SINOMAB

SinoMab BioScience Limited
中國抗體製藥有限公司
(Incorporated in Hong Kong with limited liability)

Stock Code: 3681

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司

东方证券 DFZQ 國際

Joint Bookrunners and Joint Lead Managers

光大新鴻基 EVERBRIGHT SUN HUNG KAI

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

招銀国际 CMB INTERNATIONAL

海通國際 HAITONG

FOSUN HANI 复星恒利

VICTORY SECURITIES 勝利證券

IMPORTANT

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

SinoMab BioScience Limited
中國抗體製藥有限公司

(Incorporated in Hong Kong with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**182,129,400 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**18,213,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**163,916,400 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$9.60 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Stock code	**:**	**3681**

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Joint Bookrunners and Joint Lead Managers

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

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 38D of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). Neither the Securities and Futures Commission nor the Registrar of Companies in Hong Kong takes any responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company on or around Tuesday, November 5, 2019 (Hong Kong time) and, in any event, not later than Wednesday, November 6, 2019 (Hong Kong time). The Offer Price will be not more than HK$9.60 per Offer Share and is currently expected to be not less than HK$7.60 per Offer Share, unless otherwise announced. Applicants for the Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK$9.60 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$7.60 per Offer Share.

If, for any reason, the Offer Price is not agreed by Wednesday, November 6, 2019 between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the other Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK$7.60 to HK$9.60) at any time 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 in the number of Offer Shares and/or the indicative Offer Price range will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.sinomab.com** as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.sinomab.com**. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares." If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors."

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination." 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 in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

October 31, 2019

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . . 11:30 a.m. on Tuesday, November 5, 2019

Application lists of the Hong Kong Public Offering open[3] . . . . . 11:45 a.m. on Tuesday, November 5, 2019

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . . 12:00 noon on Tuesday, November 5, 2019

Latest time to give **electronic application instructions** to HKSCC[4] . . . . . 12:00 noon on Tuesday, November 5, 2019

Latest time to complete payment for **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s) . . . . . 12:00 noon on Tuesday, November 5, 2019

Application lists of the Hong Kong Public Offering close . . . . . 12:00 noon on Tuesday, November 5, 2019

Expected Price Determination Date[5] . . . . . Tuesday, November 5, 2019

Announcement of:

- the final Offer Price;
- the level of indication of interest in the International Offering;
- the level of indication of interest in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.sinomab.com**[6] on or before . . . . . Monday, November 11, 2019

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus) from . . . . . Monday, November 11, 2019

Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID Number/Business Registration Number" function from . . . . . Monday, November 11, 2019

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7] . . . . . Monday, November 11, 2019

Dispatch/collection of **White Form** e-Refund payment instructions and/or refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8] . . . . . Monday, November 11, 2019

Dealings in Shares on the Stock Exchange to commence at . . . . . 9:00 a.m. on Tuesday, November 12, 2019

Notes:

(1) All times refer to Hong Kong local time unless otherwise stated. For details of the structure of the Global Offering, including its conditions, see "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting 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 for submitting 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 Tuesday, November 5, 2019, the application lists will not open and close on that day. See the section headed "How to apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or around Tuesday, November 5, 2019, and, in any event, not later than Wednesday, November 6, 2019. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us by Wednesday, November 6, 2019, the Global Offering will not proceed and will lapse.

(6) None of the websites or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates for the Offer Shares are expected to be issued on or before Monday, November 11, 2019 but will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

The above expected timetable is a summary only. Please see the sections headed "Underwriting," "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for details relating to 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 PROSPECTIVE INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering.

CONTENTS

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

There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this prospectus. You should read this section carefully before you decide whether to invest in our Shares.

OVERVIEW

We are a Hong Kong-based biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of therapeutics for the treatment of immunological diseases, primarily mAb-based biologics. We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfill unmet medical needs through our Hong Kong-based R&D and PRC-based manufacturing capabilities. We have been dedicated to R&D since our inception, and have built a pipeline of complementary mAb-based biologics and new chemical entities ("**NCE**") addressing indications against a plethora of immunological diseases. SM03, our flagship product, is a potential global first-in-target mAb for the treatment of rheumatoid arthritis ("**RA**") and potentially for the treatment of other immunological diseases. Under the leadership of our management team, consisting of members with rich experience in scientific research and business management, we have established a business model that integrates elements from the entire industry chain encompassing R&D, clinical trials and production. Pursuant to this business model, we leverage our proven ability in novel drug discovery, clinical development and in-house manufacturing capabilities to enable multiple clinical trials and subsequent commercialization. Our vision is to become a global leader in the innovation of therapeutics for immunological diseases.

As an industry pioneer in the Greater China Region, we have built and continue to expand our product portfolio. As of the Latest Practicable Date, we had a product portfolio of two drug candidates in varying clinical trial stages for the treatment of multiple immunological diseases, and four candidates in the IND-enabling stage. These drug candidates target RA, systemic lupus erythematosus ("**SLE**"), asthma, pemphigus, Sjogren's syndrome ("**SS**") and other immunological diseases. Among them, our in-house *ab initio* flagship product, SM03, has the potential to be a global first-in-target mAb against CD22, a novel antigen that is found exclusively on B cells for the treatment of RA and potentially other immunological diseases. SM03 is currently in Phase III clinical trial for RA in China, and we aim to complete patient enrollment by the end of 2019. In addition, we completed Phase I clinical trials of SM03 for NHL and SLE, and we plan to initiate Phase II clinical trials for SLE in China in 2020. Although a humanized mAb against CD22 had been tested for the treatment of SLE and did not meet their primary clinical efficacy endpoints, we believe SM03's unique mechanism of action will further our clinical development for SM03 for the treatment of SLE. SM03 for the treatment of SS is currently in the IND-enabling stage. SN1011 is our third-generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed for higher selectivity with superior efficacy and safety profile for the treatment of RA, SLE and pemphigus for long term administration. It is currently under Phase I clinical trials in Australia and we expect to complete Phase I clinical trials, with 16 subjects having completed dosing in two

cohorts as of the Latest Practicable Date, by the end of 2019. SM17 is in the IND-enabling stage developed for the treatment of asthma and the rare disease idiopathic pulmonary fibrosis ("**IPF**"). We intend to enter into human clinical trials by the first quarter of 2021. Our products are strategically tailored to provide patients with multiple treatment options. All of our products are complementary for the purpose of chronic disease management.

We developed a variety of drug candidates via different mechanisms of action for the treatment of immunological diseases, especially for RA and SLE. While we continue to focus on the development of mAb-based biologics, we also seek to supplement and diversify our current product pipeline with small molecule NCEs to provide more treatment options to patients for various indications, disease progression stages and pathogenesis of diseases.

Our portfolio of drug candidates encompasses the entire immunological field which, we believe, will enable us to provide comprehensive treatment options for field-wide indications to patients. We believe our dedication, experiences and achievements in the field of immunology have expedited the process, and elevated the industry standard, for the discovery and development of novel therapeutics against a variety of immunological diseases. As a result, we accumulated significant experience in the discovery of new treatment modalities for immunological diseases which has allowed us to better capture a substantial portion of the immunological disease market by leveraging this competitive advantage. We believe our strategic specialization and dedicated focus on immunological diseases is an effective way to differentiate ourselves from our peers. By specializing in innovative treatments of immunological diseases, we seek to solidify our leading position in the field and thereby create a higher barrier to entry for our peers to compete with us in the development of first-in-target or first-in-class drug candidates. With a diverse and expanding product pipeline, we believe we are well positioned to become an industry leader in the development of treatments for immunological diseases.

Our product candidates enjoy promising prospects in both the global market and the PRC market. According to Frost & Sullivan, the global market for autoimmune diseases, which includes RA, SLE, SS and pemphigus, was US$113.7 billion in 2018, and is expected to reach US$191.3 billion in 2030. The landscape of the PRC market for autoimmune diseases is significantly different from that of the global market and with limited alternative options because treatment options available in the PRC market are mostly TNF-α based. The PRC market for autoimmune diseases was RMB13.4 billion in 2018. Given the increasing diagnosis rate and the largely unmet medical needs, the PRC market for autoimmune diseases is expected to reach RMB133.0 billion by 2030. The prospect for biologics for the treatment of autoimmune diseases is particularly bright as biologics will supplant NCE as the primary treatment for autoimmune diseases. Consistent with this trend, the global biologics market for autoimmune diseases was US$74.5 billion in 2018, and is expected to reach US$142.9 billion in 2030. Until recent years, the PRC biologics market for autoimmune diseases was underserved primarily due to a low diagnosis rate and a lack of treatment option. The PRC biologics market for autoimmune diseases was RMB2.5 billion in 2018, and is expected to further expand at a CAGR of 34.6% from 2018 to 2030 reaching RMB87.8 billion in 2030. The significant growth is due to the growing disease diagnosis rate, increasing R&D investment and favorable government policies. As a result, Frost & Sullivan expects biologics to occupy 66.0% of the PRC autoimmune disease treatment market share by 2030 compared to the 18.5% market share in 2018. In particular, the RA therapeutics market is expected to experience significant growth. The global RA therapeutics market in 2018 was US$62.8 billion and is expected to reach US$74.9 billion by 2030. The PRC RA therapeutics market in 2018 was RMB11.5 billion and is expected to reach RMB83.3 billion by 2030. Even though the RA therapeutics market is expected to grow, SM03, once commercialized, will join a competitive market. There are eight biologics currently marketed in the PRC and 17 biologics in the pipelines in Phase III clinical trials and NDA stage, 10 of which are TNF-α based biosimilars, for the treatment of RA developed by

PRC and global pharmaceutical companies. Furthermore, SM03's penetration of the PRC market will be affected by its NRDL coverage, as current treatment options for RA have limited penetration in the PRC due to the lack of comprehensive NRDL coverage and relatively high treatment prices. See " Industry Overview – Trends In the PRC Pharmaceutical Market – Expanding Medical Insurance Coverage in the PRC" for more details regarding the effect of NRDL coverage on treatment prices. While SM03 will face imminent competition once entering the market, and the medical benefit of SM03 over the current treatment options has not been proven, we believe its unique MOA and first-in-target nature enable SM03 to establish itself as an effective treatment option for RA.

According to Frost & Sullivan, the market for biologics treating other immunological disease, including allergic asthma and IPF, is currently underserved and has potential for growth. The global asthma therapeutic market in 2018 was US$21.1 billion and is expected to reach US$34.6 billion by 2030. The PRC asthma therapeutic market in 2018 was RMB18.2 billion and is expected to reach RMB65.0 billion by 2030. With an increasing patient pool and unmet market needs in the PRC, biologics for other immunological diseases will experience sustainable growth in the future. For industry information on the prospects of our product candidates, please see "Industry Overview – Market for Immunological Diseases."

Our product pipeline is backed by our established full-spectrum platform integrating in-house capabilities across the industry chain, such as our strong and independent target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control and quality assurance, regulatory approval and commercial-scale production up to the commercialization stage, as well as all other processes in the discovery and development of our drug candidates. We believe this full-fledged capability is matched only by a select few biopharmaceutical companies in the Greater China Region. Our platform features patent-protected technologies and knowhow that enable us to attain an in-depth understanding of the drug discovery and development process. As demonstrated by our potential first-in-target and first-in-class drug candidates, we are capable of identifying novel targets, developing innovative drugs and implementing our development plan via clinical validations. Although we primarily focus on in-house *ab initio* development, our platform can also incorporate external drug candidates at different developmental stages into our pipeline to advance towards commercialization.

Our proven R&D strengths also lead to collaboration with reputable companies and academic institutions. LifeArc, a UK-based life medical research charity, engaged us to co-develop its humanized mAb against the receptor IL17BR found on ILC2 cells, which we subsequently named as SM17, in recognition of our accomplishment in R&D and clinical development. SM17 was originally developed by Dr. Andrew N.J. McKenzie, FRS, at the MRC Laboratory of Molecular Biology and we have been entrusted by LifeArc to further develop SM17, conduct clinical trials and to bring it to commercialization. Dr. McKenzie also serves as a member of our Scientific Advisory Board. In addition to our collaboration with businesses, many top universities in Hong Kong and the PRC approach us to conduct joint research studies and publications, in testament to our R&D achievements. These collaborative efforts allow us to continue to be at the forefront of scientific developments in our field.

We have a production base in Haikou, Hainan. We are also constructing commercial-scale production facilities in Suzhou, Jiangsu as part of our commercialization plan. According to Frost & Sullivan, the biopharmaceutical industry in the PRC has undergone significant regulatory changes in recent years, and is expected to become more competitive in the near future. These changes include increased demand for biopharmaceutical products as patient awareness rises, as well as a decrease in the average prices of biopharmaceutical products. We believe having our own production capabilities allows us to leverage these opportunities arising from the aforementioned trends. We can effectively manage costs, quality control and assurance, data security and other aspects of the production process, thereby overcoming challenges during commercialization arising from ever-changing regulatory requirements and an increasingly competitive landscape.

Our company was founded by Dr. Leung, a highly revered scientist with three decades of experience in the field of molecular immunology and therapeutic mAbs. Dr. Leung is also a pragmatic entrepreneur who has successfully applied scientific principles to commercialization. He pioneered, developed and effected the concept of functional humanization, which is a novel antibody re-engineering method critical to our R&D process. Dr. Leung was also the first scientist to successfully develop humanized CD22 mAb. As one of only a handful of entrepreneurs in the Greater China Region with experience in every segment of the biopharmaceutical industry, which includes novel target identification, drug discovery, pre-clinical research, clinical development and production, Dr. Leung's vision and leadership are paramount to our success.

As one of the few biopharmaceutical companies based in Hong Kong, we benefit from the Hong Kong government's policy to foster and promote the biotech industry, including biopharmaceutical companies. We utilize resources and infrastructure of the Hong Kong Science Park to further our development.

We believe we are well positioned to capture significant global opportunities with our competitive strengths, existing capabilities and strategic planning.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success:

- Our drug candidate SM03 is a clinically proven, first-in-target anti-CD22 mAb for the treatment of RA and potentially other immunological diseases.
- We are one of a select few biopharmaceutical companies in the Greater China Region with an established full-spectrum platform.
- We have an expanding portfolio of drug candidates for the treatment of immunological diseases targeting markets with significant growth potential.
- Our experienced and highly cohesive management team, led by our founder, provides exemplary leadership and guidance.

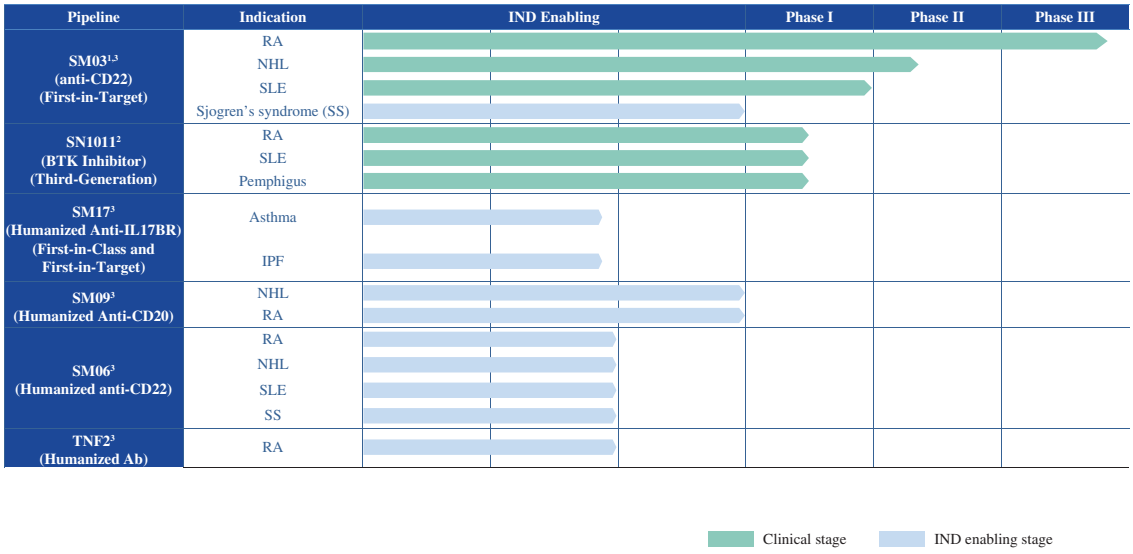
OUR STRATEGIES

We believe the following strategies will contribute to our growth:

- Rapidly advance our flagship product SM03 towards commercialization
- Further progress our existing product pipeline
- Continue to discover and develop novel drugs for the treatment of immunological diseases by leveraging our R&D capabilities
- Expand our production scale to support our product commercialization
- Strengthen our global presence through leveraging our position as a Hong Kong-based biopharmaceutical company

OUR PRODUCT PIPELINE

The following chart summarizes our pipeline and the development status of each candidate as of the Latest Practicable Date.



Notes:

1) Our Core Product, SM03, is under various clinical stages for RA, NHL and SLE. The IND approvals for SM03 are currently held by LonnRyonn Pharma Ltd., (深圳龍瑞藥業有限公司) on our behalf. For details regarding our relationship with LonnRyonn, see "Business – Our Relationship with LonnRyonn."

2) Our NCE drug candidate is currently in Phase I clinical trial in Australia.

3) Denotes our biologic candidates.

R&D SYSTEM

We are committed to becoming a global leader in the innovation of therapeutics for the treatment of immunological diseases. Our R&D capabilities and our ability to identify and develop innovative targets and therapeutics in particular are the foundation to our current and future success. We have made significant investments to our R&D program aimed at building and maintaining a full-spectrum platform. We focus on developing drug candidates for the large and growing therapeutic area of immunological diseases.

