRC. Mr. Sun is a director and the chairman of the board of directors of the Associate's Investee Company.

According to Frost & Sullivan, the pharmaceutical industry in the PRC is highly fragmented with more than 4,000 pharmaceutical companies. Further, in each of our four key therapeutic areas of CNS diseases, oncology, anti-infectives and diabetes, there is a vast number of market players in the PRC. According to Frost & Sullivan, the differentiation of the products under each of these therapeutic areas depends on the indication, including the type of disease, severity of disease and patient characteristics. The prescription of pharmaceutical products is a complex, professional and precise process, which primarily requires consideration of a combination of the type of disease, severity of disease and patient characteristics.

Both our Group and the Associate's Investee Group are pharmaceutical companies with diversified product portfolios. Based on information publicly available and from Frost & Sullivan in respect of the current product portfolios of our Group and the Associate's Investee Group, and after

due and careful enquiries, we confirm that none of our products being sold or in our late stage pipeline is the same as any of the products of the Associate's Investee Group in terms of type of disease, severity of disease and patient characteristics, except for three products. Such products include two types of antibiotics and one type of antibechic (the "**Overlapping Products**"), the details of which are set out below.

Hengte (恒特)

Hengte is a type of antibiotics (with the generic name of roxithromycin). The indications of Hengte include pharyngitis, tonsillitis, sinusitis, otitis media, acute bronchitis, chronic bronchitis, pneumonia, urethritis, cervicitis and skin and soft tissue infection. In terms of revenue contribution, Hengte accounted for approximately 0.16%, 0.13% and 0.06% of our total revenue in 2016, 2017 and 2018, respectively.

Hengao (恒奧)

Hengao is a type of antibiotics (with the generic name of levofloxacin). The indications of Hengao include respiratory infection, urinary tract infection, genital infection, skin and soft tissue infection and intestinal infection. In terms of revenue contribution, Hengao accounted for approximately 0.06%, 0.06% and 0.03% of our total revenue in 2016, 2017 and 2018, respectively.

Weikelai (維可萊)

Weikelai is a type of antibechic (with the generic name of ambroxol). The indications of Weikelai include moderate or higher acute and chronic respiratory diseases with abnormal sputum secretion, and prophylactic treatment of postoperative pulmonary complications. In terms of revenue contribution, Weikelai accounted for approximately 1.14%, 0.83% and 0.32% of our total revenue in 2016, 2017 and 2018, respectively.

Other than the Overlapping Products, the antibiotics products of our Group are well delineated from those of the Associate's Investee Group mainly because our Group's antibiotics products are either for severely ill patients with multi-drug resistant bacteria, or specially for anaerobic bacteria, while the antibiotics product of the Associate's Investee Group is generally used for patients with mild infection.

Further, according to Frost & Sullivan, there is a large market for the manufacturing of antibiotics and antibechic products in the PRC, with over 100 to over 300 pharmaceutical companies engaging in the manufacturing of the same type products as the three Overlapping Products. We therefore believe that neither our Group nor the Associate's Investee Group can occupy a notable portion of the market share in respect of any of the three Overlapping Products to materialize any actual competition. Further, none of the three Overlapping Products is a major product of our Group

in terms of sales. Their aggregate revenue during each of 2016, 2017 and 2018 accounted for approximately 1.36%, 1.02% and 0.40% of the total revenue of our Group during the respective periods. As such, any potential competition between our Group and the Associate's Investee Group in respect of the Overlapping Products would be insignificant.

According to Frost & Sullivan, cancer is a malignant disease with the highest incidence in China and the oncology pharmaceuticals market in China was RMB139.4 billion in 2017, representing 9.7% of China's overall pharmaceutical market. A vast majority of leading pharmaceutical companies, including our Group and the Associate's Investee Group, are engaged in manufacturing and sales of oncology pharmaceutical products in the PRC.

In particular, according to Frost & Sullivan, non-small cell lung cancer and breast cancer have the highest incidence among all forms of cancer in China. Further according to Frost & Sullivan, Pulaile and Zefei of our Company and the docetaxel and capecitabine products of the Associate's Investee Group are under these therapeutic areas, i.e. NSCLC and/or breast cancer, (the "**Common Therapeutic Areas**"). There is no actual competition between our Group and the Associate's Investee Group in respect of these four products based on the following reasons:

i. **Multiple indications**. Each of Pulaile and Zefei and the docetaxel and capecitabine products of the Associate's Investee Group is also indicated for different therapeutic areas, as follows:-

   - pemetrexed disodium (Pulaile) is also indicated for malignant pleural mesothelioma;
   - gemcitabine hydrochloride (Zefei) is also indicated for pancreatic cancer and advanced ovarian cancer;
   - docetaxel is also indicated for castration-resistant prostate cancer, gastric adenocarcinoma and squamous cell carcinoma of the head and neck cancer; and
   - capecitabine is also indicated for adjuvant colon cancer and metastatic colorectal cancer.

   For further details about Pulaile and Zefei, please refer to the sections headed "Business — Oncology Products — Pulaile (pemetrexed disodium for injection) 普來樂®(注射用培美曲塞二鈉)" and "Business — Oncology Products — Zefei (gemcitabine hydrochloride for injection) 澤菲® (注射用鹽酸吉西他濱)" respectively.

ii. **Highly fragmented markets for NSCLC and breast cancer products**. The pharmaceutical markets of NSCLC and breast cancer are highly fragmented and sizeable in China, and there is no dominating player or players in the highly competitive environment in China. According to Frost & Sullivan, there are (a) 31 types of drugs and 119 manufacturers (among which there are 18, 16 and 21 manufacturers for gemcitabine, pemetrexed disodium and docetaxel respectively) in the NSCLC pharmaceutical market; and (b) 41 types of drugs and 205 manufacturers (among which there are 18, 5 and 21 manufacturers for gemcitabine, capecitabine and docetaxel respectively) in the breast cancer pharmaceutical market; and (c) none of our Company and the Associate's Investee Company occupies a notable share in the NSCLC and/or breast cancer pharmaceutical market.

iii. **Primary competition with the other manufacturers of pemetrexed disodium products and gemcitabine products.** There are a number of manufacturers with NMPA approval of pemetrexed disodium products and gemcitabine products in China. There are 16 and 18 manufacturers with NMPA approval in China for pemetrexed disodium and gemcitabine, respectively. In terms of sales and distribution of Pulaile and Zefei, our Company primarily competes with these manufacturers with NMPA approval, rather than the manufacturers with NMPA approval of docetaxel and capecitabine products in China (including the Associate's Investee Company).

iv. **Well-differentiated in clinical usages.** According to authoritative academic research, prescribing information provided by NMPA and U.S. FDA and clinical practice widely adopted in China, the products of our Group and the products of the Associate's Investee Group in the Common Therapeutic Areas have distinct differences in clinical usages in light of their applications to different patient characteristics.

Based on the aforementioned factors and facts and after reviewing publicly available information on products of the Associate's Investee Group, our Directors are satisfied that the potential competition between our Group and the Associate's Investee Group is insignificant.

Save for the disclosure regarding the interest held by Ms. Zhong's spouse in the Associate's Investee Company as set out above, our Controlling Shareholders confirm that, as of the Latest Practicable Date, they did not have any interest in a business which competes, or is likely to compete, with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THE ASSOCIATE'S INVESTEE GROUP

Having considered the following factors, our Directors are further satisfied that each of Mr. Sun and the Associate's Investee Group did not and will not impose actual influence on the management and operation of our Group, and that we are capable of carrying out our business independently from our Controlling Shareholders, their respective close associates and the Associate's Investee Group after the Global Offering.

Management Independence

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Two of our Directors, Ms. Zhong and Miss Sun are directors of Sunrise Investment and Stellar Infinity, each of which is an investment holding company with no substantial business activities.

During the Track Record Period, the daily operations of our Group were principally managed by our three executive Directors, namely Ms. Zhong, Miss Sun, and Mr. Lyu Aifeng, with support from our senior management team. The majority of our senior management held positions as senior management in our Group throughout the Track Record Period and will continue to form our core management team and discharge their duties to our Shareholders as a whole, upon and after Listing. Each of our senior management members possesses relevant management and/or industry-related experience. Please refer to the section headed "Directors and Senior Management" for details of their management experience.

Based on the following, our Directors are satisfied that (i) they are able to perform their roles as Directors independently; (ii) our Group does not rely on our Controlling Shareholders, any of their respective close associates or the Associate's Investee Group in terms of management or day-to-day operations; (iii) the management functions of our Group have been and will be conducted independently; and (iv) our Group has sufficient safeguards against any failure by our Board as a whole to properly take into account the interests of the Shareholders as a whole:

- each of our Directors is aware of his fiduciary duties as a director which require, among others things, that he must act for the benefit of and in the best interests of our Company and our Shareholders as a whole and must not allow any conflict between his duties as a Director and his personal interests;

- each of our independent non-executive Directors has extensive experience in different areas and has been appointed in accordance with the requirements of the Listing Rules, to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions;

- each of our Directors will not vote in any board resolution approving any contract or arrangement or any other proposal in which he or any of his associates has a material interest and shall not be counted in the quorum present at the particular Board meeting;

- we have established an internal control mechanism to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;

- none of our Directors and senior management held any direct or indirect interest or position in the Associate's Investee Company or any other member of the Associate's Investee Group as of the Latest Practicable Date;

- Mr. Sun does not hold any direct or indirect interest in our Company or any other member of the Group, and Mr. Sun did not and does not hold any management roles in our Group; and

- we confirm that since the establishment of our Group, none of the directors or members of the senior management of our Group were employed by or worked for the Associate's Investee Group during their employment with us. In particular, none of the members of our Board or senior management holds any directorship or managerial role in any member of the Associate's Investee Group. Mr. Sun did not participate in, nor was he or will he be engaged or otherwise involved in any corporate affairs, business activities or the management of our Group. Therefore, as a matter of fact, our Group, Board and senior management operate and function independently of Mr. Sun and the Associate's Investee Group.

Operational Independence

We do not rely on our Controlling Shareholders, any of their respective close associates or the Associate's Investee Group for products, suppliers, customers, production facilities and equipment, plants, research and development, intellectual properties, staffing or marketing. During the Track Record Period, we conducted certain transactions with companies controlled by Ms. Zhong. For further details, please refer to the section headed "Financial Information — Related Party Transactions" of this prospectus. Upon Listing, the Group shall have discontinued and shall not conduct any further transactions with this company. Our Group has full rights to make all decisions on, and to carry out, our own business operations independently. We have our own operational capacity and independent products, access to suppliers and customers, marketing and sales activities, sufficient and independent production premises and equipment, research and development capabilities, intellectual properties and employees to operate our business independently from our Controlling Shareholders, their respective close associates and the Associate's Investee Group, as set out below:

(a) *Products:* Our key products target CNS diseases, oncology, anti-infective diseases and diabetes. We submit applications for approval of new drug registration for each of our

products and obtain clinical trial approvals, new drug certificates, drug manufacturing permits and drug approval numbers for our products independently. There is no overlapping drug approval or permit for any of our products and the Associate's Investee Group's products.

(b) *Suppliers*: We produce a majority of the active pharmaceutical ingredients for the manufacture of our pharmaceutical products in-house, and we have established long-term relationships with our third-party suppliers.

(c) *Customers*: We have established a nationwide distribution network of 433 distributors (each of which is an Independent Third Party) across 30 provinces, municipalities and autonomous regions in China.

(d) *Marketing and sales activities*: Our marketing strategies are implemented by our in-house sales. Currently, our sales and marketing team include approximately 4,500 sales professionals in over 600 sales office across 30 provinces, municipalities and autonomous regions in China. Therefore, we are of the view that our sales team is independent from that of the Associate's Investee Group.

(e) *Production facilities and equipment*: We are the owner of all of our production facilities and production lines. During the Track Record Period, all of our production activities were carried out at our production facilities, comprising two facilities for the production of pharmaceutical products and one facility for the production of active pharmaceutical ingredients.

(f) *Research and development*: We have a professional and independent research and development team. We have over 20 years' research and development experience and have independently developed all our main products. As of December 31, 2018, our dedicated professional research and development team consisted of over 1,200 full-time employees. In addition, we have also established two research and development centers in Lianyungang and Shanghai. Under our executive Director Mr. Lyu Aifeng's leadership, these centers are responsible for our research and development activities and work seamlessly with each other throughout the life cycle of our product development. Up to the Latest Practicable Date, none of the research and development staff of our Group held any position in the Associate's Investee Group.

(g) *Intellectual properties*: Our Group is the owner of all patents and licenses that are material to our business operations and the trademarks in connection with business activities within the business scope of our Group. Please refer to the section headed "Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus for details of our intellectual property rights.

(h) *Employees and internal control*: We have our own employees for our operations and management of human resources. Our organizational structure is made up of individual departments, each with specific areas of responsibilities. We have also established a set of internal controls to facilitate the effective operation of our business. Please refer to the section headed "—Corporate Governance Measures" in this section.

(i) *Transactions with the Associate's Investee Group*: During the Track Record Period, the Associate's Investee Group provided procurement and processing services of insignificant value to our Group. For the three years ended December 31, 2016, 2017 and 2018, the transaction amounts paid by our Group to the Associate's Investee Group were approximately RMB6,292,000, RMB9,008,000 and RMB206,000, representing 1.58%, 1.98% and 0.03% of the total cost of sales of our Group for the respective periods. Our Directors are of the view that such transactions were entered into in the normal and ordinary course of business of our Group, the pricing terms were fair and reasonable, and no less favourable to the Group than terms available from Independent Third Parties.

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. In addition, we have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We believe we are capable of obtaining financing from third parties without reliance on any of our Controlling Shareholders and their respective close associates or the Associate's Investee Group. As of the Latest Practicable Date, we did not obtain any borrowings, guarantees, or financial assistance from our Controlling Shareholders and their respective close associates or the Associate's Investee Group and we did not have any outstanding loans granted or guaranteed by any of them to us.

We also have our own accounting and finance department and financial management systems, independent treasury functions for cash receipts and payments and independent access to financing which are not connected with or otherwise related to any of our Controlling Shareholder, their respective close associates or the Associate's Investee Group.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates and the Associate's Investee Group.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders entered into a deed of non-competition (the "**Deed of Non-competition**") in favor of our Company, pursuant to which, our Controlling Shareholders have individually or jointly undertaken to our Company that each of our Controlling Shareholders shall not, and shall procure that any of the entities controlled by her or it (either through the control of a majority of the voting right in such entity or the right to appoint or remove a majority of the board of directors of such entity) shall not do any of the following things:

- whether directly or indirectly, whether for profit or otherwise and whether for compensation or not, either on her or its own account or in conjunction with or on behalf of any person, firm, entity or company, carry on, engage, invest, participate, be interested in or otherwise acquire or hold any business which is or likely to be in competition, directly or indirectly, with the business of the manufacturing and sale of chemical pharmaceutical raw materials, pharmaceutical intermediates, tablets, capsules, granules and injections, research and development of pharmaceutical products and any other business with a nature similar to that of the business of the Group (the "**Restricted Business**") in China; or

- disclose to any persons or use any confidential information (other than any information properly available to the public or disclosed or divulged pursuant to an order of a court of competent jurisdiction or by the Stock Exchange) relating to our Group and the customers, distributors, suppliers, products, finances or contractual arrangements of our Group.

The above undertaking does not preclude the holding by any of our Controlling Shareholders of interests (the "**Relevant Interest**") in any company engaging in any Restricted Business (the "**Subject Company**") where:

- the Relevant Interest is less than 10% of the issued shares of the Subject Company which is or whose holding company is listed on any stock exchange; or

- any Restricted Business conducted or engaged in by the Subject Company (and assets relating thereto) accounts for less than 10% of the Subject Company's consolidated turnover or consolidated assets, as shown in its latest audited accounts.

If any business opportunity which is the same or similar to our business that constitutes or may constitute competition with our Group ("**Business Opportunity**") is identified by our Controlling Shareholders in China during the restricted period, they are required to immediately notify us, refer such Business Opportunity to us as well as provide information as we may reasonably request. The Board or a Board committee (whose members do not have a material interest in the Business Opportunity) shall consider the relevant Business Opportunity and if they decide not to pursue the Business Opportunity, the Group shall inform our Controlling Shareholders (as the case may be) in writing. Upon receipt of such written notice, our Controlling Shareholders (as the case may be) shall have the right to pursue the Business Opportunity.

Pursuant to the Deed of Non-competition, the above restrictions will 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 cease to be our Controlling Shareholders for other reasons, or the Shares cease to be listed and traded on the Hong Kong Stock Exchange.

Furthermore, the independent non-executive Directors will review, on an annual basis, compliance by our Controlling Shareholders with the Deed of Non-competition (in particular, the right of first refusal relating to any Business Opportunity) and our Controlling Shareholders will provide information requested by our Company which is necessary for the annual review by the independent non-executive Directors. We 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.

CORPORATE GOVERNANCE MEASURES

Our Company has adopted the following corporate governance measures to avoid potential conflict of interests with our Controlling Shareholders and safeguard the interests of our Shareholders:

(a) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence. Further, our Directors will avoid actual and potential conflicts of interest and duty, and disclose fully and fairly his or her interests in contracts with us, including but not limited to abstaining from voting on any resolution of the Board approving any contract or arrangement or other proposal in which they or any of their respective associates is materially interested in accordance with our Articles of Association and reporting to the Board on any material conflict or potential conflict of interests as soon as practicable;

(b) we have established a strategy and development committee chaired by Ms. Zhong, with the following key duties:

- reviewing and making suggestions for the medium-to-long-term strategic directions (including overall-strategies, human resources strategies, operation strategies and investment strategies) and development proposals of our Company, and to evaluate and monitor the implementation of such directions and proposals;

- reviewing and making suggestions for the annual operation plans and investment proposals of our Company;

- reviewing and making suggestions for major investments, financing and capital injection which are subject to the approval of the Board;

- reviewing and making suggestions for major business reorganizations, acquisitions, merger and asset transfers which are subject to the approval of the Board;

- reviewing and making suggestions for any expansion to new markets, launch of new business and research and development of new products of our Company; and

- reviewing and making suggestions for any major reorganization and restructuring proposal of our Company.

(c) we have also established a compliance department headed by Mr. Lyu Aifeng, our executive Director, (please refer to the section headed "Directors and Senior Management — Board of Directors — Executive Directors" in this prospectus for details of Mr. Lyu's biography), with the following key duties:

- the compliance department shall strictly monitor all business departments of our Group, in order to identify any transactions involving connected persons of our Company;

- if any member of the compliance department identifies any material conflict or potential conflict of interests, he/she must immediately report to the head of the compliance department, who shall in turn report to the Board as soon as practicable; and

- the compliance department will conduct a review of the effectiveness of such internal control measures on a regular basis, to ensure the proper implementation of the mechanism for conflict investigations and due compliance with the Deed of Non-competition;

(d) our independent non-executive Directors will also review, on an annual basis, compliance with the Deed of Non-competition and provide impartial and professional advice to protect the interests of our Shareholders as a whole;

(e) we have established internal control mechanisms to identify connected transactions. Any transaction between (or proposed to be made between) our Group and the connected persons will be subject to requirements under the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;

(f) all connected transactions between our Group and our connected persons will be subject to annual review by our independent non-executive Directors as well as the auditors of our Company;

(g) we will disclose decisions on matters reviewed by the independent non-executive Directors (including matters relating to compliance and enforcement of the Deed of Non-competition and relating to connected transactions) either in our annual reports or by way of announcements as required by the Listing Rules;

(h) our Company has appointed a compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and internal control;

(i) we will provide trainings for our Directors and our senior management members on a regular basis, to ensure that they understand their obligations under the Listing Rules; and

(j) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "**CG Code**"), our Directors, including the independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Save as disclosed in the section headed "Directors and Senior Management — Code on Corporate Governance Practices", our Company will comply with the CG Code which sets out principles of good corporate governance in relation to, among others, Directors, Board composition, the appointment, re-election and removal of Directors, their responsibilities and remuneration and communications with our Shareholders. Our Company will state in its interim and annual reports whether we have complied with the CG Code, and will provide details of, and reasons for, any deviation from it in the corporate governance report which will be included in our annual report.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued shares of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

As of the Date of this Prospectus

	US$
Authorized share capital	
950,005 ordinary shares	9,500.05
49,995 preference shares	499.95
Issued share capital	
9,700 ordinary shares	97
609.2784 preference shares	6.092784

Immediately after the Capitalization Issue

	HK$
Authorized share capital	
20,000,000,000 ordinary shares	200,000
Issued share capital	
5,154,639,200 Shares	51,546.392

Immediately after Completion of the Global Offering

	HK$
Shares to be issued under the Global Offering	
551,280,000 Shares	5,512.8
Total Issued Shares on completion of the Global Offering	
5,705,919,200 Shares	57,059.192

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 pursuant to the exercise of the Over-allotment Option 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.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "Structure and Conditions of the Global Offering — The International Offering — Conditions of the Hong Kong Public 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 Global Offering; 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 refer to the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Written resolutions of Our Shareholders" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure and Conditions of the Global Offering — The International Offering — Conditions of the Hong Kong Public 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 Global Offering.

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 refer to the section headed "Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders" in Appendix IV to this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, 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 prior to the Global Offering		Shares held immediately following the completion of the Global Offering[1]	
		Number	*Percentage*	*Number*	*Percentage*
Stellar Infinity[2]	Beneficial owner	3,900,000,000	75.66%	3,900,000,000	68.35%
Sunrise Investment[2]	Interest in controlled corporation	3,900,000,000	75.66%	3,900,000,000	68.35%
Sunrise Trust Trustee[2]	Interest in controlled corporation	3,900,000,000	75.66%	3,900,000,000	68.35%
Miss Sun[2]	Beneficiary of a trust	3,900,000,000	75.66%	3,900,000,000	68.35%
Ms. Zhong	Person with influence over a trust	3,900,000,000	75.66%	3,900,000,000	68.35%
Apex Medical	Beneficial owner	950,000,000	18.43%	950,000,000	16.65%
Mr. Cen Junda[3]	Interested in controlled corporation	950,000,000	18.43%	950,000,000	16.65%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Stellar Infinity is the wholly-owned subsidiary of Sunrise Investment, which in turn is legally owned by the Sunrise Trust Trustee.

(3) Apex Medical is wholly-owned by Mr. Cen Junda.

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), 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.

THE CORNERSTONE PLACING

Our Company has entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with each of the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited (together with the Joint Sponsors, the "**Joint Representatives**"). Pursuant to the Cornerstone Investment Agreements, the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a total of 189,430,000 Offer Shares at an aggregate amount of (i) HK$2,473,955,800 assuming an Offer Price of HK$13.06 (being the low end of the Offer Price range stated in this prospectus); (ii) HK$2,587,613,800 assuming an Offer Price of HK$13.66 per Share (being the mid-point of the Offer Price range stated in this prospectus) or; (iii) HK$2,701,271,800 assuming an Offer Price of HK$14.26 (being the high end of the Offer Price range stated in this prospectus) (the "**Cornerstone Placing**").

The total number of Offer Shares to be subscribed for by the Cornerstone Investors would represent (i) approximately 34.36% of the Offer Shares under the Global Offering and approximately 3.32% of the Shares in issue immediately following completion of the Global Offering, in each case assuming the Over-allotment Option is not exercised; or (ii) approximately 29.88% of the Offer Shares under the Global Offering and approximately 3.27% of the Shares in issue immediately following completion of the Global Offering, in each case assuming the Over-allotment Option is exercised in full.

The Cornerstone Placing will form part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares then in issue immediately following 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 Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). Save for Hillhouse which has Board representation (i.e. Ms. Ma Cuifang who was appointed pursuant to the Shareholders Agreement), none of the Cornerstone Investors has or will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company (as defined under the Listing Rules) immediately following completion of the Global Offering. The Cornerstone Investors do not have any preferential rights under the Cornerstone Investment Agreements as compared with other public Shareholders, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in HKEx-GL51-13.

Among the Cornerstone Investors, Gaoling Fund, L.P. and YHG Investment, L.P. are affiliates of Hillhouse and Boyu Capital Opportunities Master Fund is an affiliate of Boyu. Each of Hillhouse and Boyu is an existing Shareholder.

Pursuant to the Shareholders Agreement, each of Hillhouse and Boyu was granted, among others, an anti-dilution right to subscribe, at the Offer Price, for such number of Shares to be issued by our Company as part of the qualified IPO so as to maintain Hillhouse's and Boyu's respective percentages of shareholding interest in our Company (on a fully-diluted and as-converted basis) as at immediately before the qualified IPO (the "**Anti-Dilution Right**"). Please refer to the section headed "History, Development and Reorganization — Pre-IPO Investments — Rights of Pre-IPO Investors" for further details of the Anti-Dilution Right.

Gaoling Fund, L.P. and YHG Investment, L.P., each as an affiliate of Hillhouse, have entered into the Cornerstone Investment Agreement to exercise Hillhouse's Anti-Dilution Right for subscription for 16,042,000 Offer Shares, which is made in compliance with the Guidance Letter HKEx-GL43-12 and has been permitted by the waiver from strict compliance with Rule 10.04 and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules granted by the Stock Exchange. The Offer Shares to be subscribed by affiliates of Hillhouse represent (i) approximately 2.91% of the total number of Offer Shares; and (ii) approximately 0.28% of the Shares in issue immediately following the completion of the Global Offering, in each case assuming that the Over-allotment Option is not exercised.

Boyu Capital Opportunities Master Fund, as an affiliate of Boyu, has also entered into the Cornerstone Investment Agreement to (i) exercise Boyu's Anti-Dilution Right for subscription for 16,538,000 Offer Shares, which is made in compliance with the Guidance Letter HKEx-GL43-12, and (ii) subscribe for 16,488,000 additional Offer Shares (the "**Proposed Share Subscription**"), each of which has been permitted by the waiver from strict compliance with Rule 10.04 and consent pursuant to Paragraph 5(2) of Appendix 6 to the Listing Rules granted by the Stock Exchange. The total Offer Shares to be subscribed by affiliates of Boyu represent (i) approximately 5.99% of the total number of Offer Shares; and (ii) approximately 0.58% of the Shares in issue immediately following the completion of the Global Offering, in each case assuming that the Over-allotment Option is not exercised.

For details of the waiver applications, please refer to the section headed "Waivers From Strict Compliance with the Listing Rules — Waiver and Consent in Relation to Subscription of the Offer Shares by Hillhouse and Boyu".

Save as disclosed above, to the best knowledge of our Company, each of the Cornerstone Investors is an Independent Third Party, is not a connected person of our Company, and is not an existing Shareholder of the Company or its close associates. Details of the allocation to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or before June 13, 2019.

OUR CORNERSTONE INVESTORS

We have entered into the Cornerstone Investment Agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Number of Offer Shares to be subscribed for	Indicative Offer Price	Investment Amount	Approximate percentage of the total number of Offer Shares (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the total number of Offer Shares (assuming that the Over-allotment Option is exercised in full)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)
GIC Private Limited	38,532,000	Low end: HK$13.06	HK$503,227,920	6.99%	6.08%	0.68%	0.67%
		Mid-Point: HK$13.66	HK$526,347,120	6.99%	6.08%	0.68%	0.67%
		High end: HK$14.26	HK$549,466,320	6.99%	6.08%	0.68%	0.67%
Boyu Capital Opportunities Master Fund	33,026,000	Low end: HK$13.06	HK$431,319,560	5.99%	5.21%	0.58%	0.57%
		Mid-Point: HK$13.66	HK$451,135,160	5.99%	5.21%	0.58%	0.57%
		High end: HK$14.26	HK$470,950,760	5.99%	5.21%	0.58%	0.57%
Ally Bridge LB Healthcare Master Fund Limited	22,018,000	Low end: HK$13.06	HK$287,555,080	3.99%	3.47%	0.39%	0.38%
		Mid-Point: HK$13.66	HK$300,765,880	3.99%	3.47%	0.39%	0.38%
		High end: HK$14.26	HK$313,976,680	3.99%	3.47%	0.39%	0.38%
OrbiMed[1]	22,018,000	Low end: HK$13.06	HK$287,555,080	3.99%	3.47%	0.39%	0.38%
		Mid-Point: HK$13.66	HK$300,765,880	3.99%	3.47%	0.39%	0.38%
		High end: HK$14.26	HK$313,976,680	3.99%	3.47%	0.39%	0.38%
Prime Capital Funds[2]	22,018,000	Low end: HK$13.06	HK$287,555,080	3.99%	3.47%	0.39%	0.38%
		Mid-Point: HK$13.66	HK$300,765,880	3.99%	3.47%	0.39%	0.38%
		High end: HK$14.26	HK$313,976,680	3.99%	3.47%	0.39%	0.38%

Cornerstone Investor	Number of Offer Shares to be subscribed for	Indicative Offer Price	Investment Amount	Approximate percentage of the total number of Offer Shares (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the total number of Offer Shares (assuming that the Over-allotment Option is exercised in full)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is exercised in full)
Hillhouse Funds[3]	16,042,000	Low end: HK$13.06	HK$209,508,520	2.91%	2.53%	0.28%	0.28%
		Mid-Point: HK$13.66	HK$219,133,720	2.91%	2.53%	0.28%	0.28%
		High end: HK$14.26	HK$228,758,920	2.91%	2.53%	0.28%	0.28%
Cormorant Asset Management, LP	13,760,000	Low end: HK$13.06	HK$179,705,600	2.50%	2.17%	0.24%	0.24%
		Mid-Point: HK$13.66	HK$187,961,600	2.50%	2.17%	0.24%	0.24%
		High end: HK$14.26	HK$196,217,600	2.50%	2.17%	0.24%	0.24%
Shanghai Pharmaceuticals (HK) Investment Limited	11,008,000	Low end: HK$13.06	HK$143,764,480	2.00%	1.74%	0.19%	0.19%
		Mid-Point: HK$13.66	HK$150,369,280	2.00%	1.74%	0.19%	0.19%
		High end: HK$14.26	HK$156,974,080	2.00%	1.74%	0.19%	0.19%
Vivo Funds[4]	11,008,000	Low end: HK$13.06	HK$143,764,480	2.00%	1.74%	0.19%	0.19%
		Mid-Point: HK$13.66	HK$150,369,280	2.00%	1.74%	0.19%	0.19%
		High end: HK$14.26	HK$156,974,080	2.00%	1.74%	0.19%	0.19%

Notes:

(1) Refers to OrbiMed Partners Master Fund Limited, The Biotech Growth Trust PLC and Worldwide Healthcare Trust PLC.

(2) Refers to Dragon Billion China Master Fund, Dragon Billion Select Master Fund, LMA SPC on behalf of Map 109 Segregated Portfolio and LMA SPC on behalf of Map 147 Segregated Portfolio.

(3) Refers to Gaoling Fund, L.P. and YHG Investment, L.P..

(4) Refers to Vivo Opportunity Fund, L.P. and Vivo Capital Fund IX, L.P..

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

GIC Private Limited

GIC Private Limited ("**GIC**") is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests internationally in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

Boyu Capital Opportunities Master Fund

Boyu Capital Opportunities Master Fund, which is an exempted company with limited liability incorporated under the laws of the Cayman Islands, is an investment fund and managed by Boyu Capital Investment Management Limited. Boyu Capital Investment Management Limited is a fund manager that focuses on investing in high quality business franchises with sustainable growth in the healthcare, consumer, TMT and financial sectors.

Boyu Capital Investment Management Limited serves as the sole investment manager of Boyu Capital Opportunities Master Fund and is wholly owned by Boyu Capital Group Holdings Limited. Boyu is ultimately owned by Boyu Capital Group Holdings Limited, hence, Boyu Capital Opportunities Master Fund is an affiliate of Boyu, a Shareholder of our Company. As of the date of this prospectus, Boyu holds approximately 3.00% of the issued share capital of our Company. For further details, please refer to the section headed "History, Development and Reorganization — Pre-IPO Investments — Second Pre-IPO Investment" in this prospectors.

Ally Bridge LB

Ally Bridge LB Healthcare Master Fund Limited ("**Ally Bridge LB**"), an exempted Company incorporated in the Cayman Islands on March 19, 2015, is managed by Ally Bridge LB Management Limited. Ally Bridge LB is a long-bias public equity fund focusing in Asia/Greater China healthcare. The fund primarily invests in public equities, but also selectively participates in high-quality pre-IPO deals. The fund invests across the entire healthcare value chain, in pharmaceuticals, biotech, medical devices, distribution, hospitals and mobile health.

OrbiMed

OrbiMed Capital LLC is the ultimate controlling shareholder of (i) OrbiMed Partners Master Fund Limited; (ii) the portfolio manager of The Biotech Growth Trust PLC; and (iii) the portfolio manager of Worldwide Healthcare Trust PLC.

OrbiMed Partners Master Fund Limited is a private fund that focuses on healthcare investments.

The Biotech Growth Trust PLC is a closed-end fund incorporated in the United Kingdom. The aim of The Biotech Growth Trust PLC is to achieve capital appreciation through investment in the worldwide biotechnology industry principally by investing in emerging biotechnology companies.

Worldwide Healthcare Trust PLC is a closed-end fund incorporated in the United Kingdom. The aim of Worldwide Healthcare Trust PLC is to achieve a high level of capital growth through worldwide investment in pharmaceutical and biotechnology companies.

Prime Capital Funds

Dragon Billion China Master Fund ("**DBCMF**"), Dragon Billion Select Master Fund ("**DBSMF**"), Map 109 Segregated Portfolio ("**MAP 109**") and Map 147 Segregated Portfolio ("**MAP 147**") (collectively the "**Prime Capital Funds**") are investment funds or accounts managed or advised by Prime Capital Management Company Limited as investment manager or adviser. Prime Capital Management Company Limited, a company organized in Hong Kong with limited liability, is licensed with the SFC and registered with the US Securities and Exchange Commission.

Each of DBCMF and DBSMF is an investment fund established in the Cayman Islands as an exempted company with limited liability. Each of MAP 109 and MAP 147 is a segregated portfolio of LMA SPC, an exempted segregated portfolio company organized in the Cayman Islands. The primary objective of the Prime Capital Funds is to generate investment returns through investment in securities.

Hillhouse Funds

Gaoling Fund, L.P. and YHG Investment, L.P. (the "**Hillhouse Funds**") are limited partnerships formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. serves as the sole investment manager of Gaoling Fund, L.P. and the general partner of YHG Investment, L.P.. Hillhouse Capital Advisors, Ltd. is an affiliate of Hillhouse Capital.

Founded in 2005, Hillhouse Capital is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse Capital's investment approach. Hillhouse Capital partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse Capital invests in the healthcare, consumer, TMT, advanced manufacturing, financials and business services sectors in companies across all equity stages. Hillhouse Capital and its group members manage assets on behalf of institutional clients such as university endowments, foundations, sovereign wealth funds, and family offices.

Each of the Hillhouse Funds is an affiliate of Hillhouse, a Shareholder of our Company, managed by affiliated investment managers. As of the date of this prospectus, Hillhouse holds approximately 2.91% of the issued share capital of our Company. For further details, please refer to the section headed "History, Development and Reorganization — Pre-IPO Investments — First Pre-IPO Investment" in this prospectus.

Cormorant

Cormorant Asset Management, LP ("**Cormorant**") is a SEC registered investment advisor located in Boston, Massachusetts, U.S., which has been providing investment advisory services since March 2013. Cormorant invests primarily in public and private securities of healthcare and life sciences companies. Cormorant Global Healthcare Master Fund, LP, Cormorant Private Healthcare Fund II, LP, and CRMA SPV, LP are long-term investment partnerships investing in healthcare and life sciences companies and advised by Cormorant.

Shanghai Pharmaceuticals (HK) Investment Limited

Shanghai Pharmaceuticals (HK) Investment Limited ("**SPH HK**") is a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co. Ltd ("**SPH**"). SPH HK is the offshore investment and financing platform of SPH, and engages in overseas equities investments and related businesses based on SPH's strategic and development plans.

SPH was incorporated on January 18, 1994 and is a large pharmaceutical industry group listed on the Shanghai Stock Exchange (stock code: 601607) and Hong Kong Stock Exchange (stock code: 2607). SPH's controlling shareholder is Shanghai Industrial Investment (Holdings) Company Limited ("**SIIC**"), a wholly-owned subsidiary of the State-owned Assets Supervision and Administration Commission of Shanghai.

SPH is a core enterprise within SIIC's health segment and mainly involved in pharmaceutical research and development, manufacturing, distribution and retail, and possesses unique comprehensive advantages of industry chain.

Vivo Funds

Vivo Opportunity Fund, L.P. and Vivo Capital Fund IX, L.P. (collectively, the "**Vivo Funds**") are investment funds organized under the laws of Delaware. The Vivo Funds are dedicated to investing in companies and assets in the healthcare sector in primarily the U.S. and China, which are two of the largest healthcare markets in the world. Vivo Opportunity, LLC is the general partner of Vivo Opportunity Fund, L.P. and Vivo Capital IX, LLC is the general partner of Vivo Capital Fund IX, L.P..

CONDITIONS PRECEDENT

The obligation of each of the Cornerstone Investors to acquire for Offer Shares under the respective Cornerstone Investment Agreement 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 (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the Underwriters);

(c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or under the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed, covenanted with and undertaken to the Company, the Joint Sponsors and the Joint Representatives that without the prior written consent of each of the Company, the Joint Representatives and the Joint Sponsors, the Cornerstone Investors will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), directly or indirectly, dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries, affiliates or other entities under the same management or control (as the case may be) who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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	**Assuming the Over-allotment Option is exercised in full**
	(in millions of HK$)	
Assuming an Offer Price of HK$13.66 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)	7,315.57	8,424.73
Assuming an Offer Price of HK$14.26 per Offer Share (being the high end of the Offer Price range stated in this prospectus)	7,646.34	8,805.11
Assuming an Offer Price of HK$13.06 per Offer Share (being the low end of the Offer Price range stated in this prospectus)	6,984.80	8,044.34

Assuming an Offer Price of HK$13.66 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus and no exercise of the Over-allotment Option), we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK$7,530.48 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$7,315.57 million. We intend to use the net proceeds of the Global Offering for the following purposes:

- Approximately 45%, or HK$3,292.01 million, on R&D, including on our existing and future domestic and overseas drug development programs, expanding our R&D team, and investment in technologies to further enhance our R&D capabilities and enrich our product pipeline. We will continue to focus on research and development of innovative drugs, and generic drugs with relatively less competition or high technical entry barrier, such as special dosage generic drugs. Specifically:

  - Approximately 50%, or HK$1,646.00 million, on the research and development of innovative drugs. Specifically, we expect to use (i) approximately 60% of these

proceeds in the next five years to partially fund the clinical trials of more than ten of our pipeline innovative drugs; (ii) approximately 10% of these proceeds in the next five years on the research, proposal, selection, evaluation and preclinical and clinical study for our innovative drug projects launched every year to support our long-term growth; (iii) approximately 20% of these proceeds in the next five years on a series of post-launch clinical research on, and studies to extend the application of, our about-to-launch innovative drugs, including but not limited to polyethylene glycol loxenatide; and (iv) the remaining proceeds in the next five years on multi-center global clinical trials and the recruitment of high-caliber talent with relevant experience, especially those who are experienced in conducting global R&D.

  - Approximately 30%, or HK$987.60 million, on the R&D of generic drugs, in particular, first-to-market generic drugs. Specifically, we expect to use (i) approximately 75% of these proceeds in the next five years to partially fund the R&D of approximately 80 generic drugs in our pipeline; (ii) approximately 15% of these proceeds on the consistency evaluation of approximately 20 marketed generic drugs, and we strive to ensure that each of our generic drugs will be among the first of their respective molecules to pass the consistency evaluation in the next three years; and (iii) the remaining proceeds in the next three years to actively pursue the registration of our generic drugs globally (e.g., our three Abbreviated New Drug Application projects, including the already launched HSE-10197 project) and seize market opportunities abroad to expand our footprint and increase international awareness of our brand.

  - Approximately 20%, or HK$658.40 million, on other R&D activities. Specifically, we expect to use (i) approximately 30% of these proceeds in the next three years on our R&D of new and special dosage drugs, including on relevant technologies, personnel, and technical equipment, such as 600M-NMR and HRMS; and (ii) the remaining proceeds in the next three years to pursue the acquisition of pharmaceutical or research companies and technologies to develop pipeline drugs, and/or in-license opportunities. See "Business — Our Strategies — Expand our business and product portfolio through selective acquisitions and strategic investments". As of the Latest Practicable Date, we have not yet identified specific targets for acquisition or in-licensing.

- Approximately 25%, or HK$1,828.89 million, on our manufacturing system to construct new production lines and upgrade and further automate our existing production facilities to prepare for the potential increase in demand for our products and the launch of new products, taking into account (i) our existing designed production capacities and utilization rates, (ii) the size of the addressable markets for our main products and key pipelines expected to be launched from 2019 to 2020, and the expected demand of our products, and

(iii) the general timeframe for construction of production facilities, which may take around three years, including obtaining the relevant PRC licenses and completion of the required GMP inspections. We intend to constantly improve the production capabilities and the automation of our production facilities located in Lianyungang, Jiangsu. We also intend to establish a new factory and a new R&D center in Changzhou, Jiangsu, for the production of pharmaceuticals with high technical barriers, including for export to developed countries and the research and development of innovative drugs. Please refer to "Business — Production and Quality Control — Future Expansion and Upgrade Plan" for more information.

- Approximately 20%, or HK$1,463.11 million, on sales and academic promotion to support the launch of new products, in particular, four innovative drugs to be launched from 2019 to 2020. To support the launch of these innovative drugs, we need to collect sufficient clinical research data and information, recruit medical professionals, and frequently organize promotional activities of different levels and scale. Specifically, we expect to use (i) approximately 30% of these proceeds in the next three years to recruit more medical professionals, in particular, to facilitate the application of our clinical research findings to post-launch application on patient populations; (ii) approximately 50% of these proceeds in the next three years to expand our marketing and distribution network to promote our competitive portfolio of innovative drugs in our main therapeutic areas through enhanced promotional efforts by our inhouse sales team targeting hospitals; (iii) approximately 10% of these proceeds in the next three years on the professional training of our sales and marketing team to enhance their industry knowledge and marketing skills; and (iv) approximately 10% of these proceeds in the next five years to continually maintain and upgrade our sales management system, including SAP, CRM, BI, among others.

- The remaining amount of approximately 10%, or HK$731.56 million, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed 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 additional amount of the proceeds will be used for general corporate purposes.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

Citigroup Global Markets Asia Limited

UBS AG Hong Kong Branch

Goldman Sachs (Asia) L.L.C.