Our R&D activities are executed by a team of experienced scientists in the field of molecular biology and immunology and a management team with deep expertise in the biopharmaceutical industry. In particular, our founder and chief executive officer, Dr. Leung, oversees our R&D process. Dr. Leung has extensive experience in the field of molecular immunology and the development of mAb-based biologics, which contributed to the development of our R&D platform. For example, functional humanization, which is a novel antibody re-engineering method developed by Dr. Leung, was successfully incorporated into our platform and plays an integral role in the development of our drug candidates.

Our R&D team has a full range of capabilities, from drug discovery to the IND stage. Our in-house team facilitates our pre-clinical studies through target validation, translational research, functional assay, antibody humanization, safety and efficacy assay and other key activities. We believe our R&D team will enable us to achieve our long-term goal of developing and commercializing innovative immunological therapeutics for patients worldwide. As of the Latest Practicable Date, we had a team of 30 upstream R&D personnel in Hong Kong.

In 2017, 2018 and the four months ended April 30, 2019, our research and development costs were RMB32.6 million, RMB47.3 million and RMB20.2 million, respectively.

MANUFACTURING SYSTEM

As of the Latest Practicable Date, we carried out our manufacturing activities at our Haikou production base, where we manufactured our drug candidates for pre-clinical research, clinical trials and future production. Our Haikou production base occupies a total operational area of approximately 4,526 sq.m. and has the production capacity of 1,200L comprising two 500L stainless steel bioreactor lines and two 100L stainless steel bioreactor lines. We are also constructing another production base in Suzhou, Jiangsu, the Phase I of which has a planned production capability of 6,000L occupying approximately 7,000 sq.m. of production area and are expected to complete construction by the end of 2021.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had been granted six invention patents in the PRC, five invention patents in the United States, one invention patent in Singapore, one invention patent in India, one invention patent in Japan and one invention patent in Europe. We have two pending patent applications in the United States. We also filed a PCT patent application in the PRC.

For our Core Product SM03, we hold two PRC invention patents which are valid until 2023 and 2033, respectively, and one U.S. invention patent for SM03 which is valid until 2033. We had two pending patent applications filed for SM03 in the United States, which, if granted, would be expected to expire in 2038. We also filed a PCT patent application in the PRC for SM03 in preparation for future international patent application. Although one of our PRC patents for SM03 will expire in 2023, we believe and our PRC Legal Advisor is of the view that SM03 will be sufficiently protected and the expiration of this patent will not cause any material adverse effect. For information related to the patents we hold in relation to SM03 and other information regarding our intellectual property, see "Business – Intellectual Property."

PRE-IPO INVESTMENTS

Mainly to fund our research and development working capital demands and introduce institutional investors that possess industry expertise, our Company underwent five rounds of Pre-IPO Investments. For details of the identity and background of our Pre-IPO Investors and the principal terms of the Pre-IPO Investments, see "History, Development and Group Structure – Pre-IPO Investments."

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will be collectively interested in and will control, by virtue of the Concert Party Agreement, an aggregate of 38.71% of our enlarged issued share capital and will remain as our Controlling Shareholders.

Under the Concert Party Agreement, the Concert Group has undertaken to vote unanimously for any resolutions proposed at Board meetings and Shareholder meetings (as applicable) of our Company and has confirmed that its members have acted in concert in respect of their equity interests in our Company since the date they joined our Company as a shareholder or director (as applicable) and up until the end of three years after Listing. Under the Concert Party Agreement, if the Concert Group is unable to reach unanimous consensus at Board meetings and Shareholders

meetings (as applicable) of our Company, Dr. Leung will determine how to vote for and on behalf of the Concert Group. As a result of the Concert Party Agreement, Dr. Leung effectively controls approximately 47.26% of the voting rights of our Company as of the date of this prospectus and approximately 38.71% of the voting right of our Company immediately after the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised), respectively. This is consistent with the manner in which the Concert Group has voted and made decisions since the date they joined our Company as a shareholder or director (as applicable) and the Concert Group has confirmed and acknowledged that Dr. Leung was, and is, entitled to exercise all the voting power associated with the Shares on behalf of the Concert Group historically and in the future for the term of the Concert Party Agreement. For details, see "Relationship with our Controlling Shareholders – Our Controlling Shareholders."

SUMMARY OF KEY FINANCIAL INFORMATION

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

Summary Data from Consolidated Statements of Profit or Loss and Comprehensive Income

We have not commercialized any products and therefore did not recognize any revenue during the Track Record Period. We did not incur any sales and marketing or production expenses, but we expect to incur such expenses once our products enter the commercialization phase. The following table sets forth summary data from our consolidated statements of profit or loss for the period indicated.

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income and gains	3,411	8,666	125	50
Research and development costs	(32,603)	(47,283)	(13,371)	(20,209)
Administrative expenses	(6,992)	(8,996)	(2,579)	(6,870)
Finance costs	(2,961)	(3,030)	(999)	(959)
Other expenses	(12,756)	(32,967)	(6,971)	(410)
LOSS BEFORE TAX	(51,901)	(83,610)	(23,795)	(28,398)
LOSS FOR THE YEAR/PERIOD	(51,901)	(83,610)	(23,795)	(28,398)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	(1,654)	4,331	(120)	(1,037)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(53,555)	(79,279)	(23,915)	(29,435)

We have incurred losses in each period since our inception. For the years ended December 31, 2017 and 2018 and four months ended April 30, 2019, we had a loss for the year/period of RMB51.9 million, RMB83.6 million and RMB28.4 million, respectively. During the Track Record Period, our net losses were primarily attributable to research and development costs, which increased from the year ended December 31, 2017 to the year ended December 31, 2018, and from the four months ended April 30, 2018 to the four months ended April 30, 2019, with the advancement in the research and development of our drug candidates, particularly our Core Product, SM03. For further details, see "Financial Information – Discussion of Certain Key Statement of Profit or Loss and Other Comprehensive Income Items" and "Financial Information – Period-to-Period Comparison of Results of Operations."

Summary Data from the Consolidated Statements of Financial Position

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

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total current assets	126,826	50,270	200,754
Total non-current assets	34,810	38,549	46,131
Total current liabilities	184,907	28,419	21,206
Total non-current liabilities	27,681	32,994	28,286
Net current assets/(liabilities)	(58,081)	21,851	179,548
Equity attributable to owners of the parent			
Share capital	152,532	301,532	500,954
Reserves	(203,484)	(274,126)	(303,561)
Total equity	(50,952)	27,406	197,393

As of December 31, 2017, we had negative equity or net deficit of RMB51.0 million, which was primarily attributable to the net current liabilities at that time. The net current liabilities of RMB58.1 million recorded as of December 31, 2017 were mainly due to RMB170 million from two shareholder loans then outstanding, one of which was repaid in full in 2018 and the other was paid down to RMB10 million in 2018 and fully repaid as of August 31, 2019. The increases in our total equity to RMB27.4 million as of December 31, 2018 and RMB197.4 million as of April 30, 2019 were primarily attributable to the proceeds of Series D and Series E Investments from Pre-IPO Investors. We recorded net current assets of RMB21.9 million and RMB179.5 million as of December 31, 2018 and April 30, 2019, respectively. For further details, see "History, Development and Group Structure – Establishment and Major Shareholding Changes of Our Company" and "Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position."

Summary Data from the Consolidated Cash Flow Statements

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

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating cash flows before movements in working capital[(1)]	(26,082)	(52,726)	(14,262)	(25,019)
Net cash flows used in operating activities	(40,200)	(46,829)	(16,267)	(17,193)
Net cash flows generated from/(used in) investing activities	10,315	21,466	(192)	(10,231)
Net cash flows from/(used in) financing activities	89,035	(3,555)	(91)	183,338
Net Increase/(Decrease) In Cash and Cash Equivalents	59,150	(28,918)	(16,550)	155,914

Note:

(1) Movements in working capital consisted mainly of movements in prepayments, deposits and other receivables and other payables and accruals.

During the Track Record Period, our net cash used in operating activities were mainly due to losses before tax, which were driven primarily by cash spent on research and development costs. For further discussion of our cash used in operating activities, see "Financial Information – Liquidity and Capital Resources." We expect our net operating cash flows will continue to be affected by research and development costs. Even without proceeds from the IPO and assuming we make corresponding adjustments to our operations, we anticipate that we have sufficient resources from our cash on hand, liquidated assets and existing financing to sustain our operations to the end of 2020. Under such a scenario, we would prioritize the development of our Core Product SM03 and expect to achieve the planned commercialization of SM03 with limited additional financing.

Key Financial Ratios

The following table sets forth our key financial ratio for the periods indicated:

	As of December 31,		As of April 30,
	2017	2018	2019
Current Ratio[(1)]	0.7	1.8	9.5
Quick Ratio[(2)]	0.7	1.8	9.5
Gearing Ratio[(3)]	N/M[(4)]	36%	5%

Notes:

(1) Current ratio equals current assets as a percentage of current liabilities as of the end of the period.

(2) Quick ratio equals current assets less any inventory stock as a percentage of current liabilities. As the Group did not commercialize any products during the Track Record Period and had no inventory stock, quick ratio equals current ratio.

(3) Gearing ratio equals total debt as a percentage of total equity as of the end of the period.

(4) As of December 31, 2017, the Group had negative total equity, so the gearing ratio as of the date is not meaningful.

OFFER STATISTICS

Offer size	:	Initially 18.1% of the enlarged issued share capital of our Company (subject to the Over-allotment Option)
Offering structure	:	Initially 10.0% for the Hong Kong Public Offering (subject to reallocation) and 90.0% for the International Offering (subject to reallocation and the Over-allotment Option)
Over-allotment Option	:	Up to 15.0% of the number of Offer Shares initially available under the Global Offering
Offer Price per Share	:	HK$7.60 to HK$9.60 per Offer Share

	Based on an Offer Price of HK$7.60 per Offer Share[(1)]	Based on an Offer Price of HK$9.60 per Offer Share[(1)]
Our Company's market capitalization upon completion of the Bonus Issue and the Global Offering[(2)]	HK$7,647.4 million	HK$9,659.9 million
Unaudited proforma adjusted net tangible asset per Share[(3)]	HK$1.50	HK$1.84

Notes:

(1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on 1,006,240,400 Shares expected to be in issue immediately upon completion of the Bonus Issue and the Global Offering assuming the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted net tangible asset value per Share is calculated after making the adjustments referred to "Unaudited Pro Forma Financial Information" set forth in Appendix II to this prospectus.

DIVIDENDS

We declared no dividends to our shareholders in the years ended December 31, 2017 and 2018, and the four months ended April 30, 2019. We currently expect to retain all future earnings for use in the operation and expansion of our business and currently have no intent to pay cash dividends. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on factors such as our earnings, capital requirements, overall financial condition and contractual restrictions.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,461.27 million after deducting the underwriting fees and expenses payable by us in the Global Offering and taking into account any additional incentive fee (assuming full payment of the discretionary incentive fee), assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$8.60 per Offer Share, being the mid-point of the indicative Offer Price range of HK$7.60 to HK$9.60 per Offer Share in this prospectus. If the Offer Price is set at HK$9.60 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$174.83 million. If the Offer Price is set at HK$7.60 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$174.83 million.

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

- Approximately 50.00% of the net proceeds, or HK$730.64 million, will be allocated to the R&D and commercialization of our drug candidates as follows:

  - Approximately 15.00% of the net proceeds, or HK$219.19 million, will be used for the R&D and commercialization of our Core Product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States and (iv) NDA registration filings and the commercial launch of SM03;

  - Approximately 25.00% of the net proceeds, or HK$365.32 million, will be used to fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline;

  - Approximately 3.33% of the net proceeds, or HK$48.66 million, will be used to further advance our R&D programs, expand our R&D team, build our commercialization team, develop our proprietary technology and enhance our full-spectrum platform;

  - Approximately 6.67% of the net proceeds, or HK$97.47 million, will be used for the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio;

- Approximately 40.00% of the net proceeds, or HK$584.51 million, will be used for the construction of our Suzhou production base primarily for the commercial scale production of our Core Product SM03;

    - Approximately 11.43% of the net proceeds, or HK$167.02 million, will be used for the purchase of laboratory and manufacturing equipment;

        - Approximately 6.74% of the net proceeds, or HK$98.49 million, will be used for the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline;

        - Approximately 4.69% of the net proceeds, or HK$68.53 million, will be used for the purchase of manufacturing equipment, primarily for the production of SM03;

    - Approximately 15.38% of the net proceeds, or HK$224.74 million, will be used for the construction of the Suzhou production base as described in "Business – Full-Spectrum Platform – Production System – Suzhou Production Base;"

        - Approximately 8.45% of the net proceeds, or HK$123.48 million, will be used for the construction of additional R&D facilities to aid the ongoing R&D of SM03 for the treatment of RA, SLE, NHL and other potential indications, R&D of SM03 at commercialization to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline;

        - Approximately 6.93% of the net proceeds, or HK$101.27 million, will be used for the construction of an upstream production facility and downstream purification facility;

    - Approximately 13.19% of the net proceeds, or HK$192.74 million, will be used for the purchase of land from the Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base;

- Approximately 10.00% of the net proceeds, or HK$146.13 million, will be used for our working capital, expanding internal capabilities and other general corporate purposes.

Based on the above, approximately 30.19% of the net proceeds, or HK$441.16 million, will be allocated to R&D related activities for SM03.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$1,686.80 million (assuming an Offer Price of HK$8.60 per Share, the midpoint of our indicative Offer Price range).

For further details, please see "Future Plans and Use of Proceeds."

RISK FACTORS

We are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules. There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks are set out in "Risk Factors" in this prospectus. Some of the major risks we face include:

- We depend substantially on the successful commercialization of our drug candidates in the future, which may fail or experience significant delays. You may lose all or part of your investment if we are unable to successfully complete clinical development, obtain regulatory approval and successfully commercialize our drug candidates.

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

- We are a development-stage company and it may be difficult to evaluate our current business and predict our future performance.

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

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

- Our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

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

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

- Our future success depends on our ability to retain key executives and R&D experts, and to attract, train, retain and motivate qualified personnel.

LISTING EXPENSES

We incurred RMB3.5 million of listing expenses and issue costs during the Track Record Period, of which RMB2.9 million was recognized as expenses and RMB0.6 million was deferred. We expect to incur approximately RMB91.2 million of listing expenses (including underwriting commissions) after the Track Record Period, of which approximately RMB62.2 million will be capitalized and RMB29.0 million will be recognized as expenses. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

HISTORICAL LEGAL PROCEEDINGS

In 2006, we, Skytech Technology and Dr. Leung, together as plaintiffs (the "**Plaintiffs**"), initiated legal proceedings in the Court of Chancery of the State of Delaware (the "**Court**") against Immunomedics, Inc. ("**Immunomedics**"), as defendant. The Plaintiffs in the proceedings sought an order that they were not obliged to assign a patent registered with the United States Patent and Trademark Office ("**USPTO**") concerning framework patching (the "**Relevant Patent**") to Immunomedics, a former employer of Dr. Leung. Immunomedics alleged that framework patching was developed by Dr. Leung while he was its employee.

Whilst the ruling was generally in favour of the Plaintiffs, in the memorandum opinion issued by the Court (the "**Memorandum Opinion**"), it made references to an incident where Dr. Leung included a series of figures that purported to show the results of the experiments in the application of the Relevant Patent – "prophetic data" according to the Plaintiffs – and an incident in 2004 where he directed his subordinate to date her experimental results as of 2001. However, as advised by the United States patent attorney engaged by Dr. Leung, usage of prophetic data is permissible for patent applications with USPTO and does not affect its validity. Dr. Leung has also confirmed that (1) he was aware of the aforesaid permission of using prophetic data before the Relevant Patent application was made, and the prophetic data were wrongly presented in the application due to errors in the usage of verb tenses; and (2) the dating of the results of the experiments that took place in 2004 in a log as of 2001 was for internal reference and were not used nor intended to be used externally or to support the application of the Relevant Patent. For details of the background of the legal proceedings, comments of the Court in the Memorandum Opinion as well as Dr. Leung's position, please see "Business – Legal Proceedings and Compliance – Historical legal proceedings."

RECENT DEVELOPMENTS

Our Directors confirm, as of the date of this prospectus, that there has been no material adverse change in our financial or trading position since April 30, 2019, the end of the period reported in the Accountants' Report set out in Appendix I to this prospectus.

On June 19, 2019, our loan from Hainan Haiyao, one of our substantial shareholders, was fully repaid. On July 17, 2019, our wholly-owned subsidiary SinoLink Pharma entered into a project finance loan agreement with China Construction Bank, which agreed to provide a credit facility of RMB200 million for a term of nine years at a variable rate of interest equal to the PBOC RMB base lending rate, which was 4.9% as of August 31, 2019. As of August 31, 2019, the amount of unutilized facilities available was RMB183 million.

For the year ending December 31, 2019, we expect to record a net loss, primarily due to increased research and development costs.

CERTAIN WAIVERS

We have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the requirements to set a term of not exceeding three years and momentary annual caps under the BTK Transfer and Collaboration Agreement under Rule 14A.52 and Rule 14A.53 of the Listing Rules, respectively. For details, see "Connected Transactions – Application for Waivers – (i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements."

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the accountants' report for the Company for the years ended December 31, 2017 and December 31, 2018 and the four months ended April 30, 2019, the text of which is set out in Appendix I to this prospectus
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** Application Form(s) or, where the context so requires, any of them which is used in relation to the Hong Kong Public Offering
"Apricot BioScience"	Apricot BioScience Holdings, L.P. is a company incorporated in the Cayman Islands with limited liability on March 1, 2018 and with Apricot Biotech Holdings Limited as its general partner, one of our Shareholders
"Apricot Oversea"	Apricot Oversea Holdings Limited is a company incorporated in the BVI with limited liability on January 31, 2018 and wholly owned by Apricot Oversea Holdings Limited (a company incorporated in Hong Kong), one of our Shareholders
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on October 18, 2019 which will become effective on the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Australia"	the Commonwealth of Australia
"Australia SinoMab"	SinoMab Pty Ltd, a company incorporated in Australia on April 30, 2019, our wholly-owned subsidiary
"Billion Glory"	Billion Glory International Investment Inc. (億健國際投資有限公司), a limited company incorporated in the BVI on July 1, 2015 and wholly owned by Mr. Shuang WANG (an independent third party), one of our Shareholders
"Board" or "Board of Directors"	our board of Directors

"Bonus Issue"	the proposed issue of 819,990,445 Shares, credited as fully paid, to our existing Shareholders immediately before completion of the Global Offering
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate as measurement to assess the growth of value over 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 clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CDE"	Center for Drug Evaluation under the NMPA (國家藥品監督管理局藥品審評中心)
"China," "PRC" or the "People's Republic of China"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not include, Hong Kong, Macau and Taiwan
"CICC"	China International Capital Corporation Hong Kong Securities Limited, one of the Joint Sponsors
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company," "our Company," "we" or "us"	SinoMab BioScience Limited (中國抗體製藥有限公司), a company incorporated in Hong Kong on April 27, 2001 with limited liability
"Concert Group"	Skytech Technology, Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU
"Concert Party Agreement"	the agreement entered into among the Concert Group on October 30, 2017, pursuant to which the Concert Group has undertaken to, among other things, vote unanimously for any resolutions proposed at Board meetings and Shareholder meetings (as applicable) of our Company and has confirmed that its members have acted in concert in respect of their equity interests in our Company since the date they joined our Company as a shareholder or director (as applicable) and up until the end of three years after Listing
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Dr. Leung, Skytech Technology, Ms. Tian, Mr. Kang WENG, Forbest Capital, For Best Holding, Ms. Chau Yin Janet TSUI, Dr. Ming Hon YAU, Dr. Kwan Yin SIU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE and Mr. Guolin XU
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Core Product"	has the meaning ascribed thereto in Chapter 18A of the Listing Rules; for the purpose of this prospectus, our Core Product is SM03
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"Dr. Leung"	Dr. Shui On LEUNG (梁瑞安), the chairman of our Board, the executive Director, our chief executive officer and one of our Controlling Shareholders
"EIT"	enterprise income tax in the PRC

"**electronic application instructions**"	instructions given by a CCASS Participant electronically via CCASS to HKSCC being one of the methods to apply for the Hong Kong Public Offering
"EMA"	European Medicines Agency
"Employee Stock Incentive Plan" or the "Plan"	the employee stock incentive plan of our Company adopted by our Board in March 2016 and amended in May 2017
"Existing Articles"	the amended and restated memorandum and articles of association of our Company adopted by the then Shareholders on April 27, 2001 and amended on April 29, 2019
"FDA"	U.S. Food and Drug Administration
"Forbest Capital"	Forbest Capital Investment Group Limited (致譽投資集團有限公司), a limited company incorporated in the BVI on January 5, 2011 and wholly-owned by For Best Holding, one of our Controlling Shareholders
"For Best Holding"	For Best Holding Capital Group Investment Inc., a limited company incorporated in the BVI on May 17, 2019 and owned by Ms. Tian and Mr. Kang WENG (翁康) as to 90% and 10%, respectively, one of our Controlling Shareholders
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an industry research consultant and an independent third party
"Frost & Sullivan Report"	the industry report issued by Frost & Sullivan, details of which are set out in "Industry Overview"
"Global Offering"	the Hong Kong Public Offering and the International Offering
"GMP"	Guidelines and regulations from time to time issued pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) the Regulations on the Implementation of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"Greater China Region"	China, Hong Kong, Macau and Taiwan

"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group," "our Group," "we," "our" or "us"	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Hainan Haiyao"	Hainan Haiyao Co., Ltd. (海南海藥股份有限公司), a limited company by share established in the PRC on December 30, 1992 and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000566), one of our Shareholders
"Hainan SinoMab"	Hainan SinoMab Biotech Co., Ltd.* (海南賽樂敏生物科技有限公司), a limited company established in the PRC on February 8, 2014 and a wholly-owned subsidiary of our Company
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 18,213,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to reallocation as described in "Structure of the Global Offering"
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong (subject to reallocation as described in "Structure of the Global Offering") at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and conditions described in this prospectus and the Application Forms

"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 30, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters as further described in "Underwriting"
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are independent of our Company and our connected persons
"International Offer Shares"	the 163,916,400 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to reallocation as described in "Structure of the Global Offering"
"International Offering"	the offer of the International Offer Shares at the Offer Price to professional, institutional, corporate and other investors, as further described in "Structure of the Global Offering"
"International Underwriters"	the underwriters for the International Offering, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company and the International Underwriters
"Jianyi Xinghe"	Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* (上海健益興禾創業投資中心(有限合夥), formerly known as Shanghai Jianyi Xinghe Investment Management Center (Limited Partnership)* (上海健益興禾投資管理中心(有限合夥)), a limited partnership established in the PRC on December 23, 2015, as further described in "History, Development and Group Structure – Pre-IPO Investments – Information about the Existing Pre-IPO Investors"

"Joint Bookrunners" or "Joint Lead Managers"	CICC, Orient Securities (Hong Kong) Limited, China Everbright Securities (HK) Limited, Guotai Junan Securities (Hong Kong) Limited, CMB International Capital Limited, Haitong International Securities Company Limited, Fosun Hani Securities Limited and Victory Securities Company Limited
"Joint Global Coordinators"	CICC and Orient Securities (Hong Kong) Limited
"Joint Sponsors"	CICC and Orient Capital
"Latest Practicable Date"	October 22, 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the listing committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about November 12, 2019 on which the Shares are first listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. Tian"	Ms. Huimin TIAN (田惠敏), one of our Controlling Shareholders
"NMPA"	National Medical Products Administration of the PRC (國家藥品監督管理局) (formerly known as the China National Drug Administration, or CNDA, and the China Food and Drug Administration, or CFDA)
"Nomination Committee"	the nomination committee of our Board
"NRDL"	China's National Reimbursement Drug List

"Novelmab"	Novelmab Limited (formerly known as Dragon Team Development Limited (添龍發展有限公司)), a company incorporated in Hong Kong with limited liability on October 25, 2007, which was dissolved by way of deregistration on May 8, 2019
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of a brokerage fee of 1.0%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%) of not more than HK$9.60 and expected to be not less than HK$7.60, such price to be agreed upon by our Company and the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) on or before the Price Determination Date
"Offer Share(s)"	the Hong Kong Offer Share(s) and the International Offer Share(s) together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Orient Capital"	Orient Capital (Hong Kong) Limited, one of the Joint Sponsors
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (for themselves and on behalf of the other International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 27,319,200 additional Shares (representing approximately 15.0% of our Shares initially being offered under the Global Offering) at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in "Structure of the Global Offering"
"PBOC"	People's Bank of China (中國人民銀行)
"People's Congress"	the PRC's legislative apparatus, including the National People's Congress and all the local people's congresses (including provincial, municipal and other regional or local people's congresses) as the context may require, or any of them
"PRC Government" or "State"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisor"	Zhong Lun Law Firm, the legal advisor to our Company as to the laws of the PRC

"Preference Share(s)"	Series A Preference Share(s), Series B Preference Share(s) and/or Series C Preference Share(s)
"Pre-IPO Investments"	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors, particulars of which are set out in "History, Development and Group Structure – Pre-IPO Investments"
"Pre-IPO Investors"	the investors undertaking the Pre-IPO Investments and each a "Pre-IPO Investor"
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about November 5, 2019 on which the Offer Price will be determined, or such later date as the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company may agree, but in any event, not later than November 6, 2019
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board
"RMB" or "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 (國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"Scheme"	the restricted share unit scheme conditionally adopted by our Shareholders on October 18, 2019 with effect from the Listing Date

"Series A Preference Share(s)"	preference share(s) of our Company with such rights set out in "History, Development and Group Structure – Pre-IPO Investments – Rights of the Pre-IPO Investors"
"Series B Preference Share(s)"	preference share(s) of our Company with such rights set out in "History, Development and Group Structure – Pre-IPO Investments – Rights of the Pre-IPO Investors"
"Series C Preference Share(s)"	preference share(s) of our Company with such rights set out in "History, Development and Group Structure – Pre-IPO Investments – Rights of the Pre-IPO Investors"
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Shenzhen SinoMab"	SinoMab BioScience (Shenzhen) Limited (深圳賽樂敏生物科技有限公司), a limited company established in the PRC on August 10, 2010 and a wholly-owned subsidiary of our Company
"SinoLink Pharma"	SinoLink Pharma (Suzhou) Limited (杏聯藥業(蘇州)有限公司), a limited company established in the PRC on July 30, 2018 and a wholly-owned subsidiary of our Company
"Skytech Technology"	Skytech Technology Limited, a limited company incorporated in the BVI on January 2, 2001 and wholly owned by Dr. Leung, one of our Controlling Shareholders
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement, which may be entered into between the Stabilizing Manager as the borrower and Skytech Technology as the lender on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiaries"	has the meaning ascribed thereto under section 2 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TGA"	Therapeutic Goods Administration of Australia
"Track Record Period"	comprising the financial years ended December 31, 2017 and 2018 and the four months ended April 30, 2019
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the International Underwriting Agreement and the Hong Kong Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$," "USD" or "U.S. dollars"	United States dollars, the lawful currency for the time being of the United States
"West Biolake"	West Biolake Holdings Limited, a limited company incorporated in the BVI on March 26, 2018 and wholly owned by West Biolake Holdings (HK) Limited, one of our Shareholders
"**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(s)
"**White Form eIPO**"	the application process for Hong Kong Offer Shares with applications to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited

"Xingze Xinghe"	Shanghai Xingze Xinghe Startup Investment Center (Limited Partnership)* (上海杏澤興禾創業投資中心(有限合夥), formerly known as Shanghai Xingze Xinghe Investment Management Center (Limited Partnership)* (上海杏澤興禾投資管理中心(有限合夥))), a limited partnership established in the PRC on January 8, 2016, as further described in "History, Development and Group Structure – Pre-IPO Investments – Information about the Existing Pre-IPO Investors"
"Xingze Xingzhan"	Shanghai Xingze Xingzhan Enterprise Management Center (Limited Partnership)* (上海杏澤興瞻企業管理中心(有限合夥)), a limited partnership established in the PRC on October 16, 2018, as further described in "History, Development and Group Structure – Pre-IPO Investments – Information about the Existing Pre-IPO Investors"
"**YELLOW** Application Form(s)"	the application form(s) for use by the public who requires such Hong Kong Offer Shares to be deposited directly in CCASS
"Zhihan (Shanghai)"	Zhihan (Shanghai) Investment Center (Limited Partnership)* (置瀚(上海)投資中心(有限合夥)), a limited partnership established in the PRC on April 6, 2016, one of our Shareholders
"%"	percent

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may be an arithmetic aggregation of the figures preceding them.

For ease of reference, the English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) are translations of their Chinese names and have been included in this prospectus for identification purpose only. In the event of any inconsistency between the Chinese names and their English translation, the Chinese names shall prevail. English translations of company names and other terms from the Chinese language are marked with "."*

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

"*ab initio*"	Latin for "from the beginning"
"ACR"	American College of Rheumatology
"ACR 20"	a composite measure defined as both improvement of 20% in the number of tender and number of swollen joints, and a 20% improvement in three of the following five criteria: patient global assessment, physician global assessment, functional ability measure, visual analog pain scale, and erythrocyte sedimentation rate or C-reactive protein
"ACR 50"	a composite measure defined as both improvement of 50% in the number of tender and number of swollen joints, and a 50% improvement in three of the following five criteria: patient global assessment, physician global assessment, functional ability measure, visual analog pain scale, and erythrocyte sedimentation rate or C-reactive protein
"ACR 70"	a composite measure defined as both improvement of 70% in the number of tender and number of swollen joints, and a 70% improvement in three of the following five criteria: patient global assessment, physician global assessment, functional ability measure, visual analog pain scale, and erythrocyte sedimentation rate or C-reactive protein
"ADC"	antibody-drug conjugate, an important class of highly potent biopharmaceutical drugs designed as a targeted therapy for the treatment of cancer
"ADCC"	antibody-dependent cell-mediated cytotoxicity
"AE" or "adverse event"	any untoward medical occurrence in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials, which does not necessarily have a causal relationship with the treatment
"AMD"	age-related macular degeneration, a medical condition which may result in blurred or no vision in the center of the visual field
"antibody"	protein produced by B cells in response to a foreign molecule or invading microorganism. Also called immunoglobulin

"anti-idiotype antibody"	an antibody that binds to the antigen-combining site of another antibody
"arthritis"	inflammation of the joints in one or more areas of the body
"AS" or "asthma"	a chronic disease involving the airways in the lungs
"assay"	an analysis done to determine (1) the presence of a substance and the amount of that substance and (2) the biological or pharmacological potency of a drug
"AUC"	the area under the curve, a measure of how much of a drug is in a patient's system over a given time period
"autoimmune diseases"	diseases that arise from an abnormal immune response of the body against substances and tissues normally present in the body
"B cell"	also known as B lymphocytes, a type of white blood cell of the lymphocyte subtype, which functions in the humoral immunity component of the adaptive immune system by secreting antibodies
"BCR"	B cell receptor, an immunoglobulin molecule forming a type I transmembrane protein on the surface of B cells. The BCR transmits activatory signals into the B cell following its recognition of a specific antigen
"BIAcore"	BIAcore is an equipment for the measurement of biomolecular interactions, including protein-protein interactions, small molecule/fragment-protein interactions, binding affinities, kinetic rate constants and thermodynamics
"biosimilar"	a follow-on version of innovator biopharmaceuticals which are separately developed after patents protecting the innovator biopharmaceuticals have expired and have similar quality, safety and efficacy as the innovator biopharmaceuticals
"biotech" or "biotechnology"	any technological application that uses biological systems, living organisms, or derivatives thereof, to make or modify products or processes for specific use

"BTK" or "Bruton's tyrosine kinase"	an enzyme that in humans is encoded by the BTK gene. BTK is a kinase that plays a crucial role in B-cell development
"Burkitt's lymphoma"	a form of non-Hodgkin's lymphoma in which cancer starts in immune cells called B-cells
"cancer"	a large group of almost 100 diseases, the two main characteristics of which 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
"cardiovascular system"	an organ system that permits blood to circulate and transport nutrients (such as amino acids and electrolytes), oxygen, carbon dioxide, hormones, and blood cells to and from the cells in the body to provide nourishment and help in fighting diseases, stabilize temperature and pH, and maintain homeostasis
"CD20"	CD20 is expressed on all stages of B cell development except the first and last; it is present from late pro-B cells through memory cells, but not on either early pro-B cells or plasma blasts and plasma cells. It is found on the surface of B-cell lymphomas, hairy cell leukemia, B-cell chronic lymphocytic leukemia, and melanoma cancer stem cells
"CD22"	CD22 is a molecule belonging to the Siglecs family of lectins. It is found on the surface of mature B cells and to a lesser extent on some immature B cells. Generally speaking, CD22 is a regulatory molecule that prevents the overactivation of the immune system and the development of autoimmune diseases
"CDC"	complement-dependent cytotoxicity
"cell bank"	a facility that stores cells of specific genome for the purpose of future use in a product or medicinal needs. They often contain expansive amounts of base cell material that can be utilized for various projects. Cell banks can be used to generate detailed characterizations of cell lines and can also help mitigate cross-contamination of a cell line
"cell culture"	the process by which cells are grown under controlled conditions, generally outside of their natural environment
"cell line"	a cell culture that is derived from one cell or set of cells of the same type and in which under certain conditions the cells proliferate indefinitely in the laboratory

"cGMP"	Current Good Manufacturing Practice regulations enforced by the FDA, which provide for systems that assure proper design, monitoring, and control of manufacturing processes and facilities
"CAIA"	collagen antibody induced arthritis, a simple mouse model of RA that can be used for the fast preclinical efficacy evaluation of candidate therapeutic agents targeting pathogenic mechanisms and inflammatory processes of arthritis
"CIA"	collagen induced arthritis, a condition induced in mice (or rats) to study RA
"clinical trial"	a research study for validating or finding the therapeutic effects and side effects of test drugs in order to determine the therapeutic value and safety of such drugs
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CMO"	a contract manufacturing organization, which provides support to the pharmaceutical industry in the form of manufacturing services outsourced on a contract basis
"CNC"	computer numerical control, a way of controlling how machine tools operate using a computer
"covalent reversible"	a chemical bond is formed, however the free energy difference separating the non-covalently bonded reactants from bonded product is near equilibrium and the activation barrier is relatively low such that the reverse reaction which cleaves the chemical bond easily occurs
"CRO"	a contract research organization, which provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research and development services outsourced on a contract basis, or any other services providers designated by relevant authorities
"cytokine"	small proteins secreted by cells of both innate and adaptive immune systems, which can regulate diverse functions in the immune response
"DAS28"	a measure of disease activity in rheumatoid arthritis (RA). DAS stands for "disease activity score" and the number 28 refers to the 28 joints that are examined in this assessment