China Merchants Securities (HK) Co., Limited

China International Capital Corporation Hong Kong Securities Limited

CMB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 38,590,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

(a) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in 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 PRC, Singapore, the Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, outbreak of diseases or epidemics, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or affecting any Relevant Jurisdiction; or

(iv) 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 of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) without prior consent of the Joint Global Coordinators, the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(viii) any change or development which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any contravention by any member of the Group, any of the executive Directors and non-executive Director of the Companies Ordinance, the Company Law of the PRC or the Listing Rules; or

(x) any executive Director or Mr. Wu Gongzheng who is in charge of the overall financial management of the Company vacating his or her office; or

(xi) a Governmental Authority (as defined in the Hong Kong Underwriting Agreement) or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of the Group or any executive Director; or

(xii) any executive Director being charged with an indictable offence or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any executive Director or any announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xiii) any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xiv) any litigation or dispute or potential litigation or dispute against any member of the Group; or

(xv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including Shares to be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xvi) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any member of the Group,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters): (A) has or will or may result in a material adverse effect; or (B) has or will have or may have a material adverse effect on the success of the Global 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 it or may make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice, the preliminary offering circular or the offering circular; or (D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable, impracticable or inadvisable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in the offering documents, the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material aspect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) non-compliance of this prospectus (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

(iii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in the offering documents, constitutes a material omission therefrom; or

(iv) either (i) there has been a breach of any of the representations or warranties, or material breach of the undertakings or provisions or obligations of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or the Controlling Shareholders; (ii) any of the representations, warranties and undertakings given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or (iii) any of the undertakings given by the Company or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete in any material respect or misleading; or

(v) any event, act or omission which gives rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or

(vi) the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled; or

(vii) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of this prospectus; or

(viii) any Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement); or

(ix) admission is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(x) the Company has withdrawn the offering documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Global Coordinators may, for themselves and on behalf of the Hong Kong Underwriters, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

In accordance with Rule 10.08 of the Listing Rules, we agree and undertake that, within six months from the Listing Date, no further Shares or securities convertible into equity securities of the Company (whether or not of a class already listed) shall be issued or form the subject of any agreement to such an issue (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for Shares issued pursuant to:

1. the Global Offering (including any exercise of the Over-allotment Option); or

2. any of the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering, it/she shall not and shall procure that the relevant registered holder(s) shall not without the prior written consent of the Stock Exchange or, unless otherwise in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its/her shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/she is shown by this prospectus to be the beneficial owner; and

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares referred to in paragraph (i) above to such an extent that immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/she would cease to be a controlling shareholder of our Company.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its/her shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/she shall and shall procure the relevant registered holders:

(i) when it/she pledge or charge any Shares beneficially owned by it/her in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it/she receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraph (i) and (ii) above (if any) by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings by certain of our Shareholders

Each of Hillhouse, Boyu and Apex Medical (the "**Undersigned Shareholders**") has entered into a lock-up undertaking letter (the "**Lock-up Undertaking Letters**") in favor of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Joint Bookrunners and the Underwriters) with respect to the Shares held by each of the Undersigned Shareholders as of the Listing Date (the "**Relevant Shares**"). Pursuant to the Lock-up Undertaking Letters (which are in largely similar form, except certain special circumstances), each of the Undersigned Shareholders agrees that, without the prior written consent of the Joint Sponsors (for themselves and on behalf of the Underwriters), it will not, during the Six-Month Period, dispose of any Relevant Shares. The restrictions set out in the Lock-up Undertaking Letters shall not apply to, among others:

(a) any lending of Relevant Shares by Undersigned Shareholders pursuant to the Stock Borrowing Agreement (if applicable) to be entered into; or

(b) any charge, mortgage or pledge by Undersigned Shareholders of the Relevant Shares during the Six-Month Period in favor of a financial institution to secure a loan or financing facility made to the Undersigned Shareholders ("**Loan**") if the person making the Loan undertakes to be bound by the restrictions on disposal herein during the Six-Month Period and which restrictions shall include any disposal of the Relevant Shares on exercise of any enforcement action or foreclosure following a default under the Loan; or

(c) any transfer with the prior written consent of the Company and the Joint Sponsors, having due regard to the requirements of the Hong Kong Stock Exchange on lock-up of pre-IPO investors (as the case may be); or

(d) any shares acquired in open market transactions after the completion of the Global Offering; or

(e) any transfers to any of the Undersigned Shareholders' affiliates, provided that, prior to such transfer, such affiliates gives a written undertaking (addressed to and in favor of, among others, the Company and the Joint Sponsors in terms satisfactory to them and substantially the same as the Lock-up Undertaking Letters) agreeing to, and the Undersigned Shareholders undertake to procure that such affiliates will, be bound by the undertaking.

For the purpose of the Lock-up Undertaking Letters, "dispose of' or "disposal" means:

(A) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right of whatever nature over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them;

(B) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares;

(C) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (A) or (B) above; or

(D) agree or contract to effect any transaction specified in paragraph (A), (B) or (C) above, in each case, whether any of the transactions specified in paragraph (A), (B) or (C) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares of the Company or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the Six-Month Period).

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

We have also undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Post-IPO RSU Scheme, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six-Month Period**"), it will not, and will procure that other members of the Group will not (and each of the Controlling Shareholders shall procure that the Company will not itself and will procure that other members of the Group not to), without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(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, assign, 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 (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company or any shares or other equity securities of such other member of the Gorup, 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 share capital or other equity securities of the Company or such other member of the Group, as applicable), or deposit any share capital or other equity securities of the Company or 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 (legal or beneficial) of the Shares or any other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any equity 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 equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six-Month Period). The Company further agrees that, in the event the Company enters into any of the transactions described in (i), (ii) or (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 such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders agree and undertake to the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) during the First Six-Month Period, it/she will not:

(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 of its share capital or other securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); 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 (legal or beneficial) of such share capital or securities or any interest therein, 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

(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 enter into, any transaction described in (i), (ii) or (iii) above,

whether any such transaction described in (i) or (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise; and

(b) (i) during the six month period immediately following the First Six-Month Period (the "**Second Six-Month Period**"), it/she will not enter into any of the foregoing transactions in paragraph (a)(i), (ii) and (iii) above or offer to or agree to or announce any intention to enter into any such transactions if, immediately following any sale, transfer or disposal upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of the Company; and

(ii) until the expiry of the Second Six-Month Period, in the event that it/she enters into any of the foregoing transactions in paragraph (a)(i), (ii) and (iii) above or offers to or agrees to, or announces an intention to enter into any such transactions, it/she will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of the Company,

provided that the above shall not prevent the Controlling Shareholders from using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) (or its affiliates) for a bona fide commercial loan.

Indemnity

Each of the Company and the Controlling Shareholders has agreed to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to

procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 82,692,000 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 1.3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators for their respective accounts an incentive fee.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$13.66 per Share (being the mid-point of the indicative Offer Price range of HK$13.06 to HK$14.26 per Share), the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$214.9 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering (together, referred to as "**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 the 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 the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, 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 underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling 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 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 of these activities may occur both during and after the end of the stabilizing period described in "Structure and Conditions of the Global Offering — The International Offering — Over-allotment Option" and "— Stabilization." These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates 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

(b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters' Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in "Structure and Conditions of the Global Offering — The International Offering — Stabilization," and "— Over-allotment Option."

Joint Sponsor's Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 38,590,000 Offer Shares in Hong Kong as described below in "— The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 512,690,000 Shares, consisting of the offering of our Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Global Coordinators, as representative of the International Underwriters, have an option to require us to issue and allot up to 82,692,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over- allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.43% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option (without taking into account the Post-IPO RSU Scheme). In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either

(1) apply for Offer Shares under the Hong Kong Public Offering; or

(2) apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 9.66% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option and the Post-IPO RSU Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 10.95% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "— The International Offering — Over-allotment Option" below (without taking into account the Post-IPO RSU Scheme).

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 Hong Kong Public Offering — Reallocation and Clawback" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 38,590,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 7% of the total number of Offer Shares initially available under 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. The Hong Kong Offer Shares will represent approximately 0.68% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account the Post-IPO RSU Scheme. 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 International Offering — Conditions of the Hong Kong Public 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.

For allocation purposes only, 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 for allocation purposes: 19,296,000 Offer Shares for pool A and 19,294,000 Offer Shares for pool B. 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 Stock Exchange trading fee payable) or less. 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 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 19,294,000 Offer Shares are liable to be rejected.

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. We have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules to the effect as further described below (the "**Mandatory Reallocation**"):

(i) 38,590,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 7% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed,

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 49 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 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 60,642,000 Offer Shares, representing approximately 11% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 49 times or more but less than 98 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 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 77,180,000 Offer Shares, representing approximately 14% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 98 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 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 154,360,000 Offer Shares, representing approximately 28% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Global Coordinators and the Joint Sponsors may in their 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 addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$13.06 (low end of the indicative Offer Price range set out in this Prospectus), up to 38,590,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 77,180,000 Offer Shares, representing approximately 14% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

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 it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$14.26 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— The International Offering — Pricing of the Global Offering" below, is less than the maximum price of HK$14.26 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and 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 "How to Apply for the Hong Kong Offer Shares."

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 an aggregate of 512,690,000 Offer Shares to be initially offered by us.

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 paragraph 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 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 Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators 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.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 82,692,000 additional Offer Shares, representing 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. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.43% of the Company's enlarged share capital immediately following the completion of the Global Offering and the full exercise of the Over-allotment Option (with taking into account the Post-IPO RSU Scheme). In the event that the Over-allotment Option is exercised, an announcement will be made.

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.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such

stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 82,692,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

e) selling the Shares to liquidate a long position held as a result of those purchases; and

f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Friday, July 5, 2019. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may

stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

Stock Borrowing Arrangement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its agents) may choose to borrow up to 82,692,000 Shares (being the maximum number of additional Shares which may be allotted and issued upon exercise of the Over-allotment Option), representing 15% of the Offer Shares, from Apex Medical to cover over-allocations.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, June 5, 2019 and in any event on or before Sunday, June 9, 2019, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$14.26 per Share and is expected to be not less than HK$13.06 per Share 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. **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.**

The Joint Global Coordinators, 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 day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the Stock Exchange website at **www.hkexnews.hk** and on the website of our Company (**www.hspharm.com**) notices of the reduction. Upon issue of such a notice, the 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 Joint Global Coordinators, 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 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 Joint Global Coordinators, 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 Joint Global Coordinators 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 Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$7,646 million, assuming an Offer Price per Share of HK$14.26, or approximately HK$6,985 million, assuming an Offer Price per Share of HK$13.06 (or if the Over-allotment Option is exercised in full, approximately HK$8,805 million, assuming an Offer Price per Share of HK$14.26, or approximately HK$8,044 million, assuming an Offer Price per Share of HK$13.06).

The Offer Price for Shares under the Global Offering is expected to be announced on Thursday, June 13, 2019. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.hspharm.com**) on Thursday, June 13.

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters 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 "Underwriting."

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies 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 on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and the Shares which may be issued pursuant to the Post-IPO RSU Scheme;

(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.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Company at **www.hspharm.com** and the Stock Exchange at **www.hkexnews.hk** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares." In the meantime, all application monies will be held in (a) 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, June 13, 2019 but will only become valid certificates of title at 8:00 a.m. on Friday, June 14, 2019 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, June 14, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, June 14, 2019.

The Shares will be traded in board lots of 2,000 Shares each and the stock code of the Shares will be 3692.

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 **HK eIPO White Form** service at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a PRC legal or natural person;
- are not an existing Shareholder and/or his/her/its close associate;
- are not a core connected person of the Company and will not become a core connected person of the Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number:

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Friday, May 31, 2019 until 12:00 noon on Wednesday, June 5, 2019 from:

(i) any of the following offices of the Hong Kong Underwriters:

Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
UBS AG Hong Kong Branch	52/F, Two IFC 8 Finance Street Central, Hong Kong
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square 8 Connaught Place Central, Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central, Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central, Hong Kong

(ii) any of the branches of the following receiving bank:

Standard Chartered Bank (Hong Kong) Limited

Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	Quarry Bay Branch	G/F, Westlands Gardens 1027 King's Road, Quarry Bay
	188 Des Voeux Road Branch	Shop No. 7 on G/F, whole of 1/F - 3/F Golden Centre, 188 Des Voeux Road Central, Hong Kong
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai

Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsimshatsui
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kowloon Bay
	Lok Fu Shopping Centre Branch	Shop G201, G., Lok Fu Shopping Centre
	Tsimshatsui Branch	Shop G30 & B117-23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories	Fotan Branch	Bank No.3, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin
	Metroplaza Branch	Shop 473B, Level 4, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Shatin Plaza Branch	Shop No. 8, Shatin Plaza, 21-27 Shatin Centre Street, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Friday, May 31, 2019, until 12:00 noon on Wednesday, June 5, 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 HORSFORD NOMINEES LIMITED — HANSOH PHARMACEUTICAL 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:

- Friday, May 31, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, June 1, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, June 3, 2019 — 9:00 a.m. to 5:00 p.m.
- Tuesday, June 4, 2019 — 9:00 a.m. to 5:00 p.m.
- Wednesday, June 5, 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 Wednesday, June 5, 2019, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications 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.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their 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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 the Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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 Forms;

(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 the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/ or 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 have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (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.

Additional Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK EIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "Who can apply" in this section may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, May 31, 2019 until 11:30 a.m. on Wednesday, June 5, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 5, 2019 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** 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 **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up 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;
- 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 Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for 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.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies(including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum 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:

- Friday, May 31, 2019 — 9:00 a.m. to 8:30 p.m.
- Saturday, June 1, 2019 — 8:00 a.m. to 1:00 p.m.
- Monday, June 3, 2019 — 8:00 a.m. to 8:30 p.m.
- Tuesday, June 4, 2019 — 8:00 a.m. to 8:30 p.m.
- Wednesday, June 5, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, May 31, 2019 until 12:00 noon on Wednesday, June 5, 2019 (24 hours daily, except on June 5, 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, June 5, 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.

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.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of 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 service **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS 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 Center to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, June 5, 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 **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital)

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum 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.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Allocation."

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 Wednesday, June 5, 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 Wednesday, June 5, 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," 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, June 13, 2019 on the Company's website at **www.hspharm.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below.

- in the announcement to be posted on the Company's website at **www.hspharm.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, June 13, 2019;
- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, June 13, 2019 to 12:00 midnight on Wednesday, June 19, 2019;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, June 13, 2019 to Tuesday, June 18, 2019;

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, June 13, 2019 to Monday, June 17, 2019 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure and Conditions of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, the **HK eIPO White Form** service and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$14.26 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering — The International Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, June 13, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or around Thursday, June 13, 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, June 14, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "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 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 Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, June 13, 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 despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, June 13, 2019, by ordinary post and at your own risk.

(ii) ***If you apply using a YELLOW Application Form***

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, June 13, 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**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "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, June 13, 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 HK eIPO White Form Service***

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, June 13, 2019, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, June 13, 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 despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address 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, June 13, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card 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, June 13, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, June 13, 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.

- 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, June 13, 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 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, June 13, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the 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 Company's reporting accountant, Ernst & Young, Certified Public Accountants, Hong Kong.

Ernst & Young
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The Directors
Hansoh Pharmaceutical Group Company Limited
Citigroup Global Markets Asia Limited
Morgan Stanley Asia Limited

Dear Sirs,

We report on the historical financial information of Hansoh Pharmaceutical Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-70, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 (the "Relevant Periods"), and the consolidated statements of financial position of the Group, and the statements of financial position of the Company as at 31 December 2016, 2017 and 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 May 2019 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in Note 2.1 and Note 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in Note 2.1 and Note 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2016, 2017 and 2018 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in Note 2.1 and Note 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
31 May 2019

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	5	5,432,960	6,185,537	7,722,278
Cost of sales		(397,279)	(455,171)	(603,100)
Gross profit		5,035,681	5,730,366	7,119,178
Other income	5	85,811	93,230	77,953
Selling and distribution expenses		(2,378,040)	(2,704,200)	(3,208,680)
Administrative expenses		(537,972)	(614,075)	(790,158)
Research and development costs		(403,065)	(575,544)	(881,288)
Other gains/(expenses), net	5	5,274	3,014	(7,680)
Finance costs	7	(3,411)	—	—
PROFIT BEFORE TAX	6	1,804,278	1,932,791	2,309,325
Income tax expense	10	(328,244)	(337,318)	(406,277)
PROFIT FOR THE YEAR		1,476,034	1,595,473	1,903,048
Attributable to:				
Owners of the parent		1,476,034	1,595,473	1,903,048
		1,476,034	1,595,473	1,903,048
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	1,476,034	1,595,473	1,903,048
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	75,387	(51,121)	46,160
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	75,387	(51,121)	46,160
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	75,387	(51,121)	46,160
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,551,421	1,544,352	1,949,208
Attributable to:			
Owners of the parent	1,551,421	1,544,352	1,949,208
	1,551,421	1,544,352	1,949,208

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,048,085	1,171,490	1,381,825
Prepaid land lease payments	14	120,293	117,626	138,847
Intangible assets	15	6,061	9,178	10,475
Prepayments for purchase of property, plant and equipment		182,813	157,887	199,039
Total non-current assets		1,357,252	1,456,181	1,730,186
CURRENT ASSETS				
Inventories	17	353,051	439,355	479,664
Trade and bills receivables	18	1,723,535	2,192,518	2,645,207
Prepayments, deposits and other receivables	19	42,962	62,382	66,252
Financial assets at fair value through profit or loss	20	268,327	607,722	2,016,439
Other financial assets	21	867,125	849,446	511,792
Cash and cash equivalents	22	208,699	266,444	964,831
Total current assets		3,463,699	4,417,867	6,684,185
CURRENT LIABILITIES				
Trade and bills payables	23	44,908	98,794	158,810
Other payables and accruals	24	1,256,582	1,024,006	1,460,221
Contract liabilities	25	56,057	41,512	36,311
Tax payable		50,283	63,362	48,443
Dividends payable	26	404,134	—	2,800,000
Total current liabilities		1,811,964	1,227,674	4,503,785
NET CURRENT ASSETS		1,651,735	3,190,193	2,180,400
TOTAL ASSETS LESS CURRENT LIABILITIES		3,008,987	4,646,374	3,910,586
NON-CURRENT LIABILITIES				
Dividends payable	26	—	—	1,200,000
Deferred tax liabilities	16	34,649	127,684	242,688
Total non-current liabilities		34,649	127,684	1,442,688
NET ASSETS		2,974,338	4,518,690	2,467,898
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	1	1	1
Reserves	28	2,974,337	4,518,689	2,467,897
		2,974,338	4,518,690	2,467,898
Non-controlling interests		—	—	—
Total equity		2,974,338	4,518,690	2,467,898

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	Share premium*	Merger reserve/ other reserve*	Exchange fluctuation reserve*	Statutory surplus reserves*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	—	—	(55,000)	—	55,000	122,568	122,568	—	122,568
Profit for the year	—	—	—	—	—	1,476,034	1,476,034	—	1,476,034
Other comprehensive income for the year	—	—	—	75,387	—	—	75,387	—	75,387
Issue of shares	1	1,302,448	—	—	—	—	1,302,449	—	1,302,449
Appropriation for reserve funds	—	—	—	—	150,000	(150,000)	—	—	—
Acquisition of subsidiaries under common control	—	—	(2,100)	—	—	—	(2,100)	—	(2,100)
At 31 December 2016 and 1 January 2017	1	1,302,448	(57,100)	75,387	205,000	1,448,602	2,974,338	—	2,974,338
Profit for the year	—	—	—	—	—	1,595,473	1,595,473	—	1,595,473
Other comprehensive income for the year	—	—	—	(51,121)	—	—	(51,121)	—	(51,121)
At 31 December 2017 and 1 January 2018	1	1,302,448	(57,100)	24,266	205,000	3,044,075	4,518,690	—	4,518,690
Profit for the year	—	—	—	—	—	1,903,048	1,903,048	—	1,903,048
Other comprehensive income for the year	—	—	—	46,160	—	—	46,160	—	46,160
Dividends declared	—	—	—	—	—	(4,000,000)	(4,000,000)	—	(4,000,000)
At 31 December 2018	1	1,302,448	(57,100)	70,426	205,000	947,123	2,467,898	—	2,467,898

* These reserve accounts comprise the reserves of RMB2,974,337,000, RMB4,518,689,000 and RMB2,467,897,000 in the consolidated statements of financial position as at 31 December 2016, 2017 and 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		1,804,278	1,932,791	2,309,325
Adjustments for:				
Provision of/(reversal of) impairment for trade receivable	5	2,033	(2,708)	2,567
Depreciation	6	115,358	131,382	148,624
Amortisation of prepaid land lease payments	6	2,265	2,667	2,831
Amortisation of intangible assets	6	3,679	3,964	7,641
(Gain)/loss on disposal of items of property, plant and equipment	5	(776)	(531)	727
Fair value gains of financial assets at fair value through profit or loss	5	(7,481)	(8,338)	(31,764)
Investment income	5	(6,438)	(12,815)	(17,666)
Dividend income from equity investments at fair value through profit or loss	5	(2)	(2)	(8)
Interest expenses	7	3,411	—	—
		1,916,327	2,046,410	2,422,277
Increase in trade and bills receivables		(691,989)	(466,275)	(455,256)
Decrease/(increase) in prepayments, deposits and other receivables		459,547	(16,754)	(3,970)
Increase in inventories		(95,021)	(78,397)	(33,115)
(Decrease)/increase in trade and bills payables		(13,302)	53,886	60,016
(Decrease)/increase in other payables and accruals		(51,185)	109,131	393,668
Increase/(decrease) in contract liabilities		33,470	(14,545)	(5,201)
Cash generated from operations		1,557,847	1,633,456	2,378,419
Income tax paid		(311,340)	(231,204)	(306,192)
Net cash flows from operating activities		1,246,507	1,402,252	2,072,227

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES				
Proceeds from disposal of other intangible assets		421	—	—
Proceeds from disposal of items of property, plant and equipment		2,767	3,400	8,252
Purchases of financial products included in other financial assets		(1,600,034)	(905,742)	(1,070,831)
Maturity of financial products included in other financial assets		888,276	872,064	1,439,740
Purchases of financial products included in financial assets at fair value through profit or loss		(3,173,100)	(3,839,000)	(10,177,000)
Maturity of financial products included in financial assets at fair value through profit or loss		4,903,100	3,502,000	8,770,000
Receipt of investment income from financial products included in other financial assets		2,144	10,149	18,257
Receipt of investment income from financial products included in financial assets at fair value through profit or loss		18,104	5,943	29,375
Proceeds from sale of listed equity investments		15,825	—	671
Dividends received from listed equity investments		2	2	8
Loans to a related party		—	—	(367,000)
Repayment of loans from a related party		—	—	367,000
Purchases of items of property, plant and equipment		(238,926)	(256,346)	(381,378)
Payment for land lease		(28,901)	—	(24,543)
Purchases of intangible assets		(5,662)	(6,741)	(1,295)
Decrease of security investment deposit		15,522	—	—
Decrease in bank deposits with initial term of over three months		30,000	—	—
Net cash flows from/(used in) investing activities		829,538	(614,271)	(1,388,744)

	Notes	Year ended 31 December 2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS USED IN FINANCING ACTIVITIES				
Proceeds from bank borrowings		400,000	—	—
Repayment of bank borrowings		(450,000)	—	—
Deemed distribution of disposed assets of Hongchuang		(647,489)	—	—
Issue of shares		1,302,449	—	—
Dividends paid to the then shareholders		(2,368,507)	(404,134)	—
Acquisition of subsidiaries under common control		(167,200)	(2,000)	—
Repayments related to capital reduction of subsidiaries		(114,394)	(324,341)	—
Interest paid		(3,417)	—	—
Net cash flows used in financing activities	29	(2,048,558)	(730,475)	—
NET INCREASE IN CASH AND CASH EQUIVALENTS		27,487	57,506	683,483
Cash and cash equivalents at beginning of year		161,192	208,699	266,444
Effect of foreign exchange rate changes, net		20,020	239	14,904
CASH AND CASH EQUIVALENTS AT END OF YEAR		208,699	266,444	964,831
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	22	196,973	256,925	653,183
Non-pledged time deposits with initial term of less than three months when acquired	22	11,726	9,519	311,648
Cash and cash equivalents as stated in the consolidated statement of financial position and the consolidated statement of cash flows		208,699	266,444	964,831

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Amounts due from subsidiaries	463,207	436,310	458,279
Total non-current assets	463,207	436,310	458,279
CURRENT ASSETS			
Amounts due from subsidiaries	10,475	16,401	4,046,440
Prepayments, deposits and other receivables	5,078	7,744	5,065
Other financial assets	867,125	849,446	411,792
Cash and cash equivalents	59,114	26,252	501,972
Total current assets	941,792	899,843	4,965,269
CURRENT LIABILITIES			
Dividends payable	—	—	2,800,000
Other payables	—	—	25,961
Amounts due to subsidiaries	57	52	9,364
Total current liabilities	57	52	2,835,325
NET CURRENT ASSETS	941,735	899,791	2,129,944
TOTAL ASSETS LESS CURRENT LIABILITIES	1,404,942	1,336,101	2,588,223
NON-CURRENT LIABILITIES			
Dividends payable	—	—	1,200,000
Total non-current liabilities	—	—	1,200,000
NET ASSETS	1,404,942	1,336,101	1,388,223
EQUITY			
Share capital	1	1	1
Reserves	1,404,941	1,336,100	1,388,222
Total equity	1,404,942	1,336,101	1,388,223

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is located at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the research and development, production and sale of a series of pharmaceutical products ("Listing Business") in the People's Republic of China (the "PRC").