"DMARDs"	disease-modifying anti-rheumatic drugs
"DOE"	design of experiments, a systematic method to determine the relationship between factors affecting a process and the output of that process
"Drug Production License"	the license issued by the relevant provincial drug administration of the PRC for production of drugs
"EPZ"	epratuzumab, a humanized monoclonal antibody against CD22, which had been tested for SLE and failed phase III clinical trials
"EULAR response"	European League Against Rheumatism response criteria, a classified response criteria which classifies the patients individual as non-, moderate or good responders dependent on the change and the level of the DAS and the DAS28
"GCP"	good clinical practice, an international ethical and scientific quality standard, provided by the International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use, for the design, conduct, performance, monitoring, auditing, recording, analyzes, and reporting of clinical trials that provides assurance that the data and reported results are credible and accurate, and that the rights, integrity, and confidentiality of trial subjects are protected
"GMP" or "Good Manufacturing Practices"	guidelines and regulations from time to time issued pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) as part of quality assurance which aims to minimize the risks of contamination, cross contamination, confusion and errors during the manufacture process of pharmaceutical products and to ensure that pharmaceutical products subject to these guidelines and regulations are consistently produced and controlled in conformity to quality and standards appropriate for their intended use
"hERG"	hERG codes for a protein known as Kv11.1, the alpha subunit of a potassium ion channel. This ion channel is best known for its contribution to the electrical activity of the heart; the hERG channel mediates the repolarizing IKr current in the cardiac action potential, which helps coordinate the heart's beating
"HVAC system"	heating, ventilation, and air-conditioning system
"Ig" or "immunoglobulin"	also known as antibody, is glycoprotein molecule produced by plasma cell (white blood cell)

"IgE"	Immunoglobulin E, a type of antibody that has only been found in mammals. IgE is synthesised by plasma cells
"ILC2s"	type 2 innate-lymphoid cells
"IL17BR"	Interleukin-17 receptor B, a protein that in humans is encoded by the IL17RB gene
"immune system"	a system of biological structures and processes within an organism that protects against disease. In order to function properly, an immune system must detect a wide variety of agents, from viruses to parasitic worms, and distinguish them from the organism's own healthy tissue
"immunogenicity"	the ability of a particular substance, such as an antigen or epitope, to provoke an immune response in the body of a human and other animal. In other words, immunogenicity is the ability to induce a humoral and/or cell-mediated immune responses
"IND"	Investigational New Drug, an application and approval process required prior to commencing clinical trials
"inhibitor"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"IP"	intellectual property
"IPF" or "idiopathic pulmonary fibrosis"	a type of chronic lung disease characterized by a progressive and irreversible decline in lung function
"*in vitro*"	Latin for "in glass," studies in vitro are conducted using components of an organism that have been isolated from their usual biological surroundings, such a microorganisms, cells or biological molecules
"*in vivo*"	Latin for "within the living," studies in vivo are those in which the effects of various biological or chemical substances are tested on whole, living organisms as opposed to a partial or dead organism, or those done in vitro

"IRB"	an institutional review board, also known as an independent ethics committee (IEC), ethical review board (ERB), or research ethics board (REB), is a type of committee that applies research ethics by reviewing the methods proposed for research to ensure that they are ethical. Such boards are formally designated to approve (or reject), monitor, and review biomedical and behavioral research involving humans
"mAb" or "monoclonal antibody"	an antibody generated by identical immune cells that are all clones of the same parent cell
"MAH"	Marketing Authorization Holder, a certification granted by the NMPA which allows the holder to contract production with qualified contract manufacturing organizations
"mCIA"	collagen induced mouse arthritis models
"mCAIA"	collagen antibody induced mouse arthritis models
"methotrexate"	formerly known as amethopterin, a chemotherapy agent and immune system suppressant
"MRL/lpr"	MRL-lpr Mice are homozygous for the lymphoproliferation spontaneous mutation (Fas^{lpr}), and show systemic autoimmunity, massive lymphadenopathy associated with proliferation of aberrant T cells, arthritis, and immune complex glomerulonephrosis. It is used as a model to study lupus
"MS" or "multiple sclerosis"	a condition that can affect the brain and/or spinal cord, causing a wide range of potential symptoms, including problems with vision, arm or leg movement, sensation or balance
"MTD" or "maximum tolerated dose"	the highest dose of a radiological or pharmacological treatment that will produce the desired effect without unacceptable toxicity
"MTS assay"	a colorimetric method for sensitive quantification of viable cells in cell proliferation assay
"NCE"	new chemical entity, is a compound without any precedent among the regulated and approved drug products
"NDA"	new drug application
"NHL" or "non-Hodgkin's lymphoma"	a group of blood cancers that includes all types of lymphoma except Hodgkin's lymphomas

"NOAEL"	no-observed-adverse-effect level, the level of exposure of an organism, found by experiment or observation, at which there is no biologically or statistically significant increase in the frequency or severity of any adverse effects (e.g., alteration of morphology, functional capacity, growth, development or life span) in the exposed population when compared to its appropriate control
"PCT"	Patent Cooperation Treaty, PCT patent application is a single application filed at one of the international receiving offices that grants the applicant the right to file future national patent applications in any of the contracting states
"PD"	progressive disease
"phase I clinical trial(s)"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"phase II clinical trial(s)"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"phase III clinical trial(s)"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"PK" or "pharmacokinetics"	a branch of pharmacology dedicated to determining the fate of substances administered to a living organism
"placebo"	a substance or treatment with no active therapeutic effect, commonly used in clinical trials as the administered substance for the control group
"plasma cells"	also called plasma B cells, plasmocytes, plasmacytes, or effector B cells, are white blood cells that secrete large volumes of antibodies. They are transported by the blood plasma and the lymphatic system
"POC"	proof of concept, used to demonstrate the feasibility of an idea

"pre-clinical studies"	pre-clinical studies testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"proteins"	large biological molecules or macromolecules, consisting of one or more long chains of amino acid residues
"PS" or "pemphigus"	a rare group of blistering autoimmune diseases that affect the skin and mucous membranes
"QA"	quality assurance, a way of preventing mistakes and defects in manufactured products and avoiding problems when delivering products or services to customers
"QC"	quality control, a process by which entities review the quality of all factors involved in production
"RA" or "rheumatoid arthritis"	an autoimmune disease where the body's immune system attacks normal joint tissues, causing inflammation of the joints and surrounding tissues; it can also affect other organs
"R&D"	research and development
"SAE"	serious adverse event, any untoward medical occurrence in a patient during clinical trials that results in death, is life-threatening, requires impatient hospitalization or prolongation of existing hospitalization, results in persistent or significant disability/incapacity, or is a congenital anomaly/birth defect
"SD"	stable disease
"Siglecs"	sialic acid-binding immunoglobulin-type lectins, cell surface proteins that bind sialic acid
"SLE" or "systemic lupus erythematosus"	a systemic immunological disease in which the body's immune system attacks normal, healthy tissue and can result in symptoms such as inflammation and swelling
"SLEDAI"	systemic lupus erythematosus disease activity index, a disease activity index for lupus patients
"SS" or "Sjogren's syndrome"	a long-term immunological disease that affects the body's moisture-producing glands
"T cell"	a type of white blood cell which is an essential part of the immune system

"target"	a molecule in the body, usually a protein, that is intrinsically associated with a particular disease process and that could be addressed by a drug to produce a desired therapeutic effect
"TNF-α"	tumor necrosis factor alpha
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals. Acute toxicity involves harmful effects in an organism through a single or short-term exposure. It is expressed generally as a dose response
"TRAE"	treatment related adverse event, an adverse event present after medical treatment
"tyrosine"	one of the 20 standard amino acids that are used by cells to synthesize proteins. It is a non-essential amino acid with a polar side group
"ulcerative colitis"	a chronic, inflammatory bowel disease that causes inflammation in the digestive tract

This prospectus contains certain forward-looking statements and information relating to our Company 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. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth in "Risk Factors" and the following:

- timing and likelihood of drug discovery, development and commercialization, completion and conclusion of clinical trials, regulatory filings and approvals such as IND and NDA;
- the efficacy and safety of our drug candidates, their pricing, market reception, market share;
- our future operations, financial condition and performance and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- our ability to attract and retain senior management and key employees;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- the actions and developments of our competitors;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this prospectus that are not historical fact.

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. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially 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.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with an investment in our Company before making any investment decision regarding our Company. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial conditions or the trading price of our Shares, and could cause you to lose all or part of the value of your investment.

RISKS RELATING TO OUR FINANCIAL PROSPECTS

We depend substantially on the successful commercialization of our drug candidates in the future, which may fail or experience significant delays. You may lose all or part of your investment if we are unable to successfully complete clinical development, obtain regulatory approval and successfully commercialize our drug candidates.

As of the Latest Practicable Date, we had built a pipeline of six drug candidates. Our Core Product, SM03, is currently under Phase III clinical trial for RA; we completed Phase I clinical trials of SM03 for NHL and SLE, and we plan to initiate Phase II clinical trials for SLE in China in 2020; SM03 for the treatment of SS is currently in the IND-enabling stage. In addition to our Core Product, we also have five drug candidates in our pipeline as of the Latest Practicable Date. However, we may fail to meet this anticipated product development timeline, and our research and development may be unsuccessful. In particular, we expect to complete patient enrollment for SM03's Phase III clinical trial for RA by the end of 2019, and plan to file our NDA with the NMPA in the second half of 2020. However, we do not have any prior experience in filing NDAs with NMPA or any other authorities, and we cannot assure you that NMPA will approve our NDA in a timely manner or at all. Our drug candidates could be delayed in receiving or fail to receive regulatory approvals due to our inability to meet NMPA's rules and regulation.

We do not have any prior experience in commercializing our drug candidates or currently have any drugs available for commercial sales. Our ability to generate significant revenue and become profitable in the future depends substantially on the future sales of our drug products, which in turn depends on the successful R&D, regulatory approval, commercialization and sales of our drug candidates for the treatment of patients. The success of our drug candidates will depend on several factors, including:

- discovering and developing new drug candidates;
- obtaining IND approval or similar regulatory approvals for clinical trials;
- obtaining favorable safety and efficacy results from our clinical trials;
- obtaining NDA approval or similar regulatory approvals and marketing authorizations for drug candidates;
- developing a sustainable and scalable manufacturing process; and
- launching and commercializing drug candidates at appropriate and favorable prices for our drug candidates.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in our ability to obtain approval for or to successfully commercialize our drug candidates, which would materially harm our business and, consequently, we may not be able to generate sufficient revenues and cash flows to continue our operations. These factors present uncertainties and material risks to our commercial success and may cause potential investors to lose a substantial portion or all of their investment in our business.

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

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

We currently do not generate revenue from the sales of drug products and recorded continued losses during the Track Record Period. If we fail to commercialize our drug candidates for any reason, we may experience significant delays or failure in generating revenue and realizing profit from the commercial sales of our drug products.

Further, we expect to incur significant costs in the future, in particular for the research, development and commercialization of our drug candidates. Our R&D expenses amounted to RMB32.6 million, RMB47.3 million and RMB20.2 million, for the years ended December 31, 2017, 2018 and the four months ended April 30, 2019, respectively. As a drug candidate enters into the clinical trial stage, costs associated with such drug candidate may increase significantly. In the future, as we move more drug candidates into the clinical trial stage, conduct more clinical trials for commercialized products to broaden their use and carry out commercial production of our drug products, the costs associated with such operations may increase significantly.

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

We are a development-stage company and it may be difficult to evaluate our current business and predict our future performance.

We are a development-stage biopharmaceutical company and our operations so far have focused on business planning, raising capital, R&D and clinical trials of our drug candidates. Our drug candidates are still under various development stages and have not been approved for commercial sale. We have not demonstrated an ability to manufacture drugs at a commercial scale or conduct sales and marketing activities necessary for successful commercialization. As a result, we may encounter unforeseen issues, difficulties, delays, costs or other challenges. There is no assurance that we will be able to overcome these challenges. The failure to do so may cause potential investors to lose a substantial portion or all of their investment in our business.

In light of the rapidly evolving biopharmaceutical industry, it may be difficult to evaluate our current business and predict our future performance. Any predictions you make about our future business prospects may not be as accurate as they could be if we were not a development-stage company. Further, our limited financial track record, without any revenue yet from our expected future principal business, may be of limited reference for your assessment of our business.

We have incurred net losses since our inception and anticipate that we will continue to incur net losses in the near future and may never become profitable. We recorded negative equity or net deficit as of December 31, 2017.

We have incurred losses in each period since our inception. For the years ended December 31, 2017 and 2018 and four months ended April 30, 2019, we had a loss for the year/period of RMB51.9 million, RMB83.6 million and RMB28.4 million, respectively. In addition, we recorded net current liabilities of RMB58.1 million as of December 31, 2017. Investment in biopharmaceutical drug development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a drug candidate may fail to gain regulatory approval or become commercially viable. We continue to incur significant development and other expenses related to our ongoing operations. Substantially all of our operating losses have resulted from costs incurred in connection with our R&D programs and from general and administrative costs associated with our operations.

We expect to continue to incur losses for the foreseeable near future, and we expect our expenses to increase as we continue to allocate resources to develop our drug candidates, obtain relevant regulatory approvals and begin to commercialize our drug candidates once they are approved. The size of our future net losses will depend, in part, on the rate of future growth of our expenses, our ability to generate revenues and the timing and amount of milestones and other required payments to third parties in connection with our potential future arrangements with third parties. It generally takes many years to develop one new drug from the time it is discovered to when it is available for treating patients. If any of our drug candidates fails in clinical trials or does not gain regulatory approval, or fails to achieve market acceptance after obtaining regulatory approval, we may not become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable will have an adverse effect on our Company and impair our ability to develop and commercialize our drug candidates, sustain our R&D efforts, raise capital and expand our business in general.

We recorded net current liabilities in 2017 and may record net current liabilities in the future.

As of December 31, 2017, we recorded net current liabilities of RMB58.1 million, mainly due to RMB170 million outstanding from two shareholder loans, one of which was entirely paid off and the other paid down to RMB10 million in 2018. There can be no assurance that we will be able to maintain or improve our liquidity and continue to record net current assets in the future. If we record net current liabilities in the future, we may face a deficiency of working capital and may not be able to service short term debts. Any of these events could have a material adverse impact on our business and results of operations.

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

We had net cash used in operating activities of RMB40.2 million, RMB46.8 million and RMB17.2 million, for the years ended December 31, 2017, 2018 and the four months ended April 30, 2019, respectively. We expect these outflows to continue as we continue to spend substantial amounts of cash on drug discovery, advancing the clinical development of our drug candidates and

launching and commercializing any drug candidates for which we receive regulatory approval. While we believe we have sufficient working capital to fund our current operations, if we are unable to maintain adequate working capital, we may not be able to fund our R&D and commercialization activities and to meet our capital expenditure requirements, which may have a material adverse effect on our business prospects, financial condition and results of operations.

We require additional capital resources to fund our efforts in drug discovery, clinical trials, and business operations in general. We expect to meet our funding needs through a combination of equity offerings, debt financing and other external financing sources. Our ability to raise funds depends on financial, economic and market conditions, many of which are beyond our control. The failure to raise sufficient funding on a timely basis on acceptable terms could adversely impact our business.

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

We may seek additional funding through a combination of equity offerings, debt financings and other external financial sources. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our Shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our Shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future development when we may be able to obtain more favorable terms.

We may be exposed to fair value change for other financial assets measured at fair value through profit or loss ("FVTPL").

According to the accounting policies applicable to us, financial instruments at fair value through profit or loss are measured at fair value with changes in fair value arising from re-measurement recognized in profit or loss. For the years ended December 31, 2017 and 2018, the changes on fair value of equity investments measured at FVTPL we recorded were loss of RMB12.6 million and gain of RMB5.2 million, respectively. We disposed of these equity investments by the end of 2018. We currently do not have any financial instrument in which FVTPL applies. However, we may, in the future, acquire such financial instrument that may trigger the application of FVTPL. In that case, future fair value changes for these financial instruments measured at FVTPL may negatively impact our financial condition and results of operations.

RISKS RELATING TO OUR DRUG CANDIDATES

We may fail to identify, discover or develop new drug candidates.

We may fail to identify, discover or develop new drug candidates in the future to sustain our growth. Research programs to identify new drug candidates and targets and to pursue the development of our drug candidates for additional indications require substantial technical, financial and human resources without guaranteed ultimate success. Our research programs may initially show promise in identifying potential indications or drug candidates, yet fail to yield results for clinical development for a number of reasons, including the following:

- the research methodology used may not be successful in identifying potential drug candidates or indications;
- potential drug candidates may, after further study, be shown to have harmful adverse effects or other characteristics that indicate they are unlikely to be successful drugs; or
- it may take greater human and financial resources to identify additional therapeutic opportunities for our drug candidates or to develop suitable potential drug candidates through internal research programs than we will possess, thereby limiting our ability to diversify and expand our drug portfolio.

We are dedicated to the R&D of mAb-based biologics for the treatment of immunological diseases. Therefore, we may forego or delay pursuit of opportunities in other medical branches or other drug candidates that later prove to have greater commercial potential or a greater likelihood of success. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities.

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

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

Before obtaining regulatory approval for the sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical trial is expensive, difficult to design and implement, and can take many years to complete. A clinical trial's outcome may not be as predicted or support a drug candidate's further development. A failure of one or more of our clinical trials can occur at any stage of testing. The outcome of pre-clinical testing and early clinical trials may not be predictive of the success of later clinical trials, and successful interim results of a clinical trial do not necessarily predict successful final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In some instances, there can be significant variability in safety or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures and protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen and other trial protocol elements and the rate of dropout among clinical trial participants. For example, EPZ, a humanized monoclonal antibody against CD22, had been tested by UCB S.A. for the treatment of SLE. Phase I and phase II clinical trials

for EPZ were successfully completed, but EPZ did not meet their primary clinical efficacy endpoints. According to a press release by UCB S.A., The EMBODY Phase 3 clinical program consisted of two identical studies – EMBODY 1 and EMBODY 2. EMBODY 1 and EMBODY 2 were multicenter, randomized, double-blind, placebo-controlled 48-week studies. In each study, patients (n= 786 for EMBODY 1; n=788 for EMBODY 2) received placebo or treatment with 2,400 mg of EPZ over four 12-week treatment cycles, administered as 600 mg every week for four weeks or 1,200 mg every two weeks for four weeks. All patients were taking corticosteroids at the start of the trial, in addition to EPZ or placebo, while immunosuppressant and antimalarial therapies were administered per their standard therapy regimen. The primary endpoint of the studies was the percentage of patients meeting treatment response criteria at Week 48 according to a combined response index, the BILAG-based Combined Lupus Assessment (BICLA). UCB S.A. announced that the two EMBODY Phase III clinical studies for EPZ in Systemic Lupus Erythematosus (SLE) did not meet their primary clinical efficacy endpoints in either dose in both studies. Treatment response in patients who received EPZ in addition to standard therapy was not statistically significantly higher than those who received placebo in addition to standard therapy.

In the case of any trials we conduct, results may differ from earlier trials due to differences in the number of patients, clinical trial sites, as well as countries and regions and populations involved in such trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be favorable. Even if our future clinical trial results show favorable efficacy, not all patients may benefit. For certain drugs, including checkpoint inhibitors, and in certain indications, it is likely that the majority of patients may not respond to the agents at all, some responders may relapse after a period of response and certain tumor types may appear particularly resistant.

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

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

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

The novel nature of some of our drug candidates could result in delays in clinical development, regulatory approval or commercialization.

SM03, our flagship product, and some of our other product candidates are novel therapeutics for the treatment of immunological diseases. The novel nature of our drug candidates require a different set of protocols compared to commonly used therapeutics. Any modification to the protocols related to the demonstration of safety or efficacy of our drug candidates may delay the clinical trial process, regulatory approval or commercialization, if approved, and we may be required to supplement, modify, or withdraw and refile our applications for regulatory approval. In addition, potential patients and their physicians may be inclined to use conventional standard-of-care treatments rather than try out a novel approach. Further, given the novelty of our drug candidates, patients and medical personnel may require a substantial amount of education and training, which will present additional challenges to the promotion of our drugs. As a result, our ability to generate revenue from our drug candidates may be materially impacted, which in turn may adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

Undesirable AEs caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval. Results of our trials could reveal a high and unacceptable level of severity or prevalence of AEs. In such an event, our trials could be suspended or terminated and the regulatory authority may order us to cease further development of, or deny approval of, our drug candidates for any or all targeted indications. For example, undesirable AEs caused by SM03 may include, but are not limited to, fever, infections and rigor. For details of the adverse events and side effects of our product pipeline as observed during clinical trials, please see "Business – Our Product Pipeline." TRAEs could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly.

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

- we may suspend marketing of the drug;
- regulatory authorities may withdraw approvals or revoke licenses of the drug;
- regulatory authorities may require additional warnings on the label;
- we may be required to develop risk evaluation and mitigation measures for the drug or, if risk evaluation and mitigation measures are already in place, to incorporate additional requirements under the risk evaluation and mitigation measures;
- we may be required to conduct post-market studies;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular drug candidate, and could significantly harm our business, results of operations and prospects.

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

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

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

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

Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, FDA, EMA, TGA, and other regulatory authorities enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found in violation of the prohibition of off-label uses may be subject to significant liability. The policies of the NMPA, FDA, EMA, TGA, and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates.

The NMPA may withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the drug candidate reaches the market. Later discovery of previously unknown problems with our drug candidates, including adverse events of unanticipated severity or frequency, or with our manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a risk evaluation and mitigation program. Other potential consequences include, among other things:

- restrictions on the commercialization or manufacturing of our drug candidates, withdrawal of the approved drug from the market, or voluntary or mandatory product recalls;

- fines, untitled or warning letters, or holds on clinical trials;

- refusal by the NMPA to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals;

- product seizure or detention, or refusal to permit the import or export of our drug candidates; and

- injunctions or the imposition of civil or criminal penalties.

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

In addition, if we were able to obtain conditional approval of any of our drug candidates, the NMPA may require us to conduct a confirmatory study to verify the predicted clinical benefit and additional safety studies. The results from the confirmatory study may not support the clinical benefit, which would result in the approval being withdrawn. While operating under conditional approval, we will be subject to certain restrictions that we would not otherwise be subject to upon receiving regular approval.

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

The Draft Amendments of the Drug Administration Law of the PRC (中華人民共和國藥品管理法修正草案) (the "**DALDA**") was discussed at the Tenth Session of the Standing Committee of the 13th National People's Congress on April 20, 2019. The Legislative Affairs Commission of the Standing Committee of the National People's Congress has from time to time solicited the opinions from the public on the DALDA, most recently on April 26, 2019. DALDA was finally adopted at the 12th Session of the Standing Committee of the 13th National People's Congress of the PRC on August 26, 2019 and will go into effect on December 1, 2019.

According to the newly amended Drug Administration Law of the PRC (中華人民共和國藥品管理法) (the "**DAL**") adopted on August 26, 2019, the major changes include: (1) improving the supervision system for the entire drug approval process; (2) clarifying the responsibilities in drug supervision; (3) strengthening the punishment of illegal behavior; (4) implementing the Marketing Authorization Holder (the "**MAH**") system; and (5) reforming the drug approval system.

The DAL improves the supervision system for the entire drug approval process by imposing specific rules requiring the MAH of a particular drug to be responsible for the drug's non-clinical research, clinical trials, manufacturing and operation, post-marketing research, monitoring, reports and settlements of adverse reactions. These stringent requirements, once implemented, may impose greater burden on our business operations and lead to higher operational costs.

The DAL also significantly increased the penalties for potential violations. In addition to increasing the monetary penalties, senior management of the company who violate the rules proposed under the DAL may be subjected to criminal liabilities and receive a lifetime ban from working in the pharmaceutical industry. We may incur additional compliance costs as a result of these new rules and the failure to comply with these requirements set forth in the DAL may result in significant penalties.

Beyond imposing more stringent rules on pharmaceutical companies, the DAL also contemplates a reform of the drug approval process. For example, GMP compliance will shift from a certification-based review to an ongoing GMP compliance system. Under the new system, a pharmaceutical company must establish and perfect a drug production quality management system to ensure ongoing GMP compliance. Manufacturing facilities are subject to ongoing inspection and constant supervision of the drug regulatory authorities. These new rules significantly raise the standard for GMP compliance as well the manufacturing costs overall.

Due to the fact that the DAL was newly enacted, we are uncertain of the enforcement standards required by the regulatory agencies or its exact effect on our future business operation. There is no assurance that we will always be able to comply with the DAL and related regulations or future amendment, if any, to the DAL. We could incur additional compliance costs. Further, there may be uncertainties as to the interpretation and implementation of the DAL as the changes are new. Any of these factors may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our drug candidates may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

If any of our drug candidates receives regulatory approval, it may nonetheless fail to gain sufficient acceptance by physicians, patients, third-party payers and others in the medical community. Physicians, patients and third-party payers may prefer other drugs to ours. If our drug candidates do not achieve an adequate level of acceptance, we may not generate significant product sales revenues and we may not become profitable. The market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including but not limited to:

- the clinical indications for which our drugs and drug candidates are approved;
- the safety and efficacy of our drug candidates;
- our ability to build and maintain strong medical affairs and medical liaison teams;
- the cost of treatment in relation to alternative treatment;
- the prevalence and severity of any side effects;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- limitations or warnings contained in the labeling approved by the regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the availability of adequate coverage, reimbursement and pricing by third-party payers and government authorities; and
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payers and government authorities.

If our drug candidates are approved but fail to attain market acceptance among the medical community, we will not be able to generate significant revenue. Even if our future approved drug candidates achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than our drug candidates, are more cost-effective or render our drug candidates obsolete. Our business and profitability would be adversely affected.

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

The development and commercialization of new drugs is highly competitive. We face competition with respect to our current drug candidates, and may face competition with respect to any drug candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of diseases for which we are developing our drug candidates. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for R&D, manufacturing and commercialization. Specifically, there are a large number of companies developing or marketing treatments for immunological diseases, including many major pharmaceutical and biotechnology companies. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. For details, please see "Business – Our Product Pipeline."

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer and more effective, have fewer or less severe side effects, or are more convenient or are less expensive than any drugs that we may develop. Our competitors also may obtain approval from the NMPA, FDA, EMA, TGA or other comparable regulatory authorities for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market or secure our regulatory approval. In addition, more advanced drug development by our competitors may render our drug candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our drug candidates.

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

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

Our projections of the number of people who have the immunological diseases we are targeting and have the potential to benefit from treatment with our drug candidates are based on our beliefs and estimates. These estimates have been derived from a variety of sources, including scientific literature, surveys of clinics, patient foundations or market research and may prove to be inaccurate or based on imprecise data. Further, new studies may change the estimated incidence or prevalence of these diseases. Additionally, the potentially addressable patient population for our drug candidates may be limited or may not be amenable to treatment with our drug candidates. Even if we obtain significant market share for our drug candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications.

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

We have commenced building our internal sales and marketing team in anticipation of the commercialization of our drug candidates. We have limited experience and have not demonstrated the ability to commercialize any of our drug candidates. Therefore, our ability to successfully commercialize our drug candidates may involve more inherent risks, take longer and cost more than it would if we had prior experience in commercializing a drug candidate. In addition, we will have to compete with other pharmaceutical and biotechnology companies to recruit, hire, train and retain suitable personnel in order to maintain and improve our sales and marketing team.

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

If we are not able to conduct sales and marketing in house or maintain working relationship with third parties, we may not be able to generate sufficient sales revenue.

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

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from jurisdiction to jurisdiction. Some jurisdictions require approval of the sale price of a drug before it can be marketed. In many jurisdictions, the pricing review period may begin after marketing or licensing approval is granted. As a result, we may obtain regulatory approval for a drug in a particular jurisdiction, but then be subject to price regulations that may delay our commercial launch of the drug and negatively impact the revenues we are able to generate from the sale of the drug in that jurisdiction. In particular, the PRC government has implemented significant reforms of the pharmaceutical industry in recent years and may enforce additional measures in the future which may adversely affect our pricing strategy. Even if our drug candidates have already obtained regulatory approval, any adverse pricing limitations may hinder our ability to recoup our investment in one or more drug candidates.

Our ability to commercialize any drugs successfully may also depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and other third-party payers could decide which medications they will pay for and establish reimbursement levels. Government authorities and these other third-party payers may control costs by limiting coverage and the amount of reimbursement for particular medications.

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

There may be significant delays in obtaining reimbursement for approved product drugs, and coverage may be more limited than the purposes for which the drug is approved by the NMPA, FDA, EMA, TGA or other comparable regulatory authorities outside the PRC. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including R&D, manufacturing, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payers. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payers for new drugs that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize drugs and our overall financial condition.

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

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

Government authorities and third-party payers such as private health insurers decide which drugs and treatments they will cover and the amount of reimbursement. Coverage and reimbursement by a third-party payer may depend upon a number of factors, including the third-party payer's determination that use of the drug is a covered benefit under its health plan, safe, effective and medically necessary, appropriate for the specific patient, cost-effective and neither experimental nor investigational.

A primary trend in the global healthcare industry is cost containment. Government authorities and these third-party payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

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

We intend to seek approval to market our drug candidates in the PRC, the United States, Australia and in other selected jurisdictions. If we obtain approval in one or more non-PRC jurisdictions for our drug candidates, we will be subject to rules and regulations in those jurisdictions. In some non-PRC countries, particularly those in the European Union, the pricing of drugs and biologics is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after obtaining regulatory approval of a drug candidate. In addition, market acceptance and sales of our drug candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payers for our drug candidates and may be affected by existing and future health care reform measures.

RISKS RELATING TO OUR IP RIGHTS

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

Our success depends largely on our ability to protect our proprietary technology and drug candidates from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing patent applications in the PRC, the United States and other countries related to drug candidates and novel technology that we consider important to our business. As of the Latest Practicable Date, we had 15 issued patents, two pending patent applications internationally and one pending PCT patent application. For details of our patent portfolio, please see "Business – Intellectual Property." However, we are exposed to various limitations and risks and may fail to obtain and maintain IP rights for the protection of our technology and drugs.

We may fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection. Assuming all other requirements for patentability are met, the first to file a patent application is entitled to the patent. Publications of discoveries in the scientific literature may lag behind the actual discoveries, and patent applications in the PRC and other jurisdictions may not be published until months after filing or, in some cases, not at all. Therefore, we cannot be certain that we were the first to make the inventions claimed in our patents or pending patent applications, or that we were the first to file for patent protection of such inventions. China and the United States have adopted the "first-to-file" system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

In addition, under the PRC patent law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the National Intellectual Property Administration, or NIPA, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The IP right application process is expensive, complex and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. There can be no assurance that our pending patent applications will result in issued patents in the PRC or other jurisdictions in which such applications are pending. Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. As a result, we may not be able to prevent competitors from developing and commercializing competitive drugs.

Even if our applications result in the granting of IP rights, they may not be in a form that will provide us with sufficient, or any meaningful protection of our technology or drug candidates, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our patents may be challenged in the courts or patent offices in the PRC, the United States and other countries. Such challenges may result in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or commercializing similar or identical technology and drug candidates, or limit the duration of the patent protection of our technology and drug candidates. The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. The scope of patent protection in various jurisdictions is also uncertain. Changes in either the patent laws or their interpretation in the PRC, the United States or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future issued patents will provide sufficient protection from competitors.

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

Lastly, our competitors may be able to circumvent our patents by developing similar or alternative technology or drug candidates in a manner without infringing our intellectual property rights. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing drug candidates similar or identical to ours.

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

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

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

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

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

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

Many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors is forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations, and prospects may be adversely affected.

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

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

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

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

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

Although we are not currently experiencing any claims challenging the inventorship of our patents or ownership of our IP, we may in the future be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other IP as inventors or co-inventors. For example, we may have inventorship disputes arising from conflicting obligations of others who are involved in developing our drug candidates. We are not aware of any threatened or pending claims related to these matters, but in the future, litigation may be necessary to defend against these and other claims challenging inventorship.

If we fail to defend any claim, in addition to paying monetary damages, we may lose rights such as exclusive ownership of, or right to use, our patent rights or other IP. Such an outcome could have a material adverse effect on our business. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees, which in turn may have a material adverse effect on our business prospects.

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

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

As of the Latest Practicable Date, we had been granted six invention patents in the PRC, five invention patents in the United States, and one invention patent in each of Singapore, India, Japan and Europe. We also had two pending provisional patent applications in the United States and one pending PCT patent application as of the Latest Practicable Date. Upon the expiration of our issued patent or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

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

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

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

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

In addition, while we typically require our employees, consultants and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in executing such an agreement with each party who in fact develops intellectual property that we regard as our own and, furthermore, the assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, each of which may result in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and scientific personnel and could have a material adverse effect on our business, financial condition, results of operations, and prospects.

RISKS RELATING TO OUR OPERATIONS

Our future success depends on our ability to retain key executives and R&D experts, and to attract, train, retain and motivate qualified personnel.

We are highly dependent on our founder, senior management and our team of R&D experts as well as other key scientific personnel. We do not have key man insurance on any of our executive or other employees. The loss of services of any one of them could impede the achievement of our research, development and commercialization objectives.

Although we have not historically experienced unique difficulties attracting and retaining qualified employees, we could experience such problems in the future. We compete for qualified personnel with other pharmaceutical and biotechnology companies, universities and research institutions. Replacing executive officers or key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products like those we develop. Intense competition for these personnel could cause our compensation costs to increase significantly, which could have a material adverse effect on our results of operations. Our future success and ability to grow our business will depend in part on the continued service of these individuals and our ability to identify, hire and retain additional qualified personnel. If we are unable to attract and retain qualified employees, we may be unable to meet our business and financial goals.

We may experience difficulties in managing our growth.

As of the Latest Practicable Date, we had 109 employees. As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, medical affairs and medical liaison, financial and other personnel. Our recent growth and any future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining, and motivating additional employees;
- managing our internal development efforts effectively, including the clinical and regulatory authority review process for our drug candidates, while complying with our contractual obligations to contractors and other third parties; and
- improving our operational, financial and management controls, reporting systems and procedures.

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

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

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

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

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

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

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

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

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

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

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

We have a GMP-compliant manufacturing plant in Haikou with a production capacity of 1,200L comprising two 500L stainless steel bioreactor lines and two 100L stainless steel bioreactor lines, where we manufacture our drug candidates for pre-clinical research, clinical trials and future production. We are currently constructing our Suzhou production base. However, we have limited experience in large-scale production of our drugs for commercial use. Moreover, the manufacture of biologics is a highly exacting and complex process, due in part to strict regulatory requirements. If problems arise in the course of producing a batch of product, that batch may need to be discarded, which would result in additional expenses and may also lead to product shortages. If problems are not discovered before the product reaches the market, recall and product liability costs may also be incurred.

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

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

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

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

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

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

Our operations, and those of our third-party collaborators, CROs, consultants, suppliers and other contractors, could be subject to operational failures, power shortages, telecommunications failures, water shortages, and natural disasters such as earthquakes, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. We partially rely, when required by law, and will continue to rely on CROs for conducting clinical trials of our drug candidates. Since we only control a certain aspects of the CROs' activities, the overall development of our drug candidates could be disrupted if the operations of these CROs are affected by a man-made or natural disaster or other business interruption. If any of our CRO, third-party collaborators or service providers experience operational failures, due to any reason, our clinical trials or other activities may be adversely affected and interrupted. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our

costs and expenses. Damage or extended periods of interruption to our corporate, development or research facilities due to fire, natural disaster, power loss, communications failure, unauthorized entry or other events could cause us to cease or delay development of some or all of our drug candidates. Our insurance might not cover all losses under such circumstances and our business may be seriously harmed by such delays and interruption.