Before the formation of the Group, the Listing Business was carried out by the subsidiaries now comprising the Group, all of which were collectively controlled by Ms. Zhong Huijuan and Miss Sun Yuan (for the purpose of this report, hereinafter collectively referred to as the "Controlling Shareholders"). Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

The Company and its subsidiaries now comprising the Group underwent the Reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Development and Reorganization" in the Prospectus.

As at the date of this report, the Company has direct and indirect interest in its subsidiaries, all of which are private limited liability companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong).

Particulars of the principle subsidiaries now comprising the Group are set out below:

Company name	Place of incorporation/ registration and operation	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Jiangsu Hansoh Pharmaceutical Group Co., Ltd. ("Jiangsu Hansoh") (i)	PRC/Mainland China	RMB400,000,000	July 1995	—	100%	Pharmaceutical
Jiangsu Hengte Pharmaceutical Trading Co., Ltd. ("Jiangsu Hengte") (i)	PRC/Mainland China	RMB10,000,000	July 2006	—	100%	Pharmaceutical

Company name	Place of incorporation/ registration and operation	Issued ordinary/ registered share capital	Date of incorporation	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Hansoh BioMedical Co., Ltd. ("Shanghai Hansen") (ii).	PRC/Mainland China	RMB260,000,000	October 2011	—	100%	Pharmaceutical
Hansoh Pharma International Limited ("Hansoh International") (iii)	Hong Kong	HKD100	December 2015	—	100%	Investment holding and trading

(i) The statuary financial statements of Jiangsu Hansoh and Jiangsu Hengte for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by 江蘇蘇亞金誠會計師事務所(特殊普通合夥) (Jiangsu Suyajincheng Certified Public Accountants LLP).

(ii) The statuary financial statements of Shanghai Hansen for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with PRC GAAP were audited by 上海茂恒會計師事務所 (Shanghai Maoheng Certified Public Accountants).

(iii) The statuary financial statements of Hansoh International for the years ended 31 December 2016, 2017 and 2018 prepared in accordance with HKFRS were audited by Ernst & Young.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Development and Reorganization" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 2 December 2015. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where it is a shorter period. The consolidated statements of financial position of the

Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries using their existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information consistently throughout the Relevant Periods.

HKFRS 9 "Financial Instruments" replaces HKAS 39 "Financial Instruments" for recognition and measurement for financial assets and liabilities. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has elected to apply HKFRS 9 consistently in the Relevant Periods.

HKFRS 15 "Revenue from contracts with customers" replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group has elected to apply HKFRS 15 consistently in the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial information of the subsidiaries are prepared for the same Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]

Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

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[1] Effective for annual periods beginning on or after 1 January 2019

[2] Effective for annual periods beginning on or after 1 January 2020

[3] Effective for annual periods beginning on or after 1 January 2021

[4] No mandatory effective date yet determined but available for adoption

Except as disclosed below, the directors of the Company anticipate that application of the new and revised HKFRSs and interpretations will have no material impact on the Group's consolidated financial statements in the future.

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 January 2019. The Group plans to

adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. As disclosed in note 30 to the Historical Financial Information, at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB 624,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. However, the Group does not expect a significant impact on the financial position and operating performance.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20 years
Leasehold improvements	3 years
Machinery equipment	10 years
Computer and office equipment	3 - 5 years
Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each of the Relevant Periods.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents an asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	3 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial assets

The Group classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets.
- The contractual cash flow characteristics of the financial asset.

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

Financial assets measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if:

(a) its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding; or

(b) it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or

(c) at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statement of profit or loss within other gains in the period in which it arises. Interest income from these financial assets is included in other income.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Group has:

(a) transferred substantially all of the risks and rewards of the asset; or

(b) neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been as significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade and bills receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The provision matrix for trade receivables is as below:

Overdue by	Provision rate
Within 90 days	0%
90 days to 1 year	20%
Over 1 year	100%

For other debt financial assets, impairment is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, reports obtained from economic expert, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely manufacturing and sales of pharmaceutical products.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than three months but less than one year past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 1 year 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 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 five years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is designated as at fair value through profit or loss.

A financial liability may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at fair value through profit or loss.

Financial liabilities measured at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) though the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is based on estimated selling price less any estimated costs to be incurred to completion and disposal. If the cost of inventory is higher than the net realisable value, the provision of inventory is recognised in profit or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods, the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of pharmaceutical products

Revenue from the sale of pharmaceutical products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the pharmaceutical products by the customer.

Some contracts for the sale of pharmaceutical products provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

Technology transfer income is recognised when services relating to the contract have been performed;

Rental income is recognised on a time proportion basis over the lease terms;

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Dividend distribution to the shareholders is recognised as a liability in the Historical Financial Information in the period in which the dividends are approved by the shareholders or directors, where appropriate.

Foreign currencies

The Historical Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year or period are translated into RMB at the weighted average exchange rates for the year or period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses as at 31 December 2016, 2017 and 2018 were RMB8,680,000, RMB7,393,000 and RMB23,635,000, respectively. The amount of tax losses that are unrecognised as deferred tax assets as at 31 December 2016, 2017 and 2018 were RMB3,756,000, RMB9,849,000 and RMB29,937,000, respectively. Further details are contained in note 16 to the Historical Financial Information.

Income tax

The Group is subject to income taxes in various regions. As a result, when certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimates and judgments based on currently enacted tax laws, regulations and other related policies are required in determining the provision for corporate income taxes. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the corporate income tax and tax provisions over the period in which the differences are realised.

Impairment of trade receivables

The Group makes allowances on trade receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each of the Relevant Periods.

When the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and impairment loss in the periods in which such estimate has been changed.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the repair and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Additional depreciation is recognised if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts of development costs to be capitalised requires the use of judgements and estimation.

4 OPERATING SEGMENT INFORMATION

Information about geographical areas

Since over 90% of the Group's revenue and operating profit were generated from the sales of pharmaceutical products in Mainland China and most of the Group's identifiable operating assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and other gains/(expenses), net is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Sales of goods - at a point in time	5,432,960	6,185,537	7,722,278
Other income			
Investment income	6,438	12,815	17,666
Government grants	64,725	54,307	33,489
Income from technology transfer — at a point in time	4,682	22,371	21,966
Bank interest income	2,645	1,597	2,853
Dividend income from equity investments at fair value through profit or loss	2	2	8
Others	7,319	2,138	1,971
	85,811	93,230	77,953
Other gains/(expenses), net			
Gain/(loss) on disposal of items of property, plant and equipment	776	531	(727)
Fair value gains of financial assets at fair value through profit or loss	7,481	8,338	31,764
Donations	(6,212)	(7,431)	(39,382)
Foreign exchange gains/(losses), net	3,210	(4,689)	2,382
(Provision of)/reversal of impairment for trade receivables	(2,033)	2,708	(2,567)
Others	2,052	3,557	850
	5,274	3,014	(7,680)

Unsatisfied performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) for the income from technology transfer at the end of each of the Relevant Periods:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Unsatisfied performance obligations	61,979	45,837	23,871
Expected to be recognised:			
Within 1 year	20,981	21,390	13,080
Over 1 year	40,998	24,447	10,791
	61,979	45,837	23,871

6 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
	Notes	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		235,695	232.469	386,594
Depreciation		115,358	131,382	148,624
Amortisation of prepaid land lease payments	14	2,265	2,667	2,831
Amortisation of intangible assets	15	3,679	3,964	7,641
Provision of/(reversal of) impairment for trade receivables		2,033	(2,708)	2,567
Operating lease expenses		3,687	2,879	3,716
Auditors' remuneration		2,734	372	6,625
(Gain)/loss on disposal of items of property, plant and equipment	5	(776)	(531)	727
Dividend income from equity investments at fair value through profit or loss	5	(2)	(2)	(8)
Investment income	5	(6,438)	(12,815)	(17,666)
Fair value gains of financial assets at fair value through profit or loss	5	(7,481)	(8,338)	(31,764)
Employee benefit expense (including directors' remuneration as set out in note 8):				
Wages and salaries		688,292	778,376	936,533
Social welfare and other benefits		156,084	190,679	257,439
		844,376	969,055	1,193,972

7 FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses	3,411	—	—

8 DIRECTORS' REMUNERATION

The aggregate amounts of remuneration of the directors and chief executive for the Relevant Periods are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Fees	—	—	—
Other emoluments:			
Salaries and bonuses	19,397	25,212	36,088
Social welfare and other benefits	207	219	237
	19,604	25,431	36,325

The remuneration of each director of the Company for the Relevant Periods is set out below:

	Notes	Fees	Salaries and bonuses	Social welfare and other benefits	Total remuneration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2016					
Executive directors:					
Ms. Zhong Huijuan	(i)	—	14,169	69	14,238
Miss Sun Yuan	(ii)	—	3,574	69	3,643
Mr. Lyu Aifeng	(iii)	—	1,654	69	1,723
		—	19,397	207	19,604

	Notes	Fees	Salaries and bonuses	Social welfare and other benefits	Total remuneration
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-executive directors:					
Ms. Ma Cuifang	(iv)	—	—	—	—
		—	19,397	207	19,604
2017					
Executive directors:					
Ms. Zhong Huijuan	(i)	—	17,413	73	17,486
Miss Sun Yuan	(ii)	—	5,350	73	5,423
Mr. Lyu Aifeng	(iii)	—	2,449	73	2,522
		—	25,212	219	25,431
Non-executive directors:					
Ms. Ma Cuifang	(iv)	—	—	—	—
		—	25,212	219	25,431
2018					
Executive directors:					
Ms. Zhong Huijuan	(i)	—	25,585	79	25,664
Miss Sun Yuan	(ii)	—	7,168	79	7,247
Mr. Lyu Aifeng	(iii)	—	3,335	79	3,414
		—	36,088	237	36,325
Non-executive directors:					
Ms. Ma Cuifang	(iv)	—	—	—	—
		—	36,088	237	36,325

Notes:

(i) Ms. Zhong Huijuan was appointed as president and an executive director with effect from 2 December 2015.

(ii) Miss Sun Yuan was appointed as an executive director with effect from 2 December 2015.

(iii) Mr. Lyu Aifeng was appointed as an executive director with effect from 11 March 2016.

(iv) Ms. Ma Cuifang was appointed as a non-executive director with effect from 11 March 2016.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9 FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included 3, 3 and 3 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 2, 2 and 2 highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries and bonuses	2,169	2,367	5,048
Social welfare and other benefits	138	146	158
	2,307	2,513	5,206

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
RMB1,000,000 to RMB1,500,000	2	2	—
RMB1,500,000 to RMB2,000,000	—	—	1
RMB3,000,000 to RMB3,500,000	—	—	1
	2	2	2

10 INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of Cayman Islands and B.V.I., the Group is not subject to any income tax in Cayman Islands or B.V.I.

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The provision for PRC corporate income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

In 2015, Jiangsu Hansoh was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from 2015 to 2017. Jiangsu Hansoh subsequently renewed its HNTE qualification in 2017, and is entitled to the preferential tax rate of 15% from 2018 to 2020.

In 2017, Shanghai Hansoh was initially accredited as a HNTE, and thus entitled to a preferential income tax rate of 15% from 2017 to 2019.

The income tax expense of the Group for the Relevant Periods is analysed as follows:

		Year ended 31 December		
	Note	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Current income tax		256,219	244,283	291,273
Deferred income tax	16	72,025	93,035	115,004
Total tax charge for the year		328,244	337,318	406,277

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	1,804,278	1,932,791	2,309,325
Tax at the statutory tax rate (25%)	451,070	483,197	577,331
Preferential income tax rate applicable to certain subsidiaries	(164,011)	(168,445)	(194,609)
Additional deductible allowance for qualified research and development costs	(39,910)	(71,933)	(91,091)
Adjustments in respect of current income tax of previous years	(361)	1,119	5,201
Income not subject to tax	(5,127)	(632)	(255)
Expenses not deductible for tax	7,270	8,051	3,669
Accrual for withholding tax	78,374	84,438	101,009
Tax losses utilised from previous years	—	—	(83)
Tax losses not recognised	939	1,523	5,105
Tax charge at the Group's effective rate	328,244	337,318	406,277

11 DIVIDENDS

Pursuant to the Company's board resolution dated 31 July 2018, the Company declared dividends of RMB4,000,000,000.

12 EARNINGS PER SHARE

No earnings per share information is presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the basis of presentation of the results for the Relevant Periods as disclosed in Note 2.1 above.

13 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Machinery equipment	Computer and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016							
At 1 January 2016:							
Cost	756,993	5,683	448,154	64,982	52,338	93,453	1,421,603
Accumulated depreciation	(132,621)	(3,375)	(215,027)	(40,102)	(35,141)	—	(426,266)
Net carrying amount	624,372	2,308	233,127	24,880	17,197	93,453	995,337
At 1 January 2016, net of accumulated depreciation	624,372	2,308	233,127	24,880	17,197	93,453	995,337
Additions	18,802	—	65,029	9,436	8,974	74,318	176,559
Disposals	(1,078)	—	(346)	(108)	(459)	—	(1,991)
Transfer	28,954	6,344	44,379	2,564	—	(82,241)	—
Depreciation provided during the year	(38,171)	(2,552)	(61,493)	(12,727)	(6,877)	—	(121,820)
At 31 December 2016, net of accumulated depreciation	632,879	6,100	280,696	24,045	18,835	85,530	1,048,085
At 31 December 2016:							
Cost	801,951	12,027	550,937	77,278	56,553	85,530	1,584,276
Accumulated depreciation	(169,072)	(5,927)	(270,241)	(53,233)	(37,718)	—	(536,191)
Net carrying amount	632,879	6,100	280,696	24,045	18,835	85,530	1,048,085
31 December 2017							
At 1 January 2017:							
Cost	801.951	12,027	550,937	77,278	56,553	85,530	1,584,276
Accumulated depreciation	(169,072)	(5,927)	(270,241)	(53,233)	(37,718)	—	(536,191)
Net carrying amount	632,879	6,100	280,696	24,045	18,835	85,530	1,048,085

	Buildings	Leasehold improvement	Machinery equipment	Computer and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017, net of accumulated depreciation	632,879	6,100	280.696	24,045	18,835	85,530	1.048,085
Additions	81,214	—	73,096	10,643	4,607	96,343	265,903
Disposals	(1,715)	—	(136)	(86)	—	(932)	(2,869)
Transfer	7,026	1,144	42,349	1,055	—	(51,914)	(340)
Depreciation provided during the year	(43,432)	(3,302)	(72,148)	(12,681)	(7,726)	—	(139,289)
At 31 December 2017, net of accumulated depreciation	675,972	3,942	323,857	22,976	15,716	129,027	1,171,490
At 31 December 2017:							
Cost	886,557	13,171	660,567	77,523	59,459	129,027	1,826,304
Accumulated depreciation	(210,585)	(9,229)	(336,710)	(54,547)	(43,743)	—	(654,814)
Net carrying amount	675,972	3,942	323,857	22,976	15,716	129,027	1,171,490
31 December 2018							
At 1 January 2018:							
Cost	886,557	13,171	660,567	77,523	59,459	129,027	1,826,304
Accumulated depreciation	(210,585)	(9,229)	(336,710)	(54,547)	(43,743)	—	(654,814)
Net carrying amount	675,972	3,942	323,857	22,976	15,716	129,027	1,171,490
At 1 January 2018, net of accumulated depreciation	675,972	3,942	323,857	22,976	15,716	129,027	1,171,490
Additions	8,682	—	132,753	12,869	4,418	224,052	382,774
Disposals	(6,800)	—	(251)	(9)	(812)	(1,106)	(8,978)
Transfer	87,305	—	169,878	6,015	—	(270,841)	(7,643)
Depreciation provided during the year	(47,423)	(2,535)	(85,594)	(12,516)	(7,750)	—	(155,818)
At 31 December 2018, net of accumulated depreciation	717,736	1,407	540,643	29,335	11,572	81,132	1,381,825
At 31 December 2018:							
Cost	968,728	13,171	937,152	95,290	59,699	81,132	2,155,172
Accumulated depreciation	(250,992)	(11,764)	(396,509)	(65,955)	(48,127)	—	(773,347)
Net carrying amount	717,736	1,407	540,643	29,335	11,572	81,132	1,381,825

The Group was applying for certificates of ownership for certain properties with the net book values of RMB80,093,000 as at 31 December 2018. The directors of the Company are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact the Group had not yet obtained the relevant property title certificates. The Group is not able to assign, transfer or mortgage these assets until these certificates are obtained.

14 PREPAID LAND LEASE PAYMENTS

	Prepaid land lease payments
	RMB'000
Carrying amount at 1 January 2016	96,324
Additions	28,901
Amortisations	(2,265)
Carrying amount at 31 December 2016	122,960
Current portion included in prepayments, deposits and other receivables	(2,667)
Non-current portion	120,293
Carrying amount at 1 January 2017	122,960
Additions	—
Amortisations	(2,667)
Carrying amount at 31 December 2017	120,293
Current portion included in prepayments, deposits and other receivables	(2,667)
Non-current portion	117,626
Carrying amount at 1 January 2018	120,293
Additions	24,543
Amortisations	(2,831)
Carrying amount at 31 December 2018	142,005
Current portion included in prepayments, deposits and other receivables	(3,158)
Non-current portion	138,847

The leasehold land is situated in Mainland China and is held under a long-term lease.

15 INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2016	
At 1 January 2016:	
Cost	9,756
Accumulated amortisation	(5,063)
Net carrying amount	4,693
Cost at 1 January 2016, net of accumulated amortisation	4,693
Additions	5,662
Disposals	(615)
Amortisation provided during the year	(3,679)
At 31 December 2016	6,061
At 31 December 2016:	
Cost	14,191
Accumulated amortisation	(8,130)
Net carrying amount	6,061
31 December 2017	
At 1 January 2017:	
Cost	14,191
Accumulated amortisation	(8,130)
Net carrying amount	6,061
Cost at 1 January 2017, net of accumulated amortisation	6,061
Additions	6,741
Transfer from construction in process	340
Amortisation provided during the year	(3,964)
At 31 December 2017	9,178
At 31 December 2017:	
Cost	21,273
Accumulated amortisation	(12,095)
Net carrying amount	9,178

	Software
	RMB'000
31 December 2018	
At 1 January 2018:	
Cost	21,273
Accumulated amortisation	(12,095)
Net carrying amount	9,178
Cost at 1 January 2018, net of accumulated amortisation	9,178
Additions	1,295
Transfer from construction in process	7,643
Amortisation provided during the year	(7,641)
At 31 December 2018	10,475
At 31 December 2018:	
Cost	30,212
Accumulated amortisation	(19,737)
Net carrying amount	10,475

16 DEFERRED TAX

Deferred tax assets

	Losses available for offsetting against future taxable profits	Decelerated depreciation/ amortisation for tax purposes	Unrealised profit from intercompany transactions	Accrued expenses	Provision of impairment for trade receivables	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	11,958	8,041	6,309	9,988	3,661	2,295	42,252
Deferred tax recognised in the consolidated statement of profit or loss during the year	(3,278)	11,444	(4,955)	2,712	172	1,845	7,940
At 31 December 2016 and 1 January 2017	8,680	19,485	1,354	12,700	3,833	4,140	50,192
Deferred tax recognised in the consolidated statement of profit or loss during the year	(1,287)	(4,296)	(24)	1,859	(1,262)	(896)	(5,906)
At 31 December 2017 and 1 January 2018	7,393	15,189	1,330	14,559	2,571	3,244	44,286
Deferred tax recognised in the consolidated statement of profit or loss during the year	16,242	(7,888)	(1,290)	10,828	(1,447)	(2,096)	14,349
At 31 December 2018	23,635	7,301	40	25,387	1,124	1,148	58,635

Deferred tax liabilities

	Accelerated depreciation for tax purposes	Accrual for withholding tax	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2016	(1,430)	(3,446)	(4,876)
Deferred tax recognised in the consolidated statement of profit or loss during the year	(1,591)	(78,374)	(79,965)
At 31 December 2016 and 1 January 2017	(3,021)	(81,820)	(84,841)
Deferred tax recognised in the consolidated statement of profit or loss during the year	(2,691)	(84,438)	(87,129)
At 31 December 2017 and 1 January 2018	(5,712)	(166,258)	(171,970)
Deferred tax recognised in the consolidated statement of profit or loss during the year	(28,344)	(101,009)	(129,353)
At 31 December 2018	(34,056)	(267,267)	(301,323)

The Group also has tax losses RMB3,756,000, RMB9,849,000 and RMB29,937,000, respectively as at 31 December 2016, 2017 and 2018, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign invested enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

17 INVENTORIES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	63,541	82,321	98,247
Work in progress	223,628	245,722	229,858
Finished goods	65,882	111,312	151,559
	353,051	439,355	479,664

18 TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	1,591,546	1,384,346	1,610,677
Provision of impairment	(19,253)	(12,598)	(5,870)
	1,572,293	1,371,748	1,604,807
Bills receivable	151,242	820,770	1,040,400
	1,723,535	2,192,518	2,645,207

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally from 60 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	1,447,414	1,343,096	1,560,095
91 days to 180 days	118,202	23,030	41,346
Over 180 days	6,677	5,622	3,366
	1,572,293	1,371,748	1,604,807

An ageing analysis of bills receivable as at the end of each of the Relevant Periods, based on the bills date, is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	111,703	431,727	608,017
91 days to 180 days	39,539	389,043	431,883
Over 180 days	—	—	500
	151,242	820,770	1,040,400

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Based on past experience and forward-looking information, the directors of the Company are of the opinion that there is no significant credit risk associated with bills receivables and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the ageing. The movements in the loss allowance for impairment of trade receivables are as follows:

	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	18,126	19,253	12,598
Impairment losses, net	2,033	(2,708)	2,567
Write-off	(906)	(3,947)	(9,295)
At end of year	19,253	12,598	5,870

The expected credit loss rate is determined according to provision matrix as follows:

		Overdue by			
	Not overdue	Within 90 days	90 days to 1 year	Over 1 year	Total
At 31 December 2016					
Expected credit loss rate	0%	0%	20%	100%	1%
Gross carrying amount (RMB'000)	1,549,513	16,462	7,897	17,674	1,591,546
Loss allowance provision (RMB'000)	—	—	1,579	17,674	19,253
At 31 December 2017					
Expected credit loss rate	0%	0%	20%	100%	1%
Gross carrying amount (RMB'000)	1,368,646	2,568	667	12,465	1,384,346
Loss allowance provision (RMB'000)	—	—	133	12,465	12,598
At 31 December 2018					
Expected credit loss rate	0%	0%	20%	100%	0%
Gross carrying amount (RMB'000)	1,578,834	18,043	9,913	3,887	1,610,677
Loss allowance provision (RMB'000)	—	—	1,983	3,887	5,870

The credit loss rate remained the same during the Relevant Periods as the business and customer risk portfolio of the Group remained stable and there were no significant fluctuations in the historical credit loss incurred. In addition, there is no significant change with regards to economic indicators based on an assessment of forward looking information.