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

We face an inherent risk of product liability as a result of the clinical trials of our drug candidates. For example, we may be sued if our drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the drug, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection laws. If we cannot successfully defend ourselves or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our drug candidates. In addition, we may be required to recall the relevant products, suspend sales or cease sales.

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

Existing PRC laws and regulations do not require us to, nor do we, maintain liability insurance to cover product liability claims. Any product liability insurance for clinical trials, when obtained, may be prohibitively expensive, or may not fully cover our potential liabilities. Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of drugs we develop, alone or with collaborators. We intend to obtain our insurance coverage for products to include the sale of commercial products if we obtain marketing approval for our drug candidates in development, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. Such insurance policies may also have various exclusions, and it is possible that our liabilities could exceed our insurance coverage or that our insurance will not cover all situations in which a claim against us could be made. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed such coverage limitations or that are not covered by such insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future corporate collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

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

We maintain insurance policies that are required under PRC laws and administrative regulations as well as based on our assessment of our operational needs and industry practice. We do not maintain certain types of insurances, such as key-man insurance on of our senior management or key personnel or business interruption insurance. As we have not commenced commercial sales of drug products, we have not insured against product liability. Our insurance coverage may be insufficient to cover any claim for damage to our fixed assets or employee injuries, or product liability in the future. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

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

We are collaborating with third parties such as LifeArc and SinoVent. For details, please see "Business – Collaboration with Third Parties." We may form or seek strategic alliances, create joint ventures or collaborations, or enter into additional licensing arrangements with third parties that we believe would be complementary to or promote our existing business. Proposing, negotiating and implementing these opportunities may be a time-consuming and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

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

Furthermore, there may be conflicts or other collaboration failures and inefficiencies between us and the other parties. Collaborations involving our drugs and drug candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;

- collaborators may not pursue development and commercialization of our drug candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in their strategic focus due to the acquisition of competitive drugs, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a drug candidate, repeat or conduct new clinical trials, or require a new formulation of a drug candidate for clinical testing;

- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our drugs or drug candidates;

- a collaborator with marketing and distribution rights to one or more drugs may not commit sufficient resources to their marketing and distribution;

- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;

- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our drug candidates, or that result in costly litigation or arbitration that diverts management attention and resources;

- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable drug candidates; and

- collaborators may own or co-own intellectual property covering our drugs that results from our collaborating with them and, in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, if we enter into collaboration agreements and strategic partnerships or license our drugs, we may not be able to realize the benefit of such transactions if we are unable to successfully integrate them with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will achieve the revenue or specific net income that justifies such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our drug candidates or bring them to market and generate revenue, which would harm our business prospects, financial condition and results of operations.

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

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

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

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

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

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

We are subject to the anti-bribery laws in China that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities we acquire. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions or significant expenses, which could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to national and local environmental, health and safety laws and regulations of the PRC, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous materials, including chemicals and biological materials, and may produce hazardous waste products. We may contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties. Please see the section headed "Regulatory Overview – Other Laws and Regulations in Relation to Our Business" in this prospectus for details on PRC environmental, health and safety laws and regulations we are subject to.

We may not at all times comply fully with environmental, health and safety regulations. Any violation of these regulations may result in substantial fines, penalties or other sanctions. Costs of complying with current and future environmental, health and safety laws and regulations and liabilities may adversely affect our business, financial condition and results of operations.

Although we maintain injury insurance for employees as required by applicable laws and regulations to cover costs and expenses incurred due to work-related injuries to our employees, and we purchase accident insurance for employees exposed to higher risks to injuries, such insurances may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of hazardous or radioactive materials.

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

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

Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated.

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

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

Our future revenues are dependent on our ability to work effectively with collaborators to develop our drug candidates, including to obtain regulatory approval. Our arrangements with collaborators will be critical to successfully bringing products to market and commercializing them. We rely on collaborators in various respects, including to undertake research and development programs and conduct clinical trials, manage or assist with the regulatory filings and approval process and to assist with our commercialization efforts. We do not control our collaborators; therefore, we cannot ensure that these third parties will adequately and timely perform all of their obligations to us. If they fail to complete the remaining studies successfully, or at all, it could delay, adversely affect or prevent regulatory approval. We cannot guarantee the satisfactory performance of any of our collaborators and if any of our collaborators breach or terminate their agreements with us, we may not be able to successfully commercialize the licensed product which could materially and adversely affect our business, financial condition, cash flows and results of operations.

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

Despite the implementation of security measures, our internal computer systems and those of our CROs, partners and other contractors are vulnerable to damage from computer viruses, malware, telecommunication and electrical failures, cyber-attacks or cyber-intrusions over the Internet, attachments to emails, persons inside our organization or persons with access to systems inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber-intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks from around the world have increased. Although to our knowledge we have not experienced any such material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations. For example, the loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. Also, confidential patient and other information may be compromised in a cyber-attack or cyber-intrusion. Likewise, we partially rely on our third-party research institution collaborators for R&D of our drug candidates and to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our

business. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development and commercialization of our drug candidates could be delayed.

There are legal defects regarding some of our properties.

We have leased six properties with an aggregate gross floor area of approximately 7,694.3 sq.m. As of the Latest Practicable Date, certain of our PRC lease agreements had not completed lease registration with the relevant regulatory authorities. According to PRC law, the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. As registration of lease agreements will require the cooperation of landlords, we cannot assure you that we can complete the registration of such lease agreements in a timely manner or at all.

Further, we cannot assure you that we would be able to renew our leases on acceptable terms upon their expiration. If we are not able to renew them upon expiration, or if relevant leases are terminated as a result of challenges therewith by third parties, we may be forced to relocate from affected properties and incur additional costs, and our business, financial condition and results of operations may be adversely affected. For details of our properties, see "Business – Land and Properties."

RISKS RELATING TO DOING BUSINESS IN HONG KONG

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

As a Hong Kong-based company, our business, financial condition and results of operations are affected significantly by economic, political and legal developments in Hong Kong. Hong Kong is a special administrative region of the PRC and the basic policies of the PRC regarding Hong Kong are reflected in the Basic Law (基本法), Hong Kong's constitutional document, which provides Hong Kong with a high degree of autonomy and executive, legislative and independent judicial powers, including that of final adjudication under the principle of "one country, two systems." However, there is no assurance that there will not be any changes in the economic, political and legal environment in Hong Kong in the future. Our business, financial condition and results of operations may be affected should there be any material adverse change in the stability and development of the economic, political and legal environment of Hong Kong.

We are susceptible to developmental changes in Hong Kong.

We anticipate to allocate significant resources to our R&D and our R&D center based in Hong Kong in the near future. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as local economic downturn, social and political unrest, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our business, financial condition and results of operations may be materially and adversely affected. In addition, our central R&D center supports our global operation. Therefore, if there is any deterioration in the development in Hong Kong, our business, financial condition and results of operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources.

Over the past 30 years, the PRC government authorities have implemented economic reform measures to encourage economic development and guide the allocation of resources. The PRC government authorities from time to time implement various macroeconomic and other policies and measures, including contractionary or expansionary policies and measures at times of or in anticipation of changes in China's economic conditions, with an overall purpose of sustaining economic stability and utilizing new sources of economic growth. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

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

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

In light of the recent trade disputes between the U.S. and the PRC, which would also indirectly affect access to supplies in Hong Kong, and the unforeseen hikes in trade tariffs, it is difficult for us to anticipate the ongoing trade negotiations' impact on our business operation and our supply of raw materials, R&D and manufacturing equipment and tools. Therefore, we cannot readily assess the adverse effect imposed by this indefinite trade dispute between the U.S. and the PRC.

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

Natural calamities or other unanticipated catastrophic events, including earthquakes, floods, droughts, extreme rain, snow and freezing weather, typhoons, terrorist attacks and wars, could significantly impair our ability to operate our business in the PRC. Furthermore, an outbreak of any widespread public health problem in the PRC, such as Severe Acute Respiratory Syndrome, avian influenza or H1N1 and H7N9 influenza, could negatively affect our business, financial condition and results of operations. Our operations may be affected by a number of health-related factors, including quarantines of our facilities and employees and travel restrictions.

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

The change in the value of the RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's and international political and economic conditions and the foreign exchange policy prescribed by the PRC government. From 1994 until July 2005, the conversion of the RMB into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, had been based on fixed rates set by the PBOC. In July 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar where the RMB is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC. Following the removal of the U.S. dollar peg, the RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the PRC government has allowed the RMB to appreciate slowly against the U.S. dollar again, and it has appreciated more than 10% since June 2010. In April 2012, the PRC government announced that it would allow more RMB exchange rate fluctuation. On August 11, 2015, PBOC executed a 2% devaluation in the RMB. Over the following two days, the RMB fell 3.5% against the dollar. However, it remains unclear what further fluctuations may occur or what impact this will have on the currency.

Substantially most of our costs are denominated in RMB and most of our financial assets are also denominated in RMB. The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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

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

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

Under the existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we could not rule out the possibility that the PRC government may, at its own discretion, take measures to restrict relevant foreign exchange policies regarding payment of dividends in the future. Since 2015, in response to China's declining foreign currency reserves, the PRC government has placed increasingly stringent restrictions on the convertibility of the RMB into foreign currencies. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our Shareholders.

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

Our operating subsidiaries are incorporated in the PRC and some of our Directors and management reside in the PRC from time to time. In addition, part of our assets are located in the PRC. As the PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgement made by courts of most other jurisdictions, we cannot guarantee that you will be able to effect service of process in connection with disputes brought in courts outside the PRC on, or to enforce judgments obtained from non-PRC courts against, us or our Directors and management who reside in the PRC.

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

On January 18, 2019, the Supreme People's Court of the PRC and the Hong Kong government 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 (the "**2019 Arrangement**"). Under the 2019 Arrangement, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. The 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court of the PRC and the completion of the relevant procedures in Hong Kong. The 2019 Arrangement will, upon its effectiveness, supersedes the 2006 Arrangement. Therefore, before the 2019 Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. Since it remains unclear when it will come into effect and the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain, we cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

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

Our business operations in the PRC conducted through our PRC subsidiaries are governed by PRC laws, rules and regulations and are supervised by competent PRC regulatory authorities. The PRC legal system is based on written codes and statutes and prior court decisions may be cited for reference but have limited precedential value.

Since 1979, the PRC government has promulgated a comprehensive system of laws, rules and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the nonbinding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after such violations has occurred.

Additionally, the NMPA's recent reform of the drug approval system may face implementation challenges. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our drug candidates in a timely manner.

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

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the State Council promulgated the Measures for the Management of Scientific Data (《科學數據管理辦法》), or the Scientific Data Measures, which provides a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded at least in part by the Chinese government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Given the term "state secret" is not clearly defined, if and to the extent our research and development of drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our pre-clinical studies or clinical trials conducted within China) abroad or to our foreign partners in China. If we are unable to obtain necessary approvals in a timely manner, or at all, our research and development of drug candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If the relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to fines and other administrative penalties imposed by those government authorities.

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

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

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

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

PRC regulations may subject our PRC resident beneficial owners or our foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In 2014, the State Administration of Foreign Exchange, or SAFE, promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC enterprises) to register with local branches of SAFE or competent banks designated by SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "PRC individuals" under SAFE Circular 37 is defined as the PRC citizens holding PRC ID or non-PRC citizens habitually residing in China due to economic interests. The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions. Our PRC Legal Advisor further advises that there still remains uncertainty as to interpretation and implementation of SAFE Circular 37 and relevant implementation rules at practice level.

We are committed to ensuring our and our shareholders' and beneficial owners' compliance with applicable PRC rules and regulations. However, we may not, currently or in the future, be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents currently comply or will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, and limit the ability of our foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Lead Global Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the 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. The volume and price at which our Shares will be traded may be affected by factors such as variations in our revenue, earnings and cash flows or any other developments of us.

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

- variations in our operating results;
- unexpected business interruptions resulting from natural disasters or power shortages;
- changes in analysts' estimates of our financial performance;
- announcements made by us or our competitors or other Biotech Companies (as defined by Chapter 18A);
- regulatory developments in China affecting us, our customers or our competitors;
- investors' perception of us and political, economic, financial and social developments in China and Hong Kong and in the global economy;
- developments in China and the global pharmaceutical 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;
- major changes in 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.

Biotech Companies listed under Chapter 18A are generally viewed as being early stage and significantly riskier than those companies traditionally listed on the Stock Exchange. The trading market for Biotech Companies (including the depth and liquidity for that market) may take time to develop and could be subject to significant and adverse changes. Our Shares and the shares of other Biotech Companies could be subject to significant volatility unrelated to company specific performance or corporate developments. 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 or other equity interests 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. We cannot guarantee 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. In addition, the sale of additional equity securities could result in additional dilution to Shareholders' interests in our Company. New Shares or equity linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

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.

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 several 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 could fall before trading begins as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

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

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

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

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

Facts, forecasts and statistics in this prospectus relating to the PRC, the PRC economy and healthcare industry in China are obtained from various sources that we believe are reliable, including official government publications as well as a report prepared by Frost & Sullivan that we commissioned. However, we cannot guarantee the quality or reliability of these sources. Neither we, 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 you should not place unduly reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

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

Certain statistics contained in this prospectus, particularly the sections headed "Business" and "Industry Overview," including those relating to the clinical data results of our Core Product and our other drug candidates have been derived from a third-party report commissioned by us and publicly available sources. Further, certain clinical results of competing drugs from other companies included in this prospectus are derived from publicly available historical data from various studies rather than head-to-head comparisons. Given the different stages of clinical trials and number of evaluated patients, they are not directly comparable to our clinical trial results. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in the reproduction or extraction such information for the purpose of disclosure in this prospectus; however, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Joint Sponsors or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this prospectus may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach or place on such facts.

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

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

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer 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. As we have a R&D-focus team in Hong Kong and a manufacture-focus team in the PRC under the supervision of our sole executive Director and senior management team, we consider it practically difficult and commercially unviable and unnecessary for our Company to appoint an additional executive Director who will ordinarily reside in Hong Kong. We further consider that it is in the best interest of our Company and our Shareholders for our executive Director and senior management team to attend to their respective functions and duties in Hong Kong or the PRC and remain close to our core operations.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular and effective communication with the Stock Exchange:

(i) both of our authorized representatives, namely Dr. Leung, the executive Director, the chairman of our Board and our chief executive officer, and Mr. Jianping HUA, our chief financial officer, who are ordinarily resident in Hong Kong, will act as our principal channel of communication with the Stock Exchange;

(ii) each of our authorized representatives has means to contact all the Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matter;

(iii) each Director will provide his or her mobile phone number, office phone number, e-mail address and facsimile number to our authorized representatives and the Stock Exchange;

(iv) each Director will provide his or her phone numbers or means of communication to the authorized representatives when he or she is travelling or otherwise out of office;

(v) both of our executive Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice; and

(vi) we have appointed Orient Capital (Hong Kong) Limited to act as the compliance advisor of the Company who will act as our additional channel of communication with the Stock Exchange for the period commencing from the Listing Date and ending on the date that we publish our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules. The compliance advisor will advise us on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing and have full access at all times to the authorized representatives and the Directors.

CONNECTED TRANSACTIONS

We have entered into certain transactions which would potentially constitute continuing connected transactions for our Company under the Listing Rules following completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details of such potential non-exempt continuing connected transactions and the waiver, see "Connected Transactions – Application for Waivers."

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

According to section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, this prospectus shall include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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

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

According to section 38A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

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

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

Accordingly, we have applied to the SFC for, and the SFC has granted us, a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the conditions that the particulars of the exemption are set forth in this prospectus and this prospectus will be issued on or before 31 October 2019, on the following grounds:

(i) Our Company is primarily engaged in the research and development, application and commercialization of biotech products, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules;

(ii) the Accountants' Report for each of the two financial years ended December 31, 2018 and four months ended April 30, 2019 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(iii) as of the Latest Practicable Date, we had not commercialized any self-developed product and therefore generated minimal revenue. The details of our major activities have been fully disclosed in the section headed "Business" in this prospectus;

(iv) notwithstanding that the financial results set out in this prospectus are only for the two financial years ended December 31, 2018 and four months ended April 30, 2019 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (Winding up and Miscellaneous Provisions) Ordinance has been adequately disclosed in this prospectus pursuant to the relevant requirements; and

(v) given that the Company is only required to disclose its financial results for each of the two financial years ended December 31, 2018 and four months ended April 30, 2019 under Chapter 18A of the Listing Rules and preparation of the financial results for the year ended December 31, 2016 would require additional work to be performed by the Company and its auditors, it will be unduly burdensome for the Company to comply with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance as stated above.

Our Company is of the view that the Accountants' Report covering the two years ended December 31, 2018 and four months ended April 30, 2019, together with other disclosure in this prospectus, has already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record of our Company; and our Directors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, management and prospects has been included in this prospectus. Therefore, the exemption would not prejudice the interests of the investing public.

WAIVERS AND CONSENTS IN RESPECT OF ALLOCATION OF SHARES TO CONNECTED CLIENTS OF A JOINT BOOKRUNNER AND CLOSE ASSOCIATE OF AN EXISTING SHAREHOLDER

Paragraph 5(1) of Appendix 6 to the Listing Rules provides that no allocations will be permitted to "connected clients" of the lead broker or of any distributors without the prior written consent of the Stock Exchange.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rule 10.03 and 10.04 of the Listing Rules are fulfilled.

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 any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rule 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum public float requirement under Rules 8.08(1) and 18A.07 of the Listing Rules are fulfilled.

According to the cornerstone investment agreement entered into by Yunnan Baiyao Group Co., Ltd ("**Baiyao Group**"), Baiyao Group agrees and undertakes that the subscription of the Offer Shares will be conducted through a qualified domestic institutional investor, CICC QIRUI No. 1 QDII Specific Asset Management Plan ("**CICC QIRUI**"), and that it will procure the due and punctual performance and observance by CICC QIRUI of all of the obligations, undertakings, representations, warranties, indemnities and liabilities of Baiyao Group arising out of, under or in connection with the agreement.

CICC QIRUI is managed by China International Capital Corporation Limited (Stock Exchange: 3908) as an investment manager on a discretionary basis. CICC, a Joint Bookrunner, is a wholly-owned subsidiary of China International Capital Corporation Limited. Further, Zhihan (Shanghai) is an existing shareholder of the Company and its general partner is CICC Qizhi (Shanghai) Equity Investment Management Limited* (中金祺智(上海)股權投資管理有限公司) ("**CICC Qizhi**"), which is contractually controlled, via a variable interest entity structure, by CICC Capital Operation Co., Ltd., which is in turn a wholly-owned subsidiary of China International Capital Corporation Limited. Accordingly, CICC QIRUI is a connected client of CICC and a close associate of an existing Shareholder under the Listing Rules. Accordingly, the proposed participation by CICC QIRUI as a cornerstone investor in the Global Offering is subject to the prior written consent from the Stock Exchange under Rule 10.04 of, and paragraphs 5(1) and (2) of Appendix 6 to, the Listing Rules.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 of, and a consent under paragraphs 5(1) and 5(2) of Appendix 6 to, the Listing Rules to permit CICC QIRUI (on behalf of Baiyao Group) to subscribe for the Offer Shares as a cornerstone investor in the placing tranche of the Global Offering, on the following basis and conditions:

With respect to the waiver from strict compliance with Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules

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

(b) the Offer Shares to be subscribed for by and allocated to CICC QIRUI (on behalf of Baiyao Group) under the Global Offering will be at the same Offer Price and on substantially the same terms as the other cornerstone investor (including being subject to a six-month lock-up period following the Listing);

(c) no preferential treatment has been, nor will be given to CICC QIRUI (on behalf of Baiyao Group) by virtue of its relationship with our Company in any allocation in the placing tranche other than the preferential treatment of assured entitlement under the cornerstone investment, which follows the principles set out in Guidance Letter GL51-13, that the relevant cornerstone investment agreement does not contain any material terms which are more favourable to it than those in the other cornerstone investment agreement; and

(d) details of the allocation of Offer Shares to CICC QIRUI (on behalf of Baiyao Group) will be disclosed in the allotment results announcement of our Company.

With respect to the consent under paragraph 5(1) of Appendix 6 to the Listing Rules

(a) the Shares to be allocated to CICC QIRUI are to be held on behalf of Baiyao Group, which is an independent third party;

(b) our Company confirms that the relevant cornerstone investment agreement does not contain any material terms which are more favourable to CICC (on behalf of Baiyao Group) than those in other cornerstone investment agreement;

(c) each of our Company, CICC and, to the best of their respective knowledge and belief, the other Joint Bookrunners confirm that:

  (i) CICC has not participated, and will not participate, in the decision making process or relevant discussions among our Company, the Joint Bookrunners and the Underwriters as to whether CICC QIRUI (on behalf of Baiyao Group) will be selected as a cornerstone investor; and

(ii) no preferential treatment has been, nor will be, given to CICC QIRUI by virtue of its relationship with CICC other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13, and details of the allocation will be disclosed in the allotment results announcement of our Company;

(d) China International Capital Corporation Limited confirms that to the best of its knowledge and belief, CICC QIRUI (on behalf of Baiyao Group) has not received and will not receive preferential treatment in the Global Offering allocation as a cornerstone investor by virtue of its relationship with CICC or our Company; and

(e) the Joint Sponsors confirm that based on (1) their discussion with our Company, CICC and the Joint Bookrunners; and (2) the confirmations provided to the Stock Exchange by our Company, CICC, the Joint Bookrunners and CICC QIRUI (confirmation in paragraphs (c) and (d) above), and to the best of the Joint Sponsors' knowledge and belief, they have no reason to believe that CICC QIRUI (on behalf of Baiyao Group) received any preferential treatment in the Global Offering allocation as a cornerstone investor by virtue of its relationship with CICC or our Company other than the preferential treatment of assured entitlement under a cornerstone investment following the principles set out in Guidance Letter HKEX-GL51-13, and details of the allocation will be disclosed in the allotment results announcement of our Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

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

The Listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Offering is expected to be entered into on or about the Price Determination Date, subject to determination of the Offer Price. If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) by Wednesday, November 6, 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details about the Underwriters and the underwriting arrangements are contained in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON 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. Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his, her or its acquisition of the Offer Shares to, confirm that he, she or it is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms. No action has been taken to permit a public offering of the Hong Kong Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer

or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the relevant Application Forms.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

If the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, November 6, 2019 or such later date or time as may be agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not become unconditional and will lapse.

APPLICATION FOR LISTING OF THE SHARES ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Bonus Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save as disclosed herein, no part of the equity or debt securities of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, the 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 as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in our Shares. It is emphasized that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, advisors or any other person involved in the Global Offering accepts responsibility for the tax effects, liabilities resulting from your subscription for, purchase, holding, disposal of or dealing in our Shares.

HONG KONG SHARE REGISTER AND STAMP DUTY

All Shares issued pursuant to applications made in the Bonus Issue and the Global Offering will be registered on our Company's register of members in Hong Kong to be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Dealings in our Shares registered on our Company's register of members in Hong Kong will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. 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).

OVER-ALLOTMENT AND STABILIZATION

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

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and in the Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, November 12, 2019. The Shares will be traded in board lots of 300 Shares each. The stock code of the Shares will be 3681.

ROUNDING

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

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Hong Kong dollars have been translated, for the purpose of illustration only, into USD, and RMB and vice versa, in this prospectus at the following rate:

HK$1.0000: US$0.1275

HK$1.0000: RMB0.9011

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

LANGUAGE

For ease of reference, the English names of the PRC-established entities, enterprises, companies, laws or regulations are translations of their Chinese names and have been included in this prospectus marked "*" and for identification purpose only. In the event of any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Director		
Dr. Shui On LEUNG (梁瑞安)	2609 Tower 1, The Metropolis Residence 8 Metropolis Drive Hung Hom, Kowloon Hong Kong	Chinese (Hong Kong)
Non-executive Directors		
Ms. Wenyi LIU (劉文溢)	Room 802, No. 12 Lane 99, Puming Road Pudong New Area, Shanghai The PRC	Chinese
Dr. Haigang CHEN (陳海剛)	Room 202, Building No. 1 Lane 1131, Changle Road Xuhui District, Shanghai The PRC	Chinese
Mr. Senlin LIU (劉森林)	Room 701, No. 3 Lane 600, Lingshan Road Pudong New Area, Shanghai The PRC	Chinese
Mr. Chang LIU (劉暢)	A28, Longhu Xiangzhanglin 6 Longhu West Road Yubei District, Chongqing The PRC	Chinese
Mr. Huiyuan MA (馬慧淵)	15H, Building 10, Zone 4 Century City Yuanda Yuan Haidian District, Beijing The PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Dylan Carlo TINKER	2 Taman Serasi, #02-08 Singapore 257718	American
Mr. Michael James Connolly HOGAN (何灝勤)	Flat 4 Fung Shui 50 Plantation Road The Peak Hong Kong	Irish
Mr. Ping Cho Terence HON (韓炳祖)	Flat 38, 13th Floor Winfield Gardens 34-40 Shan Kwong Road Happy Valley Hong Kong	Chinese (Hong Kong)

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

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong **Orient Capital (Hong Kong) Limited** Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong **Orient Securities (Hong Kong) Limited** Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Central Hong Kong

Joint Bookrunners and Joint Lead Managers

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

Orient Securities (Hong Kong) Limited
Rooms 1, 1A, 6-8, 27/F &
Rooms 2803-07, 28/F
Wing On House
71 Des Voeux Road Central
Central
Hong Kong

China Everbright Securities (HK) Limited
24/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F, Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

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

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

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

Victory Securities Company Limited
Room 1101-03, 11/F
Yardley Commercial Building
3 Connaught Road West
Sheung Wan
Hong Kong

Legal advisors to the Company	*As to Hong Kong and U.S. law:* **Paul Hastings** 21-22/F, Bank of China Tower 1 Garden Road, Central Hong Kong *As to PRC law:* **Zhong Lun Law Firm** 28/31/33/36/37F, SK Tower 6A Jianguomenwai Avenue Chaoyang District, Beijing The PRC *As to Hong Kong law (in respect of regulatory overview):* **Mr. Matthew Ho** *Barrister-at-law* Sir Oswald Cheung's Chambers 10th Floor, New Henry House 10 Ice House Street Central, Hong Kong
Legal advisors to the Joint Sponsors and Underwriters	*As to Hong Kong and U.S. law:* **Herbert Smith Freehills** 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Chaoyang District, Beijing The PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* 22/F CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 1014-1018, Tower B Greenland Hui Center No. 500 Yunjin Road Xuhui District Shanghai, the PRC

Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor, One Taikoo Place 979 King's Road Hong Kong
Compliance Advisor	**Orient Capital (Hong Kong) Limited** Rooms 1, 1A, 6-8, 27/F & Rooms 2803-07, 28/F Wing On House 71 Des Voeux Road Central Central Hong Kong
Receiving Bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered Office	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's Website	**http://www.sinomab.com/** *(the contents on this website do not form part of this prospectus)*
Company Secretary	Ms. Mei Chun CHENG *(ACIS, ACS)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Authorized Representatives	Dr. Leung 2609 Tower 1, The Metropolis Residence Metropolis Drive Hung Hom, Kowloon Hong Kong Mr. Jianping HUA 917, 29 On Chun Street Ma On Shan Sha Tin, New Territories Hong Kong
Audit Committee	Mr. Ping Cho Terence HON *(Chairman)* Mr. Dylan Carlo TINKER Mr. Michael James Connolly HOGAN
Remuneration Committee	Mr. Michael James Connolly HOGAN *(Chairman)* Dr. Leung Mr. Ping Cho Terence HON
Nomination Committee	Dr. Leung *(Chairman)* Mr. Dylan Carlo TINKER Mr. Ping Cho Terence HON
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

Principal Banks

The Hongkong and Shanghai Banking Corporation Limited
North Point Branch
G/F, Winner House
306-316 King's Road
North Point, Hong Kong

Industrial and Commercial Bank of China, Shenzhen High-Tech Industrial Park South Area Sub-Branch
2/F, Integrated Service Building
Keyuan South Road, Shenzhen High-Tech Industrial Park
Nanshan District, Shenzhen
The PRC

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

OVERVIEW OF THE PHARMACEUTICAL MARKET

Overview

The pharmaceutical market is composed of the chemical drugs and biologics segments. The size of the global pharmaceutical market was US$1,267.4 billion in 2018, and is expected to reach US$1,595.3 billion by 2023. In the past five years, the biologics segment grew at a faster rate than the chemical drugs segment. Driven by increasing market demand, technology advancements and revenue growth from new generation products, the global biologics market is expected to reach US$402.1 billion by 2023 and US$665.1 billion by 2030. The PRC biologics market experienced a greater rate of growth compared to the global market and this rate is expected to continue. As of 2018, the PRC biologics market was US$39.6 billion and is expected to reach US$96.0 billion by 2023 and US$199.4 billion in 2030.

Biologics include a broad range of products such as mAbs, recombinant therapeutic proteins, vaccines, blood and blood components, cell therapy and gene therapy. They are isolated from a variety of natural sources – human, animal, or microorganism – and are produced with cutting-edge biotechnological methods.

Note:

(1) The contract sum to Frost & Sullivan is RMB500,000 for the preparation and use of the Frost & Sullivan Report, and we believe that such fees are consistent with the market rate. Frost & Sullivan is an independent global consulting firm, which was founded in 1961 in New York. It offers industry research and market strategies and provides growth consulting and corporate training. Its industry coverage in China includes healthcare, automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, industrial automation and electronics, industrial and machinery, and technology, media and telecom.

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

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

Features of the Biologics Market

The biologics market has the following features:

- *Knowledge and Capital-Intensive*. Development and marketing of biologics requires the complex integration of knowledge from multiple disciplines and special skill sets. Large-scale biotech-manufacturing facilities require US$200 million to US$700 million or more to build, compared with similar-scale small-molecule facilities that may cost just US$30-100 million.

- *Stringent Regulation*. Biologics are sensitive to minor environmental changes, and thus regulators have imposed stricter regulations on biologics than on chemical drugs, requiring comprehensive clinical data, complex registration processes and continuing post-market oversight.

- *Long and Complex Development Process*. The development of new biologics is a long, complex and costly endeavor. It takes 10-15 years, on average, to bring a medicine through the discovery and clinical trial phases to patients. This sophisticated process, coupled with patent and data protection regulations, makes it difficult to copy successful biologics.

- *Challenging Manufacturing and Supply Chain Management*. As new technologies are introduced, such as continuous manufacturing, the complexity of biologics supply chain increases. With rising demand, producing sufficient products on time becomes challenging.

Key Drivers of the Global Biologics Market

Key drivers of the global biologics market include:

- *Superior Efficacy of Biologics*. Biologic drugs are highly effective in treating a broad spectrum of diseases that lack effective therapies. As a result, doctors and patients are increasingly receptive to biologics as the primary treatment option.

- *Significant Developments in Biotechnology*. Technological innovation and progress in areas such as genetics and biochemistry have enhanced the R&D capabilities of biotechnology companies.

- *Increasing R&D Investment*. Increases in global investment in R&D of biologics has resulted in a rapid expansion of the pipeline for biologics products due to improved understanding of biologics and the human immune system.

Key Drivers of the PRC Biologics Market

In addition to drivers of the global biologics market, the following key drivers are unique to the PRC biologics market:

- *Growing Disease Diagnosis Rate*. The diagnosis rate of autoimmune diseases in the PRC has historically been low due to prior limitations in treatments and resources. Given the increase in patient and physician awareness of autoimmune diseases as well as the growing prevalence of chronic diseases such as RA and PS, which need long-term medication, demand for biologics is likely to increase.

- *Increasing Capital Investment*. The pharmaceutical industry, particularly the biologics industry, is capital intensive and requires substantial investment in R&D and manufacturing. Capital investment in the PRC pharmaceutical industry in 2018 was RMB26.2 billion, accounting for 18.1% of global investment in the pharmaceutical industry. This has provided substantial capital for biologics R&D and the construction of biologics manufacturing facilities in the PRC.

- *Favorable Government Policies*. The PRC government has expanded and periodically updates the medical insurance coverage to include new and innovative drugs. It also established a set of regulations and policies to support the development of the domestic biologics market. For example, it has allowed for the priority review and approval of innovative drugs, such as biologics, that have the potential to address urgent clinical needs and enhancing patent protection. These developments are expected to lead to more multinational pharmaceutical companies seeking to market innovative biologics in the PRC as well as stimulate domestic investment in biologics R&D.

TRENDS IN THE PRC PHARMACEUTICAL MARKET

Expanding Medical Insurance Coverage in the PRC

Medical insurance schemes provided by the PRC government are the largest payers of pharmaceutical expenditures in the country. Increasing numbers of PRC healthcare consumers are also purchasing commercial medical insurance to supplement their government-provided insurance coverage, and this trend is expected to continue.

As part of the PRC's regulation of medical insurance coverage, the Ministry of Human Resources and Social Security of China (MoHRSS) maintains a national reimbursement drug list (the NRDL). NRDL consists of two drug catalogues: the List A and List B catalogues. Drugs that fall into the List A catalogue are fully reimbursable and must be included in the provincial government reimbursement drug lists. Drugs with a higher price typically fall into the List B catalogue, which generally require a 10% to 30% co-payment by patients. Inclusion in the NRDL typically results in significant sales growth despite a reduction in the price.

The PRC government has made significant efforts to enhance the affordability of biologics. MoHRSS issued the fourth version of the NRDL in February 2017 to expand the number of drugs covered in the NRDL. In July 2017, 36 innovative, patented drugs were incorporated into the List B catalogue after price negotiations between the PRC government and the pharmaceutical companies. As a result of these negotiations, prices of these newly NRDL-admitted drugs reduced by 44% on average. In October 2018, 17 innovative drugs were added to the NRDL and prices for these drugs reduced by 56.7% on average. As more biologics are included in the NRDL, the affordability of biologics is expected to increase, which allows for greater market access. Given the PRC government's increasing attention to severe public health issues, innovative drugs are more likely to be included in the NRDL.

Promoting Innovative Treatments

The PRC's regulatory framework is becoming increasingly favorable for innovative drugs that address unmet medical needs. On October 8, 2017, the General Office of the State Council released the Opinions on Reform of the Drug and Medical Device Review and Approval (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見). The opinions aim to accelerate the drug development and approval process and to encourage innovation within the drug and medical device sectors. Key changes include the following:

- Shortened the lengthy approval process for clinical application
- Permit priority review, conditional approval and electronic common technical document (eCTD) for NDA review
- Accept foreign clinical data and remove restrictions on clinical trials and registration for imported drugs
- Enhanced protection for innovators by using patent linkage system, drug patent term compensation system and MAH program.

In addition, new government policies and regulations aim to simplify the review of clinical trial results and new drug applications, encourage drug innovation, accelerate new drug registrations and expand medical reimbursement. Specifically, the Self-inspection of Clinical Trial 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》 announcement issued by NMPA in July 2015 required compulsory self-inspection of clinical trial data for a total of 1,622 existing drug applications. In a standard self-inspection process, applicants are allowed to voluntarily withdraw the applications. If applicants do not withdraw voluntarily and are subsequently determined to have used inauthentic clinical data during NMPA inspection, their applications will be barred for the next three years, and the related institutions and CROs will be blacklisted. This enforcement campaign demonstrates the government's intention to improve the quality of domestic pharmaceutical R&D, encourage innovation and promote fair competition. As an added effect, this government effort will also shrink the backlog of drug applications and accelerate the drug application review process.