The ageing analysis of the trade receivables that are past due but not impaired as at the end of each of the Relevant Periods, is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Overdue by :			
Within 90 days	16,462	2,568	18,043

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision of impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

At 31 December 2016, 2017 and 2018, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to settle the dividends payable, trade payables and other payables with a carrying amount of RMB892,333,000, RMB242,535,000 and RMB92,139,000, respectively. The Derecognised Bills had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "Continuing Involvement"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated dividends payable, trade payables and other payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the Derecognised Bills. No gains or losses were recognised from the Continuing Involvement, both during the Relevant Periods or cumulatively.

19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	9,383	15,112	28,308
Prepaid land lease payments - current portion	2,667	2,667	3,158
Prepaid expenses	4,588	4,590	2,771
Deposits	10,142	19,157	3,543
Interest receivable	5,078	7,744	7,153
Other receivables	11,104	13,112	21,319
	42,962	62,382	66,252

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	As at 31 December		
		2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Listed equity investments	(a)	1,251	1,050	—
Investments in financial products	(b)	267,076	606,672	2,016,439
		268,327	607,722	2,016,439

(a) The fair value of the listed equity investments are determined based on the closing prices quoted in active markets without any adjustments.

(b) The investments represent investments in certain financial products issued by commercial banks in the PRC with expected return rates ranging from 1.60% to 4.30% per annum and can be redeemed at any time. The returns on all of these financial products are not guaranteed. The fair values of the investments approximate to their costs plus expected return. None of these investments are either past due or impaired.

21 OTHER FINANCIAL ASSETS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Investments in financial products	867,125	849,446	511,792

The above investments represent investments in certain financial products issued by commercial banks. These financial products had terms of less than one year and had guaranteed annual return rates ranging from 0.72% to 3.80%. None of these investments are either past due or impaired.

22 CASH AND CASH EQUIVALENTS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	196,973	256,925	653,183
Bank deposits with initial term of less than three months	11,726	9,519	311,648
Cash and cash equivalents	208,699	266,444	964,831
Denominated in:			
RMB	136,390	210,028	407,990
USD	72,119	54,933	556,398
HKD	190	650	378
Others	—	833	65
	208,699	266,444	964,831

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

23 TRADE AND BILLS PAYABLES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	44,908	92,454	95,291
Bills payable	—	6,340	63,519
	44,908	98,794	158,810

An ageing analysis of the trade and bills payable as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within 90 days	43,306	90,589	121,530
91 days to 180 days	132	7,627	36,386
181 days to 1 year	139	225	321
Over 1 year	1,331	353	573
	44,908	98,794	158,810

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

24 OTHER PAYABLES AND ACCRUALS

		As at 31 December		
	Note	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*
Payables for purchase of items of property, plant and equipment		48,150	32,784	75,329
Staff payroll, welfare and bonus payables		252,910	275,620	366,306
Accrued expenses		350,966	369,166	586,816
Other tax payables		147,781	204,015	74,630
Due to related parties	32	326,504	8,104	—
Other payables		130,271	134,317	357,140
		1,256,582	1,024,006	1,460,221

25 CONTRACT LIABILITIES

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Amounts received in advance of delivery of products and services	56,057	41,512	36,311

Set out below is the amount of revenue and other income recognised from:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Amounts included in contract liabilities at the beginning of the year	12,681	29,684	26,358

26 DIVIDENDS PAYABLE

The amounts set out in the consolidated statements of financial position of RMB404,134,000 as at 31 December 2016, represented the outstanding balance of dividends declared by subsidiaries of the Company to the then shareholders.

The amounts set out in the consolidated statements of financial position of RMB4,000,000,000 as at 31 December 2018 represented the outstanding balance of dividends declared by the Company to the shareholders.

27 SHARE CAPITAL

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability in December 2015 with 100 issued and fully paid share with par value of USD0.01 each.

In February 2016, 9,900 shares were issued for cash at a total cash consideration of USD201,580,000.

28 RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

(i) Statutory reserve

In accordance with the Company Law of the PRC, the subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC Generally Accepted Accounting Principles, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) **Merger reserve**

The merger reserve of the Group represents the capital contributions from the then shareholders of the subsidiaries. The additions during the Relevant Periods represent the injection of additional paid-in capital by the equity holders of the subsidiaries to the respective companies, which were consolidated from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders. The deductions represent acquisition of equity interests in subsidiaries from the shareholders for business combination under common control.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) **Major non-cash transactions**

Except for transactions mentioned in Note 18, there were no major non-cash transactions during the Relevant Periods.

(b) **Changes in 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.

	Interest-bearing bank borrowings	Dividends payable	Other payables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	50,000	3,789,132	1,307,626	5,146,758
Changes from financing cash flows:				
Proceeds from bank borrowings	400,000	—	—	400,000
Repayment of bank borrowings	(450,000)	—	—	(450,000)
Interest paid	—	—	(3,417)	(3,417)
Deemed distribution of disposed assets of Hongchuang	—	—	(647,489)	(647,489)
Capital reduction of subsidiaries	—	—	(135,557)	(135,557)
Acquisition of subsidiaries under common control	—	—	(110,597)	(110,597)
Dividend paid to the then shareholders	—	(2,278,871)	(89,636)	(2,368,507)
Total changes from financing cash flows	(50,000)	(2,278,871)	(986,696)	(3,315,567)

	Interest-bearing bank borrowings	Dividends payable	Other payables	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other changes:				
Acquisition of subsidiaries under common control	—	—	2,000	2,000
Non-cash settlement of dividends payable	—	(1,106,127)	—	(1,106,127)
Interest on bank borrowings	—	—	3,411	3,411
Total other changes	—	(1,106,127)	5,411	(1,100,716)
At 31 December 2016 and 1 January 2017	—	404,134	326,341	730,475
Changes from financing cash flows:				
Capital reduction of subsidiaries	—	—	(324,341)	(324,341)
Acquisition of subsidiaries under common control	—	—	(2,000)	(2,000)
Dividend paid to the then shareholders	—	(404,134)	—	(404,134)
Total changes from financing cash flows	—	(404,134)	(326,341)	(730,475)
At 31 December 2017 and 1 January 2018	—	—	—	—
Other changes:				
Dividend declared	—	(4,000,000)	—	(4,000,000)
Total other changes	—	(4,000,000)	—	(4,000,000)
At 31 December 2018	—	(4,000,000)	—	(4,000,000)

30 OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At the end of each of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Within one year	741	698	624
Within two to five years	403	59	—
	1,144	757	624

31 COMMITMENTS

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for acquisition of property, plant and equipment	189,837	176,344	173,963

32 RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Relationship
East Pearl Holdings Limited ("East Pearl")	Controlled by the Controlling Shareholders
江蘇明泰投資集團有限公司 ("Jiangsu Mingtai Group")	Controlled by the Controlling Shareholders
連雲港恒運醫藥科技有限公司 ("Hengyun")	Subsidiary of Jiangsu Mingtai Group
上海倍思騰醫療健康投資有限公司 ("Shanghai Beisiteng")	Subsidiary of Jiangsu Mingtai Group
連雲港恒邦置業有限公司 ("Lianyungang Hengbang")	Subsidiary of Jiangsu Mingtai Group
江蘇恒瑞醫藥股份有限公司 ("Hengrui Medicine")	Controlled by a close family member of the Controlling Shareholders
Grandchamp Technology Co., Limited ("Grandchamp Technology")	Controlled by the Controlling Shareholders

(b) **Transactions with related parties**

The following transactions were carried out with related parties:

	Year ended 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Sales to			
Hengyun	397	2	—
Hengrui Medicine	—	4,401	272
Purchase from			
Hengyun	64,516	33,355	2,306
Hengrui Medicine	6,292	9,008	206
Loans to			
Jiangsu Mingtai Group	—	—	367,000

The directors of the Company are of the opinion that the above sales to related parties and purchase from related parties were conducted in the ordinary course of business and on normal commercial terms.

The loans to Jiangsu Mingtai Group was interest free with maturity terms of within two months. The Group received the repayment in full from Jiangsu Mingtai Group on 31 July 2018.

(c) **Balances with related parties:**

(i) Due from related parties

	As at 31 December		
	2016	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivable			
Hengrui Medicine	—	—	11

(ii) Due to related parties

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade payable			
Hengyun	22	16,797	—
Other payables			
East Pearl	311,644	—	—
Lianyungang Hengbang	2,000	—	—
Shanghai Beisiteng	8,104	8,104	—
Grandchamp Technology	4,756	—	—
	326,504	8,104	—
Dividend payable			
East Pearl	389,000	—	—
Grandchamp Technology	15,134	—	—
	404,134	—	—

(d) **Compensation of key management personnel of the Group:**

	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Salaries and bonuses	28,870	35,734	59,841
Social welfare and other benefits	979	1,039	1,438
Total compensation paid to key management personnel	29,849	36,773	61,279

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

33 FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods were as follows:

Financial assets

	As at 31 December 2018		
	Assets at fair value through profit or loss	Asset at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	—	2,645,207	2,645,207
Financial assets at fair value through profit or loss	2,016,439	—	2,016,439
Financial assets included in prepayments deposits and other receivables	—	32,015	32,015
Other financial assets	—	511,792	511,792
Cash and cash equivalents	—	964,831	964,831
	2,016,439	4,153,845	6,170,284

	As at 31 December 2017		
	Assets at fair value through profit or loss	Asset at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	—	2,192,518	2,192,518
Financial assets at fair value through profit or loss	607,722	—	607,722
Financial assets included in prepayments deposits and other receivables	—	40,013	40,013
Other financial assets	—	849,446	849,446
Cash and cash equivalents	—	266,444	266,444
	607,722	3,348,421	3,956,143

	As at 31 December 2016		
	Assets at fair value through profit or loss	Asset at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables	—	1,723,535	1,723,535
Financial assets at fair value through profit or loss	268,327	—	268,327
Financial assets included in prepayments deposits and other receivables	—	26,324	26,324
Other financial assets	—	867,125	867,125
Cash and cash equivalents	—	208,699	208,699
	268,327	2,825,683	3,094,010

Financial liabilities

	Financial liabilities at amortised cost		
	Year ended 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	44,908	98,794	158,810
Financial liabilities included in other payables and accruals	855,891	544,371	1,019,285
Dividends payable	404,134	—	4,000,000
	1,304,933	643,165	5,178,095

34 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, trade and bills payables, other financial assets, deposits and other receivables, financial liabilities included in other payables and accruals and dividends payable approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant Observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018				
Financial assets at fair value through profit or loss .	—	2,016,439	—	2,016,439
As at 31 December 2017				
Financial assets at fair value through profit or loss .	1,050	606,672	—	607,722
As at 31 December 2016				
Financial assets at fair value through profit or loss .	1,251	267,076	—	268,327

The Group did not have any financial liabilities measured at fair value as at 31 December 2016, 2017 and 2018.

During the years ended 31 December 2016, 2017 and 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

35 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include financial assets at fair value through profit and loss, other financial assets, cash and cash equivalents, and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) **Foreign currency risk**

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in profit for the year**
	%	*RMB'000*	*RMB'000*
31 December 2018			
If RMB weakens against USD	5	1,415	1,203
If RMB strengthens against USD	(5)	(1,415)	(1,203)
31 December 2017			
If RMB weakens against USD	5	1,097	932
If RMB strengthens against USD	(5)	(1,097)	(932)
31 December 2016			
If RMB weakens against USD	5	420	357
If RMB strengthens against USD	(5)	(420)	(357)

(b) **Credit risk**

The carrying amounts of cash and cash equivalents, bank deposits with initial term of over three months, other financial assets, trade receivables and other receivables represent the Group's maximum exposure equal to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents, bank deposits with initial term of over three months and other financial assets since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from on-performance by these counterparties.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group measures loss allowances for bills receivable at an amount equal to lifetime ECLs. Based on past experience and forward-looking information, the directors of the Company are of the opinion that there is no significant credit risk associated with bills receivables and no credit loss allowance is necessary since the counterparties are substantially reputable state-owned banks and other medium or large-sized listed banks with no history of default.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experiences does not indicate significantly different loss patterns for different segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group also expects that there is no significant credit risk associated with amounts due from related parties and other receivables since counterparties to these financial assets have no history of default.

For other financial assets, amounts due from related parties and other receivables, impairment is measured as 12-month expected credit losses since there has no significant increase in credit risk since initial recognition.

(c) **Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers both the maturity of its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans and bank borrowings.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

	As at 31 December 2018				
	Within 3 months or on demand	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	1,019,285	—	—	—	1,019,285
Trade and bills payables	158,810	—	—	—	158,810
Dividends payable	600,000	2,200,000	1,200,000	—	4,000,000
	1,778,095	2,200,000	1,200,000	—	5,178,095

	As at 31 December 2017				
	Within 3 months or on demand	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	544,371	—	—	—	544,371
Trade and bills payables	98,794	—	—	—	98,794
	643,165	—	—	—	643,165

	As at 31 December 2016				
	Within 3 months or on demand	3 months to 1 year	1 year to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	855,891	—	—	—	855,891
Trade and bills payables	44,908	—	—	—	44,908
Dividends payable	404,134	—	—	—	404,134
	1,304,933	—	—	—	1,304,933

(d) **Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder's value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	1,846,613	1,355,358	5,946,473
Total assets	4,820,951	5,874,048	8,414,371
Debt-to-asset ratio	38%	23%	71%

36 CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018, the Group and the Company were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, the Group and the Company expect would materially adversely affect their financial position or result of operations.

37 EVENTS AFTER THE RELEVANT PERIODS

The Company entered into an investment agreement with Catalunya Heritage Limited on 25 January 2019, pursuant to which Catalunya Heritage Limited subscribed for 309.2784 shares of a par value of USD0.01 each of the Company at an aggregate consideration of USD248,581,849, which was irrevocably settled on 13 February 2019.

Pursuant to the Company's board resolution dated 27 May 2019, the Company declared another dividends to the existing shareholders, the amount of which will be announced by the Company after the special audit post listing.

Pursuant to the shareholders' resolution of the Company dated 27 May 2019, the Company conditionally approved and adopted the Post-IPO RSU Scheme. As of the reporting date, no Restricted share had been granted or agreed to be granted by the Company pursuant to the Post-IPO RSU Scheme.

Save as disclosed above, the Group has no material events after the Relevant Periods.

38 SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2018.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

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 attributable to owners of the Company as at 31 December 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the Global Offering been completed as at 31 December 2018 or at any future date.

	Audited consolidated net tangible assets attributable to owners of the Company as of 31 December 2018	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	RMB'000 (note 1)	*RMB'000 (note 2)*	*RMB'000 (note 5)*	*RMB (note 3,5)*	*HK$ (note 4,5)*
Based on an Offer Price of HK$13.06 per Share	2,457,423	6,211,884	8,669,307	1.52	1.72
Based on an Offer Price of HK$14.26 per Share	2,457,423	6,794,896	9,252,319	1.62	1.84

Notes:

1. The consolidated net tangible assets attributable to owners of the Company as at 31 December 2018 is arrived at after deducting intangible assets of RMB10,475,000 from the audited consolidated equity attributable to owners of the Company of RMB2,467,898,000 as at 31 December 2018, as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$13.06 or HK$14.26 per Share after deduction of the underwriting fees and other related listing expense which are not recorded in consolidated statements of profit or loss for the Relevant Periods and do not take into account any share which may be sold and offered upon exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 5,705,919,200 Shares are in issue assuming that the Global Offering has been completed on 31 December 2018.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8813 to HK$1.00.

5. The unaudited pro forma consolidated net tangible assets of the Group does not take into account the net proceeds of USD248,581,849 (equivalent to RMB1,682,278,000) from the Second Pre-IPO Investment on 13 February 2019. The unaudited pro forma consolidated net tangible assets per Share would have been RMB1.81 (equivalent to HK$2.05) and RMB1.92 (equivalent to HK$2.18) based on an Offer Price of HK$13.06 per Share and HK$14.26 per Share under the Global Offering, respectively, taking into account the net proceeds of USD248,581,849 (equivalent to RMB1,682,278,000) from the Second Pre-IPO Investment on 13 February 2019.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the pro forma financial information of the Group.

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To the Directors of Hansoh Pharmaceutical Group Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hansoh Pharmaceutical Group Company 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 pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2018, and related notes as set out on pages II-1 to II-2 of the prospectus dated 31 May 2019 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described on pages II-1 to II-2.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2018 as if the transaction had taken place at 31 December 2018. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the year ended 31 December 2018, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to 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 Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
31 May 2019

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

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on May 27, 2019 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on May 27, 2019 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK$200,000 divided into 20,000,000,000 shares of HK$0.00001 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any 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 entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a

trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity 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;

(ii) 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) 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 any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both 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 any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, 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 amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. 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.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. 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.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied 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 meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed

may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing 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 subject to the provisions of the Companies Law; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where 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.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing

house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings shall also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 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 shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) 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, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose

name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 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, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be 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 of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

Summary of Cayman Islands Company Law and Taxation

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 2 December 2015 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is 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 size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a 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:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised 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 shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in Foss v. Harbottle (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra

vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of 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.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law 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.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 the said four months, by notice

require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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 shareholders.

16 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, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

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 December 2, 2015. We have established a principal place of business in Hong Kong at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on September 12, 2018 under Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong. Miss Sun and Ms. Li Yan Wing Rita have been appointed as our authorised representatives 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, our authorized share capital was US$10,000 divided into 950,000 ordinary shares of US$0.01 each and 50,000 preference shares of US$0.01 each. The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this prospectus.

On December 2, 2015, we allotted and issued one ordinary share of a par value of US$0.01 each to Mapcal Limited. On the same day, Mapcal Limited transferred the one ordinary share of a par value of US$0.01 each of our Company it held to Ms. Zhong and Miss Sun as joint owners.

On December 15, 2015, we allotted and issued 74 ordinary shares of a par value of US$0.01 each and five preference shares of a par value of US$0.01 each of our Company to Ms. Zhong and Miss Sun as joint owners. On the same day, we allotted and issued 20 ordinary shares of a par value of US$0.01 each of our Company to Apex Medical.

On December 17, 2015, (i) Ms. Zhong and Miss Sun transferred their jointly held 75 ordinary shares of a par value of US$0.01 each and five preference shares of a par value of US$0.01 each of our Company to Stellar Infinity; and (ii) Apex Medical transferred one ordinary share of a par value of US$0.01 each of our Company it held to Stellar Infinity. As a result, as of such date, (i) Stellar Infinity held 76 ordinary shares of a par value of US$0.01 each and five preference shares of a par value of US$0.01 each of our Company; and (ii) Apex Medical held 19 ordinary shares of a par value of US$0.01 each of our Company.

On February 19, 2016, we allotted and issued 1,881 ordinary shares of a par value of US$0.01 each of our Company to Apex Medical and 7,719 ordinary shares of a par value of US$0.01 each of our Company to Stellar Infinity. On the same day, the five preference shares of a par value of US$0.01 each of our Company that Stellar Infinity held were redesignated as five ordinary shares of a par value of US$0.01 each of our Company. As a result, the authorized share capital of our Company became US$10,000 divided into 950,005 ordinary shares of a par value of US$0.01 each and 49,995 preference shares of a par value of US$0.01 each. On the same day, we also allotted and issued 300 preference shares of a par value of US$0.01 each of our Company to Hillhouse. As a result, as of such date, (i) Stellar Infinity held 7,800 ordinary shares of a par value of US$0.01 each of our Company; (ii) Apex Medical held 1,900 ordinary shares of a par value of US$0.01 each of our Company; and (iii) Hillhouse held 300 preference shares of a par value of US$0.01 each of our Company.

On February 12, 2019, we allotted and issued 309.2784 preference shares of a par value of US$0.01 each of our Company to Boyu.

Immediately on the date on which the Global Offering becomes unconditional, the 609.2784 preference shares of a par value of US$0.01 each of our Company will be redesignated as 609.2784 ordinary shares of a par value of US$0.01 each of our Company, respectively (the "**Share Redesignation**").

Immediately after the Share Redesignation, our authorized share capital will be increased from US$10,000 divided into 950,005 ordinary shares of a par value of US$0.01 each and 49,995 preference shares of a par value of US$0.01 each to the aggregate of US$10,000 and HK$200,000 divided into (i) 950,005 ordinary shares of a par value of US$0.01 each and 49,995 preference shares of a par value of US$0.01 each and (ii) 20,000,000,000 Shares of a par value of HK$0.00001 each by the creation of 20,000,000,000 Shares of a par value of HK$0.00001 each.

Immediately after the Share Redesignation, 103,092,784 Shares will be allotted and issued to the then existing Shareholders in proportion to their respective shareholdings in our Company and credited as fully paid.

Immediately after the issuance of Shares referred to in the preceding paragraph, 10,309.2784 ordinary shares of a par value of US$0.01 each of our Company will be repurchased and cancelled and our authorized share capital will be reduced by cancellation of the 950,005 authorized but unissued ordinary shares of a par value of US$0.01 each and the 49,995 authorized but unissued preference shares of a par value of US$0.01 each, following which, the authorized share capital of our Company will be HK$200,000 divided into 20,000,000,000 Shares of a par value of HK$0.00001 each.

Immediately following the Capitalization Issue and before the Global Offering, the issued share capital of our Company will be HK$51,546.392 divided into 5,154,639,200 Shares of a par value of HK$0.00001 each, all fully paid or credited as fully paid and 14,845,360,800 Shares of a par value of HK$0.00001 each will remain unissued.

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), our issued share capital will be HK$57,059.192 divided into 5,705,919,200 Shares of a par value of HK$0.00001 each, all fully paid or credited as fully paid and 14,294,080,800 Shares of a par value of HK$0.00001 each will remain unissued.

Save as disclosed above and as mentioned in the paragraph headed "— 4. Written Resolutions 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. On August 16, 2018, the registered capital of Changzhou Hengbang was increased from RMB10,000,000 to RMB100,000,000.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Written resolutions of our Shareholders

Pursuant to a written shareholders' resolution of our Company dated May 27, 2019,

(a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;

(b) each of the redesignation of 300 preference shares of a par value of US$0.01 each of our Company held by Hillhouse as 300 ordinary shares of a par value of US$0.01 each of our Company and the redesignation of 309.2784 preference shares of a par value of US0.01 each of our Company held by Boyu as 309.2784 ordinary shares of a par value of US$0.01 each of our Company with effect from the date on which the Global Offering becomes unconditonal was approved;

(c) subject to and immediately after the redesignation of the preference shares of our Company as referred to in paragraph (b) above, increase in authorized share capital from US$10,000 divided into 950,005 ordinary shares of a par value of US$0.01 each and 49,995 preference shares of a par value of US$0.01 each, to the aggregate of US$10,000 and HK$200,000 divided into (i) 950,005 ordinary shares of a par value of US$0.01 each and 49,995 preference shares of a par value of US$0.01 each, and (ii) 20,000,000,000 Shares of a par value of HK$0.00001 each by the creation of 20,000,000,000 Shares of a par value of HK$0.00001 each was approved;

(d) subject to and immediately after the redesignation of the preference shares of our Company as referred to in paragraph (b) above and conditional on the share premium account of our Company having sufficient balance, the allotment and issue of 103,092,784 Shares of a par value of HK$0.00001 each of our Company to the then existing Shareholders in proportion to their respective shareholdings in our Company, credited as fully paid, was approved;

(e) subject to and immediately after the issuance of Shares as referred to in paragraph (d) above, the repurchase of 10,309.2784 ordinary shares of a par value of US$0.01 each of our Company was approved;

(f) subject to and immediately after the repurchase of 10,309.2784 ordinary shares of a par value of US$0.01 each of our Company as referred to in paragraph (e) above, the reduction of authorized share capital to HK$200,000 divided into 20,000,000,000 Shares of a par value of HK$0.00001 each, by cancellation of the 950,005 authorized but unissued ordinary shares of a par value of US$0.01 each and the 49,995 authorized but unissued preference shares of a par value of US$0.01 each was approved;

(g) following the completion of the matters as referred to in paragraphs (b) to (f) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the Directors were authorized to capitalize HK$50,515.46416 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par 5,051,546,416 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional in proportion to their respective shareholdings (as nearly as possible without involving fractions) in our Company or in accordance with the direction of such member;

(h) conditional upon all the conditions set out in "Structure and Conditions of the Global Offering — The International Offering — Conditions of the Hong Kong Public Offering" in this prospectus being fulfilled:

(i) the Global Offering, the Over-allotment Option and the Listing 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 Joint Global Coordinators;

(i) 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 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 the Global Offering, a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting, pursuant to 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 the Articles 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, in the amount not exceeding 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, 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;

(j) 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 Global Offering, 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;

(k) the general mandate mentioned in paragraph (i) 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 (j) above; and

(l) the Post-IPO RSU Scheme was approved and adopted and our Directors were authorized to grant rights to the eligible participants pursuant to the rules of the Post-IPO RSU Scheme.

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 Reorganization" in this prospectus for information relating to the Reorganization.

6. Particulars of our Subsidiaries

Particulars of our subsidiaries are set out at Note 1 of Section II to 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 May 27, 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 approved 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 Shares in issue immediately following the completion of the Global Offering, 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 from time to time. Under the Cayman Companies Law, the par value of 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 authorised 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 authorised by the Articles of Association and subject to the provisions of the Cayman 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). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, 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 par 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 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 connected person (as defined in the Listing Rules) and a 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 5,705,919,200 Shares in issue 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, could accordingly result in 570,591,920 Shares being repurchased by us during the period prior to (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, whichever occurs first (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates 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. We have not repurchased any Shares since our incorporation.

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 Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. 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. Any repurchase of Shares which results in the number of Shares held by the

public being reduced to less than 25% of our Shares than 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 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 investment agreement entered into between Boyu and our Company on January 25, 2019 regarding the subscription of 309.2784 preference shares of a par value of US$0.01 each of our Company by Boyu at the consideration of US$248,581,849, the details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments" in this prospectus;

(b) the amended and restated shareholders agreement dated February 12, 2019 entered into among Apex Medical, Stellar Infinity, Hillhouse, Boyu and our Company, the details of which are set out in the section headed "History, Development and Reorganization — Pre-IPO Investments — Rights of Pre-IPO Investors" in this prospectus;

(c) the cornerstone investment agreement dated May 25, 2019 entered into among our Company, GIC Private Limited, the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(d) the cornerstone investment agreement dated May 25, 2019 entered into among our Company, Boyu Capital Opportunities Master Fund, the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(e) the cornerstone investment agreement dated May 25, 2019 entered into among our Company, Ally Bridge LB Healthcare Master Fund Limited, the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated May 25, 2019 entered into among our Company, Dragon Billion China Master Fund, Dragon Billion Select Master Fund, LMA SPC on behalf of Map 109 Segregated Portfolio, LMA SPC on behalf of Map 147 Segregated Portfolio, the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated May 25, 2019 entered into among our Company, Vivo Capital Fund IX, L.P., Vivo Opportunity Fund, L.P., the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated May 26, 2019 entered into among our Company, OrbiMed Partners Master Fund Limited, Worldwide Healthcare Trust PLC, The Biotech Growth Trust PLC, the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(i) the cornerstone investment agreement dated May 26, 2019 entered into among our Company, Gaoling Fund, L.P., YHG Investment, L.P., the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(j) the cornerstone investment agreement dated May 26, 2019 entered into among our Company, Cormorant Asset Management, LP, the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(k) the cornerstone investment agreement dated May 26, 2019 entered into among our Company, Shanghai Pharmaceuticals (HK) Investment Limited (上海醫藥(香港)投資有限公司), the Joint Sponsors, Morgan Stanley & Co. International plc and Citigroup Global Markets Limited, details of which are set out in the section headed "Cornerstone Investors" in this prospectus;

(l) the deed of non-competition dated May 27, 2019 entered into among Stellar Infinity, Sunrise Investment, Ms. Zhong and our Company regarding certain non-competition undertakings given in favour of our Company, details of which are set out in the section headed "Relationship with our Controlling Shareholders — Non-competition Undertaking" in this prospectus; and

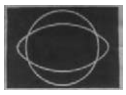
(m) the underwriting agreement dated May 30, 2019 relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters.

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 and are currently in use:

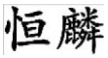
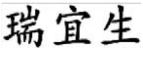
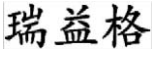
No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
1	1032500		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 21, 2017 to June 20, 2027
2	1134691	丰 美	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 14, 2017 to December 13, 2027
3	12515891	豪 达	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2014 to October 6, 2024
4	12515893	赛格威	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2014 to October 6, 2024
5	12515894	赛格威	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2014 to October 6, 2024
6	12516909	昕力达	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2014 to October 6, 2024
7	12516910	昕力达	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2014 to October 6, 2024
8	12516911	昕 达	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2014 to October 6, 2024
9	12882208	迈灵达	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 28, 2014 to December 27, 2024

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
10	12882245	麦林达	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 28, 2014 to October 27, 2024
11	12882584	迈灵达	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 14, 2015 to March 13, 2025
12	12882595	麦林达	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 14, 2015 to March 13, 2025
13	1295275		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2009 to July 20, 2019
14	13118866	坦图	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 28, 2014 to December 27, 2024
15	13118867	坦图	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 14, 2015 to January 13, 2025
16	13118868	坦能	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 28, 2014 to December 27, 2024
17	13118869	坦能	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 14, 2015 to January 13, 2025
18	13336594	博兰宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 14, 2015 to January 13, 2025
19	13336639	豪森福	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 7, 2015 to January 6, 2025
20	13336771	豪森昕福	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 14, 2015 to January 13, 2025

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
21	13336786	阿美宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
22	13336807	昕越	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 7, 2015 to February 6, 2025
23	13336818	昕迈	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 7, 2015 to February 6, 2025
24	13336826	昕泰	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 7, 2015 to February 6, 2025
25	13336838	昕森	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 7, 2015 to February 6, 2025
26	13336852	泽纯	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 28, 2015 to March 27, 2025
27	13336860	泽致	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
28	13336867	泽芷	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
29	13336877	泽止	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
30	13336890	泽知	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
31	13336903	泽蕾	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
32	13336928	泽理	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
33	13338494	泽新	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2015 to January 27, 2025
34	13338516	泽奕	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 14, 2015 to January 13, 2025
35	13362080	维可莱	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 7, 2015 to January 6, 2025
36	13362223	维可莱	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 7, 2015 to January 6, 2025
37	13446105	阿美宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
38	13446130	博兰宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
39	13446141	豪森福	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
40	13446164	豪森昕福	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
41	13446177	昕迈	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
42	13446378	昕森	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
43	13446404	昕泰	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
44	13446421	昕越	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
45	13446436	伊立宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
46	13446446	泽纯	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
47	13446459	泽蕾	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
48	13446477	泽理	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
49	13446493	泽朴	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
50	13446499	泽新	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 7, 2015 to March 6, 2025
51	13446520	泽奕	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
52	13446529	泽知	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
53	13446540	泽止	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
54	13446547	泽芷	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
55	13446557	泽致	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 21, 2015 to January 20, 2025
56	1362779	弗莱因	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 14, 2010 to February 13, 2020

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
57	1362782		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 14, 2010 to February 13, 2020
58	1362785		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 14, 2010 to February 13, 2020
59	1383431		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 14, 2010 to April 13, 2020
60	1464527		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 28, 2010 to October 27, 2020
61	1464528		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 28, 2010 to October 27, 2020
62	14709290		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
63	14709337		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
64	14709386		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
65	14709415		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
66	14709458		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
67	14709497		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
68	14709532		10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
69	14711025	安律宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
70	14711078	瑞宜生	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
71	14711121	泽杰	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
72	14711125	瑞沃森	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
73	14711137	瑞益格	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2015 to June 27, 2025
74	14848570	瑞益新	5, 10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2015 to July 20, 2025
75	14848794	瑞倍益	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 14, 2015 to October 13, 2025
76	14848813	阿立宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 14, 2015 to October 13, 2025
77	14848844	阿瑞宁	5, 10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2015 to July 20, 2025
78	1504548	恒运	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 14, 2011 to January 13, 2021
79	1556481	圣罗莱	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 21, 2011 to April 20, 2021
80	1664583	ZEFEI 泽菲	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 14, 2011 to November 13, 2021

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
81	1672477	盖泽	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 28, 2011 to November 27, 2021
82	1672478	盖捷	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 28, 2011 to November 27, 2021
83	3000738	欧兰宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 7, 2012 to December 6, 2022
84	3204039	赛波特	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 28, 2013 to August 27, 2023
85	3204040	瑞波特	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 28, 2013 to August 27, 2023
86	3204041	瑞倍诺	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 28, 2013 to August 27, 2023
87	3378067	普诺安	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 7, 2014 to August 6, 2024
88	3378068	普来乐	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 14, 2014 to July 13, 2024
89	3378388	诗乐普	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 14, 2014 to July 13, 2024
90	3576918	恒必	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 21, 2015 to June 20, 2025
91	3576919	恒特	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 21, 2015 to June 20, 2025
92	3576920	恒森	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 21, 2015 to June 20, 2025

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
93	3577126		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2015 to July 20, 2025
94	3608836		5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 14, 2018 to April 13, 2028
95	3608837		35	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 7, 2015 to June 6, 2025
96	3608838	HANSOH	35	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 7, 2015 to June 6, 2025
97	3608839	HANSOH	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 7, 2015 to December 6, 2025
98	4149080	维泽	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 14, 2007 to April 13, 2027
99	4149081	恒沐	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 14, 2017 to April 13, 2027
100	4361180	恒　泽	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 7, 2018 to January 6, 2028
101	4580537	维瑞特	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2018 to July 20, 2028
102	4580538	力　伏	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2018 to July 20, 2028
103	4580539	罗莱特	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2018 to July 20, 2028

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
104	4664611	力必诺	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
105	4664612	盈可多	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
106	4664613	恒可欣	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
107	4664614	朗可多	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
108	4664615	维斯汀	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 14, 2018 to December 13, 2028
109	4664616	维宇	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
110	4821918	瑞罗克	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 14, 2019 to February 13, 2029
111	4928153	泽 菲	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2019 to January 27, 2029
112	4928454	恒 川	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2019 to January 27, 2029
113	4928460	恒 丹	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2019 to January 27, 2029
114	4928461	恒 亚	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2019 to January 27, 2029
115	4928462	恒 捷	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2019 to January 27, 2029

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
116	4928463	恒旭	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 28, 2009 to June 27, 2019
117	5483209	美丰	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From September 28, 2009 to September 27, 2019
118	6483939	昕维	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 28, 2010 to March 27, 2020
119	6483940	泽朗	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 28, 2010 to March 27, 2020
120	6483941	瑞伏	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 28, 2010 to March 27, 2020
121	6550143	昕美	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 7, 2010 to April 6, 2020
122	6550144	泽坦	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 7, 2010 to April 6, 2020
123	6550145	泽悦	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 7, 2010 to April 6, 2020
124	6723949	孚来文	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 21, 2010 to May 20, 2020
125	6797672	孚来友	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 7, 2010 to June 6, 2020
126	6797673	孚来杰	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 7, 2010 to June 6, 2020
127	6797674	孚来和	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 7, 2010 to June 6, 2020

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
128	7897880	戈力仙	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 28, 2011 to January 27, 2021
129	8027076	合力杰	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 14, 2011 to February 13, 2021
130	13336442	伊立宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 28, 2015 to August 27, 2025
131	13338603	恒林	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 28, 2015 to August 27, 2025
132	14711067	恒麟	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From September 7, 2015 to September 6, 2025
133	15939272	泽昕	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 14, 2016 to February 13, 2026
134	15942707	安立宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 7, 2016 to May 6, 2026
135	15942727	辛诺宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 21, 2016 to February 20, 2026
136	15942728	辛诺宁	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 21, 2016 to February 20, 2026
137	15942832	安立宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 21, 2016 to February 20, 2026
138	15942855	泽昕	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From February 21, 2016 to February 20, 2026
139	17212055	宏深	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From August 28, 2016 to August 27, 2026

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
140	17364886	瑞诺康	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 28, 2016 to November 27, 2026
141	17383386	瑞诺康	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 21, 2016 to October 20, 2026
142	17665666	瑞必康	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From September 28, 2016 to September 27, 2026
143	17665730	瑞怡	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From September 28, 2016 to September 27, 2026
144	17665771	瑞康宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From September 28, 2016 to September 27, 2026
145	17665782	瑞康平	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2016 to October 6, 2026
146	17665837	福瑞宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2016 to October 6, 2026
147	17669579	瑞康平	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2016 to October 6, 2026
148	19552552	孚来乐	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 28, 2017 to May 27, 2027
149	19558272	孚来霖	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 28, 2017 to May 27, 2027
150	19558566	孚来瑞	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 21, 2017 to May 20, 2027
151	19558976	孚来康	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 28, 2017 to May 27, 2027

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
152	19726854	孚来洛	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 14, 2017 to June 13, 2027
153	19726910	昕孚	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 14, 2017 to June 13, 2027
154	20191658	豪森丰迪	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2017 to July 20, 2027
155	20191822	豪森盖诺	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2017 to July 20, 2027
156	19558804	孚来瑞	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 21, 2017 to May 20, 2027
157	19558859	孚来霖	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 21, 2017 to May 20, 2027
158	19558915	孚来乐	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From May 21, 2017 to May 20, 2027
159	19727050	孚来洛	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 14, 2017 to June 13, 2027
160	19727064	昕孚	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From June 14, 2017 to June 13, 2027
161	20192097	豪森盖诺	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2017 to July 20, 2027
162	20192248	豪森丰迪	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From July 21, 2017 to July 20, 2027
163	26788954	艾乐畅	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
164	26788967	凡瑞平	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
165	26789114	孚必宁	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
166	26789337	艾兰宁	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
167	26790895	达蓓宁	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
168	26792377	孚来昕	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
169	26792405	孚佳乐	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
170	26795425	佐欣宁	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
171	26797482	泽畅	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
172	26797985	昕平	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
173	26799550	恒昕	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
174	26799557	恒素璞	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
175	26800316	芬得复	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
176	26801840	昕瑞	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
177	26808053	孚维乐	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 7, 2018 to October 6, 2028
178	26806649	孚来捷	5,10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From October 28, 2018 to October 27, 2028
179	26804427A	欣立畅	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 14, 2018 to November 13, 2028
180	26798727A	诺达宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 14, 2018 to November 13, 2028
181	26797473A	泽佑	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 14, 2018 to November 13, 2028
182	26795407A	安鲁宁	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From November 14, 2018 to November 13, 2028
183	28512194		35	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 7, 2018 to December 6, 2028
184	28648208	豪森诺欣	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 14, 2018 to December 13, 2028
185	28652487	豪森诺欣	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 14, 2018 to December 13, 2028
186	28655846	诺欣	5	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From December 14, 2018 to December 13, 2028
187	26414720A	翰森	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From January 7, 2019 to January 6, 2029

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
188	26025089	豪森	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From March 28, 2019 to March 27, 2029
189	32397067	翰森制药	10	PRC	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	From April 7, 2019 to April 6, 2029
190	303686220		16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From February 16, 2016 to February 15, 2026
191	303774295		5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From May 13, 2016 to May 12, 2026
192	303774286		5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From May 13, 2016 to May 12, 2026
193	303686239	HANSOH PHARMA HANSOH Pharma Hansoh Pharma hansoh pharma	16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From February 16, 2016 to February 15, 2026
194	303774259	HANSOH PHARMA HANSOH Pharma Hansoh Pharma hansoh pharma	5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From May 13, 2016 to May 12, 2026
195	304616587		16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 30, 2018 to July 29, 2028
196	304616604		5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 30, 2018 to July 29, 2028
197	304616659	翰森	16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 30, 2018 to July 29, 2028
198	304616658	翰森	5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 30, 2018 to July 29, 2028

No	Registration Number	Trademark	Class	Place of Registration	Name of Registered Proprietor	Dedicated Period
199	304616686	翰森醫藥 翰森医药	16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 30, 2018 to July 29, 2028
200	304616695	翰森醫藥 翰森医药	5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 30, 2018 to July 29, 2028
201	304617441	翰森製藥 翰森制药	16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 31, 2018 to July 30, 2028
202	304617432	翰森製藥 翰森制药	5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 31, 2018 to July 30, 2028
203	304617108		16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 31, 2018 to July 30, 2028
204	304617261		5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From July 31, 2018 to July 30, 2028
205	304680928		16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From September 26, 2018 to September 25 , 2028
206	304680892		5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From September 26, 2018 to September 25 , 2028
207	304680874		16	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From September 26, 2018 to September 25 , 2028
208	304680856		5	Hong Kong	Hansoh Pharmaceutical Group Company Limited	From September 26, 2018 to September 25 , 2028

As of the Latest Practicable Date, we have applied for registration of the following trademarks which we consider material to the business of our Group:

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
1	19552290	孚来康	5	PRC	April 7, 2016	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
2	19586182	豪森药业 HANSOH PHARMA	5	PRC	April 11, 2016	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
3	20191603	HANSOH PHARMA	5	PRC	June 3, 2016	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
4	20192295	HANSOH PHARMA	10	PRC	June 3, 2016	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
5	20192325	HANSOH PHARMA	10	PRC	June 3, 2016	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
6	26414720	翰森	5, 10	PRC	September 14, 2017	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
7	26795407	安鲁宁	10	PRC	October 10, 2017	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
8	26797473	泽佑	10	PRC	October 10, 2017	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
9	26798727	诺达宁	10	PRC	October 10, 2017	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
10	26804427	欣立畅	10	PRC	October 10, 2017	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
11	31118581	HANSOH	5	PRC	May 23, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
12	31115150	HANSOH	10	PRC	May 23, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
13	32703026	阿美乐	5	PRC	August 6, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
14	33185272	豪 森	26	PRC	August 29, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
15	33503294	奥美乐	5	PRC	September 13, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
16	33503303	HANSOH PHARMA	5	PRC	September 13, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
17	33507426	HANSOH INTERNATIONAL	5	PRC	September 13, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
18	33510847	HANSOH PHARMACEUTICAL	5	PRC	September 13, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
19	33944013	翰森制药	5	PRC	October 10, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
20	33948199	翰森	5	PRC	October 10, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
21	34393628	HANSOH INTERNATIONAL	5	PRC	October 31, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
22	34438097	豪 森	24	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
23	34451690	豪 森	14	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
24	34386126	HANSOH PHARMACEUTICAL	5	PRC	October 31, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
25	34428548	豪 森	2	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
26	34428583	豪 森	6	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
27	34428762	豪 森	12	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
28	34428950	豪 森	29	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
29	34432183	豪 森	9	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
30	34432382	豪 森	19	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
31	34433132	豪 森	18	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
32	34433517	豪 森	1	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
33	34434174	HANSOH	35	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
34	34434443	豪 森	4	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
35	34434628	豪 森	44	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
36	34435338	豪 森	45	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
37	34435818	豪 森	11	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
38	34436316	豪 森	25	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
39	34436410	豪 森	17	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
40	34436834	豪 森	20	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
41	34438181	豪 森	30	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
42	34438192	豪 森	36	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
43	34439301	豪 森	16	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
44	34440732	豪 森	34	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
45	34441159	豪 森	31	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
46	34441224	豪 森	43	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
47	34441606	豪 森	39	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
48	34444157	豪 森	7	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
49	34444267	豪 森	32	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
50	34444767	豪 森	37	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
51	34445221	豪 森	21	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
52	34446217	豪 森	35	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
53	34446267	豪 森	38	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
54	34446302	豪 森	41	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
55	34446324	豪 森	42	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
56	34446933	豪 森	13	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
57	34446984	豪 森	27	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
58	34447590	豪 森	40	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
59	34447896	豪 森	8	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
60	34448450	豪 森	33	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
61	34448935	豪 森	28	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
62	34449261	豪 森	22	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
63	34449271	豪 森	23	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
64	34450429	豪 森	3	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
65	34451696	豪 森	15	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
66	34451844	HANSOH	35	PRC	November 2, 2018	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
67	36215259	昕卫	5, 10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
68	36215998	孚来欣	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
69	36218286	孚来琪	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
70	36221355	孚来舒	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

NO.	Application Number	Trademark	Class	Place of Registration	Date of Application	Name of Applicant
71	36226470	心坦安	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
72	36230830	恒胺	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
73	36232187	心舒平	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
74	36232263	昕安	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
75	36232286	昕然	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
76	36232365	泽瑞欣	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.
77	36234205	昕舒宁	5,10	PRC	January 29, 2019	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.

(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	hansoh.cn	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 16, 2004	March 15, 2021
2	hspharm.com	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 23, 2015	September 23, 2025

(c) Patents

As of the Latest Practicable Date, we have registered the following patents in the PRC which we consider to be material to the business of our Group:

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
1	Release-controlled oral Roxithromycin formulation	021487480	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 12, 2007	November 14, 2022
2	New anti-cancer drug gemcitabine important intermediates new synthesis process	031511562	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 30, 2005	September 23, 2023
3	Usage of α-(morpholin-1-yl) methyl-2-methyl-5-nitroimidazole-1-ethanol in the preparation of anti-anaerobic bacteria medicament	2003101000570	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 24, 2007	October 7, 2023
4	Ambroxol cysteine analogs and its preparation method and usage	2004100423638	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 7, 2007	May 19, 2024
5	Method for producing folic acid antagonist and its intermediate	200510078426X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 18, 2008	June 14, 2025
6	Usage of α-(morpholin-1-yl) methyl-2-methyl-5-nitroimidazole-1-ethanol in the preparation of anti-Trichomonas, anti-amoeba medicament	2005101342543	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 22, 2008	December 12, 2025
7	Amino-pyrimidine compound and salt thereof, and preparation method and pharmaceutical usage thereof	2005800208831	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 25, 2010	December 25, 2025
8	Optically pure α-substituted 2-methyl-5-nitroimidazole-1-ethanol derivatives	2006100000736	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 14, 2010	January 5, 2026
9	Modified Exendins and its application	2006800004114	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 16, 2009	January 9, 2026
10	Vinorelbine soft capsule and preparation method and application thereof	2006101264375	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 7, 2011	August 30, 2026

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
11	A process for the preparation of repaglinide	2007101038330	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 9, 2009	May 15, 2027
12	Pegylated erythropoietin conjugate and preparation method and usage thereof	2007101953118	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 14, 2011	December 9, 2027
13	A process for the preparation of repaglinide	2008100003470	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 4, 2011	January 9, 2028
14	A process for the preparation of repaglinide intermediate	2008100845040	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 21, 2012	March 20, 2028
15	An ambroxol derivative and preparation method thereof	2008100841459	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 20, 2013	March 25, 2028
16	Erythropoietin mimetic peptide derivative and its pharmaceutical salt, and preparation method and usage thereof	2008800142471	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 11, 2012	November 23, 2028
17	Pegylated erythropoietin conjugate and preparation method and usage thereof	2008800211594	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 25, 2012	November 24, 2028
18	Method for preparing dexlansoprazole	2009102620690	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 25, 2013	December 22, 2029
19	Method for preparing amorphous form of dexlansoprazole	2009102620686	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 23, 2014	December 22, 2029
20	Method for preparing sodium rabeprazole	2010101530331	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 5, 2013	April 18, 2030
21	Crystal form of imatinib mesylate and preparation method thereof	2014100263204	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 25, 2015	May 18, 2030
22	Crystal form of imatinib mesylate and preparation method thereof	2010101767262	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 22, 2014	May 18, 2030

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
23	Organic amine salts of azilsartan, its preparation method and usage	2010800449716	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 23, 2013	November 28, 2030
24	Preparation method of olanzapine	2011100985211	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 12, 2013	April 13, 2031
25	A preparation method of Flumatinib Mesylate	2011101463967	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 29, 2016	May 26, 2031
26	Flumatinib mesylate crystal form B, its preparation method and usage	201110163226X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 8, 2016	June 8, 2031
27	A liquid-phase synthesis method for bivalirudin	2011101628870	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 23, 2016	June 9, 2031
28	Crystal form of azilsartan and its preparation method	2011101586350	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 5, 2016	June 13, 2031
29	A synthetic and industrial production method of decitabine	2011101620205	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 28, 2016	June 15, 2031
30	Sustained-release pharmaceutical composition and its usage	2011101725264	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 14,2015	June 16, 2031
31	Method for preparing Gemcitabine hydrochloride	2011101812065	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 9, 2014	June 29, 2031
32	Ezetimibe intermediates and preparation method thereof	201110183370X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 8, 2017	June 30, 2031
33	Gemcitabine hydrochloride injection preparation and its preparation method	2011101833663	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 3, 2013	June 30, 2031
34	A crystal form of dexlansoprazole and its preparation method	2011102430316	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 16, 2014	August 18, 2031
35	Novel preparation method of olanzapine	201110254919X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 3, 2014	August 30, 2031

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
36	Preparation method of fosaprepitant dimeglumine dimethyl	2011102579706	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 29, 2017	September 1, 2031
37	A method for preparing fosaprepitant intermediates	2011103058068	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 17, 2016	September 22, 2031
38	A method for preparing fosaprepitant dimeglumine dimethyl	2011103069819	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 15, 2016	October 8, 2031
39	Organic amine salts of azilsartan, its preparation method and usage	2012100070522	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 8, 2014	January 10, 2032
40	Preparation method of Gemcitabine hydrochloride	2012100404082	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 31, 2014	February 21, 2032
41	Process for recycling cytosine during preparing process of gemcitabine hydrochloride	201210047208X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 14, 2014	February 27, 2032
42	A method for preparing compound zolpidem	2012100882879	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 14, 2016	March 27, 2032
43	Gemcitabine or gemcitabine salt nano-emulsion injection and preparation method thereof	2012100885491	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 5, 2013	March 28, 2032
44	Process for preparing Vildagliptin by one-pot method	2012100880623	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 23, 2014	March 28, 2032
45	A solid pharmaceutical composition and preparation method and usage thereof	201210112773X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 16, 2014	April 16, 2032
46	Crystal form of linezolid and preparation method thereof	2016100043538	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 12, 2018	April 23, 2032
47	Branching type PEG-modified GLP-1 analogs and pharmaceutically acceptable salts thereof	2012800181580	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 23, 2015	April 25, 2032

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
48	Solid pharmaceutical composition containing proton pump inhibitor	2012101370204	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 8, 2017	May 3, 2032
49	Gemcitabine or salt liposome thereof, and preparation method and usage thereof	2012101543773	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 22, 2015	May 16, 2032
50	A lyophilization process for preparing injectable bivalirudin	2012101829520	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 21, 2015	June 4, 2032
51	A method for preparing pemetrexed or salt thereof	2012101905666	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 22, 2015	June 10, 2032
52	Crystal form of flumatinib mesylate, and preparation method and usage thereof	2012102033227	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 31, 2016	June 18, 2032
53	Crystal form of flumatinib mesylate, and preparation method and usage thereof	2012102031791	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 16, 2016	June 18, 2032
54	Repaglinide tablet and preparation method thereof	2012102055160	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 20, 2015	June 19, 2032
55	Pharmaceutical composition containing erythropoietin mimetic peptide	2012102457440	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 16, 2017	July 15, 2032
56	A method for preparing pemetrexed disodium key intermediate	2012102586085	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 3, 2014	July 24, 2032
57	Gemcitabine or salt liposome thereof, and preparation method thereof	2012102606197	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 19, 2014	July 25, 2032
58	A method for preparing pemetrexed or salt thereof	2012103037390	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 22, 2015	August 22, 2032
59	A preparation method for olanzapine	2012103212385	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 5, 2013	September 2, 2032
60	Repaglinide tablet and preparation method thereof	2012103692912	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 3, 2014	September 26, 2032

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
61	Pharmaceutical composition containing cefdinir	2012103938397	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 21, 2017	October 15, 2032
62	Gemcitabine hydrochloride injection and preparation method thereof	2012104383460	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 19, 2014	November 4, 2032
63	A prodrug of tenofovir and its application in medicine	2013100416474	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 10, 2017	January 31, 2033
64	Olanzapine stomach soluble tablet and preparation method thereof	2013100925949	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 5, 2015	March 20, 2033
65	An oral tablet and its preparation and usage	2013101242380	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 19, 2017	April 9, 2033
66	Pharmaceutical compositions containing micafungin or salt thereof	2013101517839	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 5, 2015	April 25, 2033
67	Micafungin or pharmaceutical compositions of salt thereof	2013101500698	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 23, 2015	April 25, 2033
68	Gemcitabine α-isomer conversion recovery process	2013101540074	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 1, 2015	April 26, 2033
69	The preparation method of lubiprostone	2013101706281	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 15, 2017	May 8, 2033
70	A prodrug of tenofovir and its application in medicine	2013800392124	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 15, 2017	July 9, 2033
71	Crystal form of flumatinib mesylate, and its preparation method and usage	2013800314036	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 14, 2016	September 22, 2033
72	An oral tablet and its preparation method	2013105471961	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 22, 2018	November 5, 2033
73	Preparation method of linezolid crystal form	2014101645352	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 2, 2018	April 21, 2034

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
74	Pharmaceutical formulation containing imatinib mesylate and preparation method thereof	2014106049420	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 24, 2016	October 29, 2034
75	New and special crystal form of dapagliflozin and preparation method thereof	2015800068929	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 12, 2018	January 18, 2035
76	High selectivity and high purity method for preparing morinidazole	2015102250044	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 30, 2017	May 4, 2035
77	Morinidazole crystal, its preparation method and medical application	2015102244791	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 25, 2017	May 4, 2035
78	Purification method of Imatinib mesylate	2015102544230	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 18, 2017	May 18, 2035
79	Preparation method of linezolid and its intermediate	2016100188931	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 5, 2017	January 11, 2036
80	Linezolid crystal form B and preparation method and usage thereof	2016100178056	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 19, 2017	January 11, 2036
81	Preparation method of linezolid crystal form B	2016100159214	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 19, 2017	January 11, 2036
82	Film coated tablet of mosapride citrate and preparation method thereof	2016108070054	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 6, 2018	September 5, 2036
83	Bortezomib hydrochloride lyophilized powder injection and preparation process thereof	2016109095970	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 6, 2018	October 17, 2036
84	Pomalidomide crystal form, its preparation method and usage	2013101015279	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 21, 2018	March 26, 2033
85	Composition of erlotinib or its medicinal salt, its preparation method and usage	2013101696769	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 13, 2018	May 8, 2033
86	Oral double-pellet pharmaceutical composition of dabigatran etexilate or its salt	2013102809783	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 24, 2018	July 3, 2033

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
87	Morinidazole isomer and its preparation method	2013105461885	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 24, 2018	November 5, 2033
88	The preparation method of 1-2-(2,4-dimethyl phenylsulfanyl)-phenyl piperazine	2013101419272	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 26, 2018	April 21, 2033
89	A composition of vildagliptin	201310182784X	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	May 15, 2033
90	Preparation method of agomelatine intermediate	2013102889754	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	July 9, 2033
91	Pharmaceutical formulation containing rivaroxaban	2013103407104	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	August 5, 2033
92	Purification method for tigecycline	2013103775619	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	August 25, 2033
93	Crystal form of dapagliflozin and its preparation method	2014100480066	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	February 10, 2034
94	Preparation method of 5-chloro -6-(2-imino -1-pyrrolidine) methyl-2, 4(1H,3H)-pyrimidinedione or its salt	2014101136278	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 16, 2018	March 24, 2034
95	Tigecycline pharmaceutical composition and its preparation method	2015105039445	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	August 16, 2035
96	Medicinal composition of repaglinide and metformin hydrochloride and its pharmaceutical process	2015109960260	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	December 23, 2035
97	Refining method of flumatinib	2016101420678	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2018	March 10, 2036
98	Synthesizing method of flumatinib	2016102932584	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 21, 2018	May 4, 2036

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
99	Preparation method of vinorelbine tartrate	2016107078769	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 16, 2018	August 22, 2036
100	A preparation method of tigecycline intermediate	2016111929627	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 2, 2018	December 20, 2036
101	Method for preparing tigecycline	2016108656056	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 7, 2018	September 28, 2036
102	Fumaric acid vonoprazan pharmaceutical composition and its preparation method	2015105040156	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 5, 2019	August 16, 2035
103	Quantitative injection device capable of fixing exhaust gas and repeating practicality	2017207496562	Jiangsu Delfu Medical Devices Co., Ltd.; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 20, 2018	June 25, 2027
104	Olanzapine orally disintegrating tablet and its preparation method	2013104512377	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 5, 2019	September 26, 2033
105	New crystal form of dapagliflozin and its preparation method	2014100463713	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 4, 2019	February 9, 2034
106	Stable medicinal composition of repaglinide and its preparation method	2015109904044	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 26, 2019	December 23, 2035
107	A medicinal composition of bortezomib and preparation method thereof	2016107150085	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 11, 2019	August 23, 2036
108	Fulvestrant pharmaceutical composition	2013103413355	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 26, 2019	August 6, 2033
109	Preparation of 3-(4-amino-1, 3-dihydro-1-oxo-2H-isoindole -2-yl)-2, 6-piperidinedione	2013106872589	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 1, 2019	December 12, 2033
110	Decitabine solution recycling production technology	2014107703845	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 26, 2019	December 14, 2034

No.	Patent Name	Registration Number	Name of Registered Proprietor	Date of Authorization Proclamation	Expiry Date
111	New tigecycline crystal form and its preparation method	2015104968622	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 5, 2019	August 12, 2035
112	Olanzapine orally disintegrating tablet and its preparation method	2016105832342	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 19, 2019	July 21, 2036
113	Preparation method of agomelatine	2016111230311	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 1, 2019	December 7, 2036
114	Preparation method of afatinib dimaleate	2013106921138	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May, 3 2019	December 15, 2033
115	Preparation method of cefdinir	2016112423059	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 14, 2019	December 28, 2036
116	A pharmaceutical composition containing dabigatran etexilate or its salt	2014103169312	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 26, 2019	July 3, 2034
117	Preparation method of canagliflozin intermediate	2014102479097	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 16, 2019	June 4, 2034
118	EGFR inhibitor and its preparation method and application	2015800453112	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 9, 2019	September 29, 2035
119	Preparation method of treprostinil intermediate	201510093682X	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 8, 2019	March 1, 2035

As of the Latest Practicable Date, we have applied for the registration of the following patents in the PRC which we consider to be material to the business of our Group:

No.	Patent Name	Applicant	Application Date	Application Number
1	Methoxy polyethylene glycol-modified erythropoietin mimetic peptide derivative	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 19, 2012	2012102501867
2	Crystal forms of lurasidone hydrochloride, its preparation method and use	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 1, 2013	2013100668193
3	The preparation method of erlotinib hydrochloride crystal form	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 29, 2013	2013101078564
4	Functional micromolecules for synthesizing erythropoietin mimetic peptide derivatives, and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 8, 2013	201310229754X
5	Preparation method of high-purity esomeprazole sodium	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 10, 2013	2013102886667
6	Preparation method of ezetimibe SSS-isomer	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 28, 2013	2013103834195
7	Preparation method of high-purity sorafenib	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 13, 2013	2013106903017
8	Preparation method of Sunitinib malate	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 25, 2013	2013107292010
9	New piperidinedione compound hydrochlorate crystal form and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 26, 2013	2013107315544
10	Preparation method of diaryl thioether amine compound	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 10, 2014	2014100459455
11	Preparation method of trans-4-dimethylaminocrotonic acid hydrochloride	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 18, 2014	2014101000352
12	High-purity preparation method of Afatinib intermediate	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 21, 2014	2014101069409
13	New crystal form of flumatinib mesylate and its preparation method and application in medicine	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 4, 2014	2014101357266

No.	Patent Name	Applicant	Application Date	Application Number
14	New crystal form of 1-2-(2, 4-dimethyl phenyl sulfenyl) phenyl piperazine hydrobromide and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 10, 2014	2014101438899
15	Lenalidomide crystal form and its preparation method and application in medicine	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 24, 2014	2014101691242
16	Pharmaceutical formulation containing pazopanib hydrochloride and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 30, 2014	2014101806405
17	New crystal form of vortioxetine hydrobromide and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 9, 2014	2014101971648
18	Purification and salt-turning method for micafungin	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 13, 2014	2014102021727
19	Perampanel isomer crystal form and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 14, 2014	2014102045543
20	New crystal form of trifluridine and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 11, 2014	2014102591650
21	New crystal form of flumatinib mesylate and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 12, 2014	2014102623172
22	Tenofovir prodrug crystal form and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 21, 2014	2014103491414
23	The method of removing palladium from crude perampanel	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 30, 2014	2014103706971
24	Preparation method of enzalutamide	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 31, 2014	2014103753154

No.	Patent Name	Applicant	Application Date	Application Number
25	Preparation method of enzalutamide	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 19, 2014	2014104104781
26	Preparation method of high-purity dabigatran etexilate mesylate crystal form	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 25, 2014	2014104209410
27	A pharmaceutical composition and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 29, 2014	2014105945892
28	Pharmaceutical formulation containing indolinone derivatives suspension and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 13, 2015	2015101129071
29	New crystal form of tipracil hydrochlorate and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 17, 2015	201510117627X
30	Preparation method of an amorphous kinase inhibitor	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 26, 2015	2015101380604
31	5-fluoro-3-phenyl -2 - (1S) -1- (9H- purin-6-yl) propyl -4 (3H) - quinoline pyrazolone crystal form and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 26, 2015	2015101377955
32	Azilsartan ammonium alcohol crystal form and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 30, 2015	2015101454218
33	Pharmaceutical composition of olaparib and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 30, 2015	2015101437388
34	Medicinal imatinib mesylate crystal form and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 14, 2015	2016109119481
35	Preparation method of related substances of macitentan	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 5, 2015	2015103065375
36	New crystal form of trifluridine andits preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 11, 2015	201510321028X
37	Industrial preparation method of empagliflozin	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 14, 2015	2015104136927

No.	Patent Name	Applicant	Application Date	Application Number
38	New polymorph of tenofovir prodrug and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 21, 2015	2015800353928
39	New crystal form of pemetrexed diacid and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 25, 2015	2015105290289
40	New crystal form of nilotinib hydrochloride and its preparation method and medical application	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 25, 2015	2015105282812
41	Preparation method of sofosbuvir	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 29, 2015	2015106325124
42	Preparation method of sofosbuvir and its intermediate	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 29, 2015	201510632208X
43	Purification method of Apixaban	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 10, 2015	2015106513392
44	Azirantan organic amine salt complex and its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 13, 2015	2015106737393
45	The new preparation method of vortioxetine hydrobromite crystal form α	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 4, 2015	2015107417091
46	Medicinal preparation containing cyclin inhibitors and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 6, 2015	2015800435468
47	Medicinal composition containing solid dispersions of cyclin inhibitors and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 6, 2015	2015800434408
48	Crystal form of potassium ion competitive acid blocker and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 9, 2015	2015800471996
49	Preparation and purification methods of tenofovir prodrug	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 12, 2015	2015107715315
50	Preparation method of the key intermediates of erlotinib hydrochloride	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 24, 2015	2015109930994

No.	Patent Name	Applicant	Application Date	Application Number
51	Crystal form of poly ADP-ribose transferase inhibitor and its preparation method and medical application	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 24, 2015	201510982228X
52	Medicinal composition of mosapride citrate and its reparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 7, 2016	2016100121310
53	Medicinal composition of vonoprazan fumarate	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 25, 2016	2016101804659
54	Preparation method of icatibant	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 23, 2016	201610345345X
55	Crystal form of the intermediates of dapagliflozin and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 22, 2016	2016105875827
56	Pharmaceutical process of repaglinide and metformin hydrochloride	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 22, 2016	2016105871474
57	Dexlansoprazole pharmaceutical preparation	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 25, 2016	2016105926975
58	Purification method of flumazinib mesylate	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 26, 2016	2016105957564
59	Pharmaceutical formulation of mosapride citrate and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 26, 2016	2016105954458
60	Preparation method of fosaprepitant intermediates	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 14, 2016	2016109001583
61	Pharmaceutical formulation containing polyethylene glycol loxenatide and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	October 14, 2016	2016109001070
62	Preparation method of riociguat intermediates	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 15, 2016	2016110042033
63	Roxithromycin sustained release pharmaceutical composition	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 17, 2016	2016110179943
64	Preparation method of losenapeptide and its analogues	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 17, 2016	2016110134980

No.	Patent Name	Applicant	Application Date	Application Number
65	Preparation method of dexlansoprazole	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	November 23, 2016	2016110356083
66	Linezolid injection and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 2, 2016	2016110941104
67	Donepezil hydrochloride pharmaceutical composition and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 8, 2016	2016111228699
68	Agomelatine tablet and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 21, 2016	2016111915944
69	Preparation method of zolpidem tartrate and its intermediates	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 28, 2016	2016112428230
70	Rabeprazole sodium enteric-coated tablet and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 22, 2017	2017104795336
71	Lyophilized preparation of decitabine and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 22, 2017	2017104794687
72	Pharmaceutical composition of aminopyrimidine compound and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 26, 2017	2017106191877
73	Synthesizing method of flumatinib mesylate intermediate	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 27, 2017	2017106216018
74	Preparation method of a tenofovir prodrug	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	February 1, 2013	2017105153473
75	High sensitivity analysis for noise in imatinib genes	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 23, 2016	2016800834443
76	Intermediate crystal form of dapagliflozin and preparation	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	July 21, 2017	2017800338236
77	Pharmaceutical composition of Pegol-Sihematide and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 9, 2016	201611126981X
78	Preparation method of dapagliflozin	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 9, 2016	2016111269345

No.	Patent Name	Applicant	Application Date	Application Number
79	Linker of PEG and the conjugate from genScript peptide synthesis	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 27, 2016	2016112238842
80	New synthesizing method of Paliperidone	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 29, 2016	2016112403375
81	Olanzapine Orally disintegrating tablets and the preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 30, 2016	2016112516759
82	Vinorelbine injection and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	April 19, 2017	2017102560317
83	A crystal form A of dexlansoprazole and its preparation method	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 26, 2017	2017104925908
84	Purification method of Bortezomib	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 21, 2018	2018108575503
85	Flumatinib mesylate crystal form β, its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 17, 2017	2017107069957
86	Flumatinib mesylate crystal form α, its preparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 17, 2017	2017107065284
87	Palbociclib mesylate crystal form B and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 10, 2017	2017103249912
88	Method for preparing analogue of rabeprazole	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 17, 2017	2017101598054
89	Purification method of chromatograph for fulvestrant	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 12, 2016	2016111386194
90	Cefdinir capsules and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 12, 2016	2016111381345
91	New dapagliflozin crystal form and its peparation method and usage	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 22, 2017	201780013982X
92	Purification method of New Tenofovir prodrug	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 14, 2017	2017106916265
93	A pharmaceutical composition containing Vinorelbine Chantix and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 10, 2018	2018115017728

No.	Patent Name	Applicant	Application Date	Application Number
94	Preparation method of Icatibant Acetic Acid	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 29, 2018	2018116532374
95	Pharmaceutical composition of apixaban and preparation method thereof	Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	January 9, 2019	2019100186747
96	Fixed exhaust and reusable quantitative injection device	Jiangsu Delfu Medical Devices Co., Ltd.; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	June 26, 2017	2017104940700
97	AHU-377 crystalline free acid and its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 27, 2014	2014104269854
98	AHU-377 semi-calcium salt crystal form, its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 27, 2014	2014104256337
99	AHU-377 α -phenethylamine salt polymorph, its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 27, 2014	2014104275427
100	Crystalline ARB-NEPi dication compound, its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 23, 2015	2015106122929
101	EGFR inhibitor, its preparation method and usage	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 28, 2015	2015106266802
102	AHU-377 crystalline free acid, hemicalcium salt, α- phenethylamine salt and its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 24, 2015	2015800253258
103	Crystalline ARB-NEPi compound and its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	September 7, 2015	2015800301232

No.	Patent Name	Applicant	Application Date	Application Number
104	Preparation method and application of a diphenylalanine with high optical purity and its derivatives	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	August 11, 2016	2016106548786
105	CDK4/6 inhibitor and its preparation method and application	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	March 16, 2017	2017101578474
106	EGFR inhibitor free bases and its acid salt polymorph as well as its preparation method and usage	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	December 23, 2016	2016800815531
107	FGFR4 inhibitor and its preration method and usage	Shanghai Hansen Technology Company Limited; Jiangsu Hansoh Pharmaceutical Group Co., Ltd.	May 16, 2017	2017800139783

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 our Company in the shares, underlying shares and debentures of our 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 our 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**"), once the Shares are listed will be as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of shareholding interest
Ms. Zhong	Person with influence over a trust	3,900,000,000	68.35%
Miss Sun	Beneficiary of a trust	3,900,000,000	68.35%

Interest in Shares or Underlying Shares of Associated Corporations of our Company

Name of Director	Name of associated corporation	Nature of interest	Number of Shares or underlying Shares in the associated corporation	Percentage of shareholding interest
Ms. Zhong	Sunrise Investment	Person with influence over a trust	100	100%
Miss Sun	Sunrise Investment	Beneficiary of a trust	100	100%

(b) Interests and short positions of the Substantial Shareholders in the Shares and Underlying Shares of our 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 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

(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

The non-executive Director has signed an appointment letter with us for a term of one year with effect from the Listing Date and each independent non-executive Director 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 independent non-executive Director is entitled to a fixed Director's fee while the non-executive Director is 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 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 RMB36.3 million. Details of the Directors' remuneration are also set out in Note 8 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, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2019 is estimated to be approximately RMB30.0 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 three years ended December 31, 2016, 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 three years ended December 31, 2016, 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 our 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 SFC, please refer to "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, 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 our 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 and Listed Companies 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 fall 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. POST-IPO RSU SCHEME

1. Summary of Terms

Our Company has conditionally adopted the Post-IPO RSU Scheme by a resolution of our Shareholders on May 27, 2019 and a resolution of our Board on November 26, 2018. A set of the

scheme rules was also approved on the same date for the purpose of providing more comprehensive and detailed rules governing the Post-IPO RSU Scheme. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) **Purposes of the Post-IPO RSU Scheme**

The purposes of the Post-IPO RSU Scheme is to recognize the contributions by the Grantees (as defined below) and to give incentives thereto in order to retain them for the continual operation and development of our Group and to attract suitable personnel for further development of our Group.

(b) **RSU Awards**

An award of restricted share unit (each a "**RSU**", or collectively "**RSUs**") under the Post-IPO RSU Scheme (each an "**Award**", or collectively "**Awards**") gives a participant in the Post-IPO RSU Scheme a conditional right when the Award vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of vesting, as determined by the Board at its sole discretion from time to time. An Award may include, if so specified by the Board at its sole discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares from the date that the Award is granted to the date that it vests.

The Shares underlying all grants made pursuant to the Post-IPO RSU Scheme shall be (i) Shares allotted and issued by the Company to the RSU Trustee under a specific mandate sought from our Shareholders on May 27, 2019 and/or (ii) Shares acquired by the RSU Trustee in accordance with the Company's instructions and with funds provided by the Company through on-market transactions or private placements at the prevailing market price.

(c) **RSU Participants in the Post-IPO RSU Scheme**

Eligible persons of the Post-IPO RSU Scheme (each an "**Eligible Person**", or collectively "**Eligible Persons**") include the following persons eligible to receive Awards under the Post-IPO RSU Scheme:

(i) employees (including director, chief executive officer, vice president, financial controller, company secretary, members of senior management or key technical personnel) of the Group; and

(ii) any other person selected by the Board at its sole discretion from time to time.

(d) **Status of the Post-IPO RSU Scheme**

The Post-IPO RSU Scheme is conditional upon:

(i) the Stock Exchange granting approval of the listing of and permission to deal in the Shares that are the subject of Awards that may be granted pursuant to the Post-IPO RSU Scheme; and

(ii) the commencement of dealings in the Shares on the Stock Exchange (collectively, the "**RSU Conditions**").

(e) **Term of the Scheme**

Subject to the RSU Conditions being satisfied, the Post-IPO RSU Scheme shall be valid and effective for the period of 10 years commencing on the Listing Date (the "**Scheme Period**"), but the Awards that are granted during the Scheme Period may continue to be exercisable in accordance with their terms of issue.

(f) **Grant of Award**

On and subject to the rules of the Post-IPO RSU Scheme and all applicable laws and regulations, the Board may, within the Scheme Period, determine the Selected Persons (as defined below) to participate in the Post-IPO RSU Scheme. Unless being so selected, no person shall be entitled to participate in the Post-IPO RSU Scheme. The Board has full discretion to determine, from time to time, the basis of eligibility of any Selected Person for participation in the Post-IPO RSU Scheme and the grant of Awards on the basis of their contribution to the development of our Group or any other factors as the Board deems appropriate. The Board has full discretion to grant additional Awards on an annual basis to certain Grantees in order to top-up such portion of their vested Awards, based on the performance of our Group and such Grantees.

The Board shall, after the selection process, deliver a grant notice (the "**Grant Notice**", copying the RSU Trustee) within ten (10) business days to the Selected Person, setting out the number of Shares underlying the Awards to be granted to the Selected Person, the vesting schedule of the Awards and other terms and conditions (if any) that the Awards are subject to as determined by the Board.

(g) **Acceptance of Award**

If the Selected Person accepts the offer of grant of Awards, he/she is required to sign a notice of acceptance (the "**Acceptance Notice**") and return it to our Company within the time period and in a manner prescribed in the Grant Notice. Upon the receipt by the Board of a duly executed Acceptance Notice, the Awards are granted to the Selected Person, who becomes a Grantee in the Post-IPO RSU Scheme. To the extent that the offer of grant of an Award is not accepted by the Selected Person within the time period or in a manner prescribed in the Grant Notice, it shall be deemed that such offer has been irrevocably declined and thus the grant has immediately lapsed.

(h) **Restrictions on Grants**

The Board shall not grant any Award to any Selected Person in any of the following circumstances:

(i) the requisite approvals for that grant from any applicable regulatory authorities have not been obtained;

(ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the Awards or in respect of the Post-IPO RSU Scheme, unless the Board determines otherwise;

(iii) where granting the Award would result in a breach by our Group or any of its directors or senior management members of any applicable laws, regulations or rules;

(iv) the grant would result in breach of the Post-IPO RSU Scheme Limit (as set out in paragraph (k) below) or other rules of the Post-IPO RSU Scheme; or

(v) after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular commencing one month immediately preceding the earlier of:

(i) the date of the meeting of the Board of Directors of our Company (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's 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 our Company to publish an announcement of its 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 ending on the date of the results announcement;

in which no Award may be granted. Such period will cover any period of delay in the publication of a results announcement.

(i) **Grant to Directors**

Where any Award is proposed to be granted to a Director, it shall not be granted on any day on which our financial results are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(j) **Grant to Connected Persons**

Unless any grant of Award to a Director can be exempted from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.95 of the Listing Rules, any grant of an Award to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the Awards in question) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

(k) **Post-IPO RSU Scheme Limit**

No Award shall be granted pursuant to the Post-IPO RSU Scheme if as a result of such grant (assumed accepted), the aggregate number of Shares underlying all grants made pursuant to the Post-IPO RSU Scheme (excluding Awards that have lapsed or been cancelled in accordance with the rules of the Post-IPO RSU Scheme) will exceed 114,118,384 Shares, representing 2% of the number of Shares in issue on the Listing Date (the "**Post-IPO RSU Scheme Limit**").

(l) **Rights Attached to the Awards**

A Grantee does not have any contingent interest in any Shares underlying an Award. Furthermore, a Grantee may not exercise any voting right in respect of the Shares underlying the Award and, unless otherwise specified by the Board in its sole discretion in the Grant Notice to the Grantee, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the Award prior to their vesting.

(m) **Rights Attached to Shares**

Any Shares transferred to a Grantee in respect of any Award shall be subject to the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of transfer or, if that date falls on a day when the register of members of our Company closed, the first day of the reopening of the register of members.

(n) **Awards to be Personal to the Grantee**

Awards granted pursuant to the Post-IPO RSU Scheme shall be personal to each Grantee and shall not be assignable or transferrable, except assignment or transfer from each Grantee to a company wholly owned by him/her or between two companies both of which are wholly owned by him/her. Notwithstanding the above, the Grantees are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee on trust for the Grantees, Awards, Shares underlying any Awards or any interest or benefits therein.

(o) **Appointment of RSU Trustee**

The Board has the sole and absolute right to appoint the RSU Trustee from time to time to administer the granting and vesting of the Awards granted to the Grantees pursuant to the Post-IPO RSU Scheme. Subject to compliance with the laws of the Cayman Islands and the Articles, our Company shall provide such assistance and funds as may be appropriate or necessary to enable the RSU Trustee to satisfy its obligations in connection with the administration and vesting of the Awards granted to the Grantees pursuant to the Post-IPO RSU Scheme.

(p) **Vesting of Awards**

The Board has the sole discretion to determine the vesting schedule and vesting criteria (if any) for any grant of Awards to any Grantee, which may also be adjusted and re-determined by the Board from time to time. If such conditions are not satisfied, the RSU shall be cancelled automatically on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

Upon fulfillment or waiver of the vesting period and vesting criteria (if any) applicable to each of the Grantees, a vesting notice (the "**Vesting Notice**") will be sent to the Grantee by the Board, or by the RSU Trustee under the authorization and Instruction by the Board confirming (a) the extent to which the vesting period and vesting criteria (if any) have been fulfilled or waived and (b) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive.

The Grantee is required to execute, after receiving the Vesting Notice, certain documents set out in the Vesting Notice that the Board considers necessary (which may include, without limitation, a certification to our Group that he/she has complied with all the terms and conditions set out in this Scheme and the Grant Notice).

Subject to the execution of documents by the Grantee set out in above paragraph, the Board may decide at its sole discretion to:

(i) direct and procure the RSU Trustee to transfer the Shares underlying the Awards (and, if applicable, the cash or non-cash income, dividends or distributions and/ or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares from the Trust Assets (as defined below)) to the Grantee or its wholly owned entity; or

(ii) pay, or direct and procure the RSU Trustee to pay, to the Grantee in cash an amount which is equivalent to the value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) set out in subparagraph (i) above.

In the event that the Grantee fails to execute the required documents within seven (7) days after receiving the Vesting Notice, the vested Shares will lapse.

The Board has the sole discretion to determine, at any time, to accelerate the vesting of any Award granted to any Grantee for various considerations.

(q) **Rights on a Takeover**

In the event a general offer by way of takeover, merger or otherwise in a like manner (other than by way of scheme of arrangement pursuant to paragraph (s) below) is made to all the Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects prior to the vesting, the Awards of the Grantee will vest immediately to the extent specified in a notice given by our Company.

(r) **Rights on a Scheme of Arrangement**

In the event a general offer for Shares by way of scheme of arrangement is made by any person to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings prior to the vesting, the Awards of the Grantee will vest immediately to the extent specified in a notice given by our Company.

(s) **Rights on a Voluntary Winding-up**

In the event that an effective resolution is passed during the Scheme Period for voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement pursuant to paragraph (t) below) prior to the vesting, the Awards of the Grantee will vest immediately to the extent specified in a notice given by our Company, provided that all unexercised Awards must be exercised and effected by no later than one (1) Business Day before the day of the proposed general meeting to be convened for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company (or to pass written resolutions of the Shareholders to the same effect).

(t) **Rights on a Compromise or Arrangement**

If a compromise or arrangement between our Company and the Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to the Shareholders to convene a general meeting to consider, and if thought fit, approve such compromise or arrangement prior to the vesting, the Awards of the Grantee will vest immediately to the extent specified in a notice given by our Company.

(u) **Lapse or Cancellation of RSU**

An unvested RSU shall be cancelled automatically upon the earliest of:

(i) the date of the termination of Grantee's employment or service by our Company or any of its subsidiaries for Cause (as defined below);

(ii) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph (q) closes;

(iii) the record date for determining entitlements under the scheme of arrangement referred to in paragraph (r);

(iv) the date of the commencement of the winding-up of our Company;

(v) the date on which the Grantee commits a breach of paragraph (n);

(vi) the date on which the Grantee knowingly performs any act that may confer any competitive benefit or advantage upon any competitor of our Group, or becomes an officer, director, employee, consultant, advisor, partner of, or a stockholder or other proprietor owning more than a 5% interest in any competitor of our Group; or

(vii) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

If the Grantee's employment or service with our Company or its subsidiaries is terminated for any reason other than for Cause (as defined below) (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall be cancelled automatically with effect from the date on which the Grantee's employment or service is terminated.

For the purpose of this Post-IPO RSU Scheme, "**Cause**" means, with respect to a Grantee, the summary termination of employment or office on any one or more of the following grounds: the Grantee has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in our Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with the relevant company in our Group. Notwithstanding the foregoing, a resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or office of a grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

The Board may at any time cancel any unvested RSUs granted to a grantee subject to consent by the Grantee. Where our Company cancels unvested RSUs and makes a grant of new Awards to the same Grantee, such grant may only be made with available RSUs to the extent not yet granted (excluding the cancelled RSUs) within the limits prescribed by paragraph (k) above. Notwithstanding the foresaid in this paragraph, in each case, the Board may in its absolute discretion decide that any RSU shall not be cancelled or determined subject to such conditions or limitations as the Board may decide.

The Board may also, at its sole discretion, cancel any RSU that has not vested or lapsed, provided that:

(i) our Company or its appointees pay to the Grantee an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with an independent financial adviser appointed by the Board;

(ii) our Company or its appointees provide to the Grantee a replacement RSU of equivalent value to the RSU to be cancelled; or

(iii) the Board makes any arrangement as the Grantee may agree in order to compensate him for the cancellation of the RSU.

(v) **Reorganization of Capital Structure**

In the event of any alteration in the capital structure of our Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

(i) make arrangements for the grant of substitute Awards of equivalent fair value to an Award in the purchasing or surviving company; or

(ii) reach such accommodation with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee equivalent to the fair value to an Award to the extent not vested; or

(iii) waive any conditions to vesting of an Award to the extent not already vested; or

(iv) permit the continuation of an Award in accordance with its original terms.

(w) **Alteration or Amendment of the Post-IPO RSU Scheme**

The terms of the Post-IPO RSU Scheme may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of any Grantee hereunder. Any alteration, amendment or waiver to this Scheme of a material nature shall be approved by the Shareholders. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

(x) **Termination of the Post-IPO RSU Scheme**

The Post-IPO RSU Scheme may be terminated at any time prior to the expiry of the Scheme Period by the Board provided that such termination shall not affect any subsisting rights of any Grantee hereunder. For the avoidance of doubt, no further Awards shall be granted after the Post-IPO RSU Scheme is terminated but in all other respects the provisions of the Post-IPO RSU Scheme shall remain in full force and effect. No further Award shall be granted after such termination; however, all Awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the RSU Trustee and all Grantees of such termination and how the Shares held by the RSU Trustee on trust and other interests or benefits in relation to the outstanding Awards shall be dealt with.

(y) **Administration of the Post-IPO RSU Scheme**

The Board may delegate the authority to administer the Post-IPO RSU Scheme to the Remuneration Committee. The Board or the Remuneration Committee shall have the right to:

(i) interpret and construe the provisions of the Post-IPO RSU Scheme;

(ii) determine the persons who will be granted Awards under the Post-IPO RSU Scheme, the terms on which Awards are granted and when the RSUs granted pursuant to the Post-IPO RSU Scheme may vest;

(iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the Post-IPO RSU Scheme as it deems necessary; and

(iv) make such other decisions or determinations as it shall deem appropriate in the administration of the Post-IPO RSU Scheme.

(z) **General**

An application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying any Awards which may be granted pursuant to the Post-IPO RSU Scheme.

As of the Latest Practicable Date, no RSU had been agreed to be granted by our Company pursuant to the Post-IPO RSU Scheme. The grant and vesting of any RSUs which may be granted pursuant to the Post-IPO RSU Scheme will be in compliance with Rule 10.08 of the Listing Rules.

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the Post-IPO RSU Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the RSU Trustee and comply with Chapter 14A of the Listing Rules. Details of the Post-IPO RSU Scheme, including particulars and movements of the RSUs granted during each financial year of our Company, and our employee costs arising from the grant of the RSUs will be disclosed in our annual report.

2. Definitions

For the purpose of the Post-IPO RSU Scheme as disclosed in this appendix:

(a) "**Board**" means the board of directors of our Company or the Remuneration Committee;

(b) "**Grantee(s)**" means the Selected Persons who have accepted the grants of Awards by the Board pursuant to the Post-IPO RSU Scheme;

(c) "**RSU Trustee**" means a professional trustee, who is an Independent Third Party, appointed by the Board to assist with the holding, administration and vesting of Awards granted pursuant to the Post-IPO RSU Scheme;

(d) "**Selected Person(s)**" means Eligible Persons selected by the Board, at its discretion, to receive the Awards under Post-IPO RSU 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 Joint Sponsors have 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. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The fee payable to each of the Joint Sponsors in respect of its services as sponsor for the Listing is approximately USD500,000 and payable by us.

5. Preliminary Expenses

The preliminary expenses incurred by us in relation to our incorporation were approximately US$20,000 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:

Morgan Stanley Asia Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Citigroup Global Markets Asia Limited	Licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants, Hong Kong
Li & Partners (Shenzhen)	PRC legal advisor
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

8. Consents of Experts

Each of the experts referred to in "E. Other Information — 7. Qualification of Experts" 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.

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 at December 31, 2018, we have reserves of RMB947,123,000 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 our 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 our 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 our 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 our 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 our 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, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor 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 Business — 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, 2016, 2017 and 2018 issued by Ernst & Young, 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, 2016, 2017 and 2018;

(d) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(e) the legal opinions issued by Li & Partners (Shenzhen), our PRC legal adviser, in respect of certain aspects of the Group and the property interests of the Group;

(f) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman legal adviser, 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;

(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) the service contracts and letters of appointment entered into between our Company and each of the Directors; and

(l) the rules of the Post-IPO RSU Scheme.

翰森製藥
HANSOH PHARMA

Hansoh Pharmaceutical Group Company Limited
翰森製藥集團有限公司