Recently, time lag between imported drugs being marketed in the global market and the PRC market has been shortened. An analysis of the majority of oncology drugs developed by multinational corporations and PRC companies approved in China over the past 5 years shows that the period between IND approval and NDA approval has decreased dramatically. Before 2015, it took an average of 2,489 days for drug candidates to reach NDA after obtaining IND. After 2015, that number was reduced to 823 days. With the introduction of favorable policies, approval time for new drugs will be further reduced, which saves a significant amount of time and resources before reaching commercialization. In addition, the price reduction trend of imported drugs may lower the price advantage of domestic drugs in the future. As a result, domestic drugs will face stringent competition from imported drugs. Under a more competitive market, innovation will dictate the success of pharmaceutical companies.

Increasing R&D Expenditures

At the present time, the pharmaceutical market in the PRC is still dominated by patented drugs. In 2018, patented drugs constituted 55.5% of the total market revenue. The PRC market for patented drugs is expected to reach US$184.4 billion by 2023, representing a total market share of 57.2%. However, there is still a significant gap between the PRC and the global market in terms of R&D expenditure for the development of patented drugs. Average global R&D expenditure accounts for 13.7% of total pharmaceutical sales revenue in 2018, but the PRC only spends 7.5% of its total pharmaceutical sales revenue on R&D in 2018. This difference, in part, is due to the significant presence of generics or me-too drugs, whose R&D expenditures are lower than that of innovative drugs. Therefore, the PRC pharmaceutical market still has large growth potential for R&D investment.

Due to favorable government policies, increasing demand for drug innovation and abundant capital and medical expert inflow, pharmaceutical R&D expenditure in the PRC is projected to reach US$49.3 billion by 2023, representing a CAGR of 23.1%. This growth rate is about five times that of the global growth rate. R&D investment in the PRC is projected to be 22.7% of global investment in 2023. Considering the significant increase in R&D investment and expenditure, developing and marketing of first-in-target and first-in-class drugs will be the focal point and long term trend of the pharmaceutical market.

MARKET FOR IMMUNOLOGICAL DISEASES

Immunological diseases are classified into two major categories: autoimmune diseases and other immune system diseases.

Autoimmune Diseases

Overview

Autoimmune diseases are conditions in which the body's immune system mistakenly attacks the body due to abnormally low activity or over-activity of the immune system. There are roughly 100 different types of autoimmune disorders affecting major organs of the human body. Autoimmune diseases can be divided into organ-specific and systemic autoimmune diseases based on the self-antigens targeted by immune cells. Common autoimmune diseases include RA, SLE, SS, pemphigus, type-1 diabetes, psoriasis and MS.

There are several kinds of drugs for the treatment of autoimmune diseases. Agents targeting specific immune cells, such as anti-CD22 mAbs and abatacept, which target B and T cells, and secreted mediators, such as proinflammatory cytokines (e.g., TNF, IL-1, IL-6, IL-17, IL-12, and IL-23), have revolutionized the treatment of a number of autoimmune diseases.

Specific biologic agents approved for several autoimmune diseases include TNF-α inhibitor (e.g., adalimumab), IL-1 receptor antagonist (e.g., anakinra), IL-2 receptor antagonist (e.g., daclizumab), anti-IL-6 receptor mAb (e.g., tocilizumab), anti-IL-17A mAb (e.g., secukinumab), among others. In addition, rituximab and abatacept are also effective treatments for various autoimmune diseases. Rituximab is an anti-CD20 chimeric mAb targeting B cells that was initially developed for the treatment of lymphoma. It was subsequently demonstrated that rituximab is effective in treating autoimmune diseases such as RA and SLE. Abtacept is a T cell-targeting agent with similar efficacy in treating RA and SLE. The success of rituximab and abatacept has driven research interest in identifying autoimmune drug agents targeting immune cells or new targets, including anti-CD22 mAb and BTK inhibitor.

Global and PRC Market

The global autoimmune disease treatment market generated US$113.7 billion in revenue in 2018, and is expected to reach US$152.3 billion by 2023, representing a CAGR of 6.0% during this period. Of the top 10 best-selling drugs in the global market, four are drugs for the treatment of autoimmune diseases. The top 10 autoimmune disease drugs combine to generate approximately US$54.9 billion in total sales in 2018.

Global biopharmaceutical companies continue to develop innovative treatments to meet the unmet needs of patients with autoimmune diseases. In anticipation of market growth, there are currently more than 300 clinical stage drug candidates for the treatment of autoimmune diseases. The top five indications covered by the current pipeline are autoimmune arthritis (i.e., juvenile idiopathic arthritis and RA), inflammatory bowel disease, psoriasis, lupus (including systemic lupus erythematosus) and type-1 diabetes.

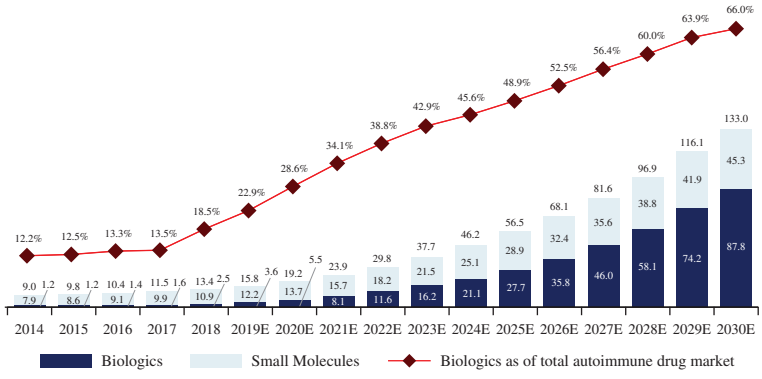
In contrast, growth of the PRC market for autoimmune diseases has been slow in recent years but is expected to experience rapid growth in the near future. There is a large patient pool in the PRC due to its large overall population. With the improvement in diagnostics for autoimmune diseases, the market demand of medical services will likely accelerate in the following years. The PRC market for autoimmune diseases is expected to reach RMB37.7 billion by 2023 and RMB133.0 billion by 2030. The PRC biologics market for autoimmune disease is expected to increase rapidly after 2018 due to the advancement of innovative biologics R&D. The market share of biologics is expected to increase from 18.5% in 2018 to 66.0% by 2030 for the PRC autoimmune diseases treatment market.

Furthermore, biologics are progressing to supplant small molecules as the major treatment for autoimmune diseases and will continue to gain market share. The PRC biologics market for autoimmune diseases grew at a CAGR of 21.1% from 2014 to 2018, reaching RMB2.5 billion in 2018, and is expected to reach RMB87.8 billion by 2030.

The following chart summarizes the historical and forecast data for the PRC autoimmune diseases treatment market:

Historical and Forecasted Market Size of
China Autoimmune Diseases Treatment Market (2014-2030E)

	Period	Biologics	Small Molecules	Total Market
CAGR	2014-2018	21.1%	8.6%	10.4%
Unit: Billion RMB	2018-2023E	45.5%	14.5%	23.0%
	2023E-2030E	27.3%	11.2%	19.7%



Source: Frost & Sullivan Report

Other Immune System Diseases

Other immune system diseases include allergic asthma, pulmonary fibrosis, immune deficiencies, allergies and sepsis. For information on the competitive landscape of allergic asthma and idiopathic pulmonary fibrosis, please see "– Analysis of Immunological Diseases Market – Allergic Asthma" and "– Analysis of Immunological Diseases Market – Idiopathic Pulmonary Fibrosis."

ANALYSIS OF IMMUNOLOGICAL DISEASES MARKET

Rheumatoid Arthritis

Overview of RA

RA is an autoimmune disease that causes chronic inflammation of the joints and other areas of the body. The inflammation causes tissues that line the inside of joints to thicken, resulting in swelling and pain in and around the joints. There is no permanent cure for RA, and patients require long term care to treat the symptoms.

In the global market, the number of RA patients increased from 37.2 million to 38.9 million from 2014 to 2018. The total number of global RA patients is forecasted to reach 41.2 million by 2023 and to 45.0 million by 2030.

There has been a steady increase in RA diagnosis in the PRC. From 2014 to 2018, the number of RA patients increased from 5.7 million to 5.9 million. Factors contributing to the future growth of RA include an aging population, environmental effects and obesity; these factors combine to drive the expansion of the RA patient pool. The number of RA patients in the PRC is forecasted to reach 6.1 million by 2023 and to 6.4 million by 2030.

Treatment Options for RA

Methotrexate is the first-line conventional DMARD treatment for RA, and is considered as the anchor drug. Patients who cannot tolerate methotrexate may receive other conventional DMARDs such as leflunomide or sulfasalazine as an alternative first-line treatment. Second-line treatments, which consists of a combination of conventional DMARDs and a new MOA DMARD, are recommended to patients who show inadequate response to first-line treatments. Patients who fail to achieve remission or low disease activity after second-line treatments are recommended to switch to a new conventional DMARD and a new MOA DMARD. Anti-CD22 mAb and BTK inhibitors are viable DMARDs for second-line and third line treatments.

The use of TNF-α inhibitor to treat RA is popular due to its effectiveness in treating patients not responding to conventional DMARDs. However, about 20%-40% of patients treated with a TNF-α inhibitor fail to achieve a 20% improvement rate defined by the American College of Rheumatology, and more than 40% patients develop secondary failure, acquired therapeutic resistance overtime or experienced adverse events following treatment with a TNF-α inhibitor. For this group of patients, therapeutic options were limited to switching from one TNF-α inhibitor to another in an attempt to overcome ineffectiveness or intolerance until recent times. With the introduction of non-TNF biologics in recent years, such as anti-CD22 mAb, more options with potentially superior efficacy and tolerance level are available to patients.

Competitive Landscape of RA Products

There are seven anti-TNF-α mAbs and one IL-6 mAb currently marketed in the PRC for the treatment of RA. The current treatment options for RA have limited penetration in the PRC due to the lack of comprehensive NRDL coverage and relatively high treatment prices. The following table provides an overview of these products and their estimated costs:

Marketed Biologic Drugs for RA in China

Most approved Biologic DMARDs are TNF -α inhibitors

Target	Generic Name	Brand Name	Company	Price (RMB)	Specification	Annual Cost (RMB)[1]	NDRL Status
TNF -α	Adalimumab	修美樂®	AbbVie	7,600	0.8ml: 40mg	197,600[2]	No
	Etanercept	恩利®	Pfizer	2,030	25mg	211,120	No
	Golimumab	欣普尼®	Johnson & Johnson	4,900	0.5ml: 50mg	58,800	No
	Infliximab	類克®	Johnson & Johnson	5,180	0.1g	90,650	No
	Etanercept biosimilar	益賽普®	Sunshine Guojian (三生國健)	618	25mg	64,272	Yes
	Etanercept biosimilar	安佰諾®	Zhejiang Hisun (浙江海正)	520	25mg	54,080	Yes
	Certolizumab	希敏佳®	UCB	N/A[3]	200mg	N/A	No
IL -6	Tocilizumab	雅美羅®	Roche	1,925	4ml: 80mg	150,150	No

1: Annual cost is calculated by label-introduced dosage forms and strengths. Patient Assistant Program (PAP) is not taken into consideration.

2: Almost all RA patients using Humira can apply for PAP in China, buy four and get six free. If PAP is taken into consideration, the annual cost of Humira is RMB82,000.

3: Certolizumab hasn't been marketed by October 20, 2019.

*: The statistical results are updated by October 20, 2019.

Source: CDE, Label, Expert Interview, Frost & Sullivan Report

In addition to currently marketed drugs, there are 17 RA biologics at either the NDA stage or Phase III clinical trials in the pipeline for the treatment of RA. TNF-α is the most popular target for RA accounting for 10 of the 17 drug candidates, and most of which are biosimilar. The remaining five biologics are for various targets. The table below provides an overview of the biologics in NDA stage and Phase III clinical trials.

Biologic Pipelines for RA in China (NDA and Phase 3) – 2

Most Biologic DMARDs Pipeline are TNF -α inhibitors

Type (MOA)	Pipeline	Target	Company	Stage	Publicity Date
TNF -α Inhibitor	Adalimumab biosimilar	TNF -α	Bio-Thera	NDA	2018/8/27
	Adalimumab biosimilar	TNF -α	Zhejiang Hisun	NDA	2018/9/25
	Adalimumab biosimilar	TNF -α	Innovent Biologics	NDA	2018/11/15
	Adalimumab biosimilar	TNF -α	Henlius Biotech	NDA	2019/1/28
	Adalimumab biosimilar	TNF -α	Junshi Biosciences	Phase III	2017/5/27
	Etanercept biosimilar	TNF -α	Qilu Pharma	Phase III	2015/5/18
	Etanercept biosimilar (強克)[1]	TNF -α	Celgen Biopharma	Phase III	2017/11/23
	Infliximab biosimilar	TNF -α	Genor Biopharma	Phase III	2017/7/28
	Infliximab biosimilar	TNF -α	Biomab	Phase III	2017/9/15
	Infliximab biosimilar	TNF -α	Celltrion	Phase III	2018/10/30
Interleukin Antagonist	BAT1806	IL -6R	Bio-Thera	Phase III	2019/2/11
	LZM008	IL -6R	Livzon Biologics	Phase III	2019/6/27
	CMAB806	IL -6R	Jinyu Biotech	Phase III	2019/4/19
CD20 mAb	Rituximab biosimilar (漢利康)[1]	CD20	Henlius	Phase III	2018/8/15
CD22 mAb	SM03	CD22	SinoMab	Phase III	2017/12/28
Selective T cell Costimulation modulator	Abatacept	CTLA4 (CD152)	BMS/Simcere	NDA	2018/5/17
B lymphocyte stimulator receptor antibody fusion protein	Taiai (泰愛)	BLyS/APRIL	RemeGen	Phase III	2016/11/9

1. "強克" has been only approved for AS.

2. The statistical results are updated by October 20, 2019.

Source: CDE, Frost & Sullivan Report

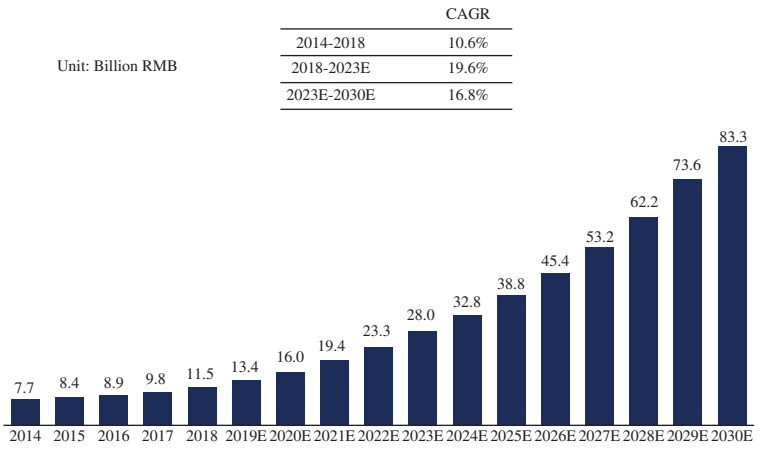
TNF-α inhibitor have limited penetration in RA patients due to their high prices. The availability of non-TNF DMARDs and TNF biosimilar will reduce the price for TNF-α inhibitor. As a result of the price reduction, the percentage of RA patients receiving TNF-α inhibitor treatment will increase; inevitably, the number of patients who fail to respond to TNF-α inhibitor treatment will increase as well. Thus, the demand for non-TNF DMARDs, such as anti-CD22 mAb and BTK inhibitor, will increase significantly as a result of ineffective TNF-α inhibitor treatment. The demand for non-TNF DMARDs are further exemplified by the active licensing agreement. For example, Alder BioPharmaceuticals licensed its IL6 mAb to Vitaeris Inc. and Merck licensed its IL23 mAb to Sun Pharma Industry.

Market Revenue and Projections

Total sales revenue for the global RA therapeutics market increased from US$50.8 billion in 2014 to US$62.8 billion in 2018. With the launch of a variety of emerging biologic pipeline drugs, the global RA market will remain relatively stable in the future. The global RA therapeutics market is expected to reach US$69.9 billion by 2023 and US$74.9 billion by 2030. By comparison, the RA therapeutics market in the PRC grew at a slower rate between 2014 and 2018 with total sales revenue increasing from RMB7.7 billion to RMB11.5 billion during this period. However, with significant improvements in RA diagnosis and increase in patients' income level, the RA therapeutics market in the PRC is expected to reach RMB28.0 billion by 2023 and RMB83.3 billion by 2030. Biologics only comprised approximately 18.3% of the PRC RA therapeutics market in 2018 with chemical drugs occupying the remaining 81.7% of the market. However, biologics market share is expected to reach 41.1% by 2023 and 59.8% by 2030.

The following chart summarizes the historical and forecast data for the PRC market for RA.

Market Size of China RA Market (2014-2030E)



* COPD is not included in the market

Source: Frost & Sullivan Report

Systemic Lupus Erythematosus

Overview of SLE

SLE is a chronic inflammatory condition caused by failure of the human autoimmune system. SLE occurs when the body's tissues are attacked by its own immune system, which may lead to serious organ complications and even death. Common symptoms of SLE include painful and swollen joints, fever, chest pain, hair loss, mouth ulcers, swollen lymph nodes, fatigue, and rashes. The exact cause of SLE is not clear, but experts believe it is caused by a combination of genetic and environmental factors.

In the global market, the number of SLE patients increased from 6.2 million to 6.6 million from 2014 to 2018. The total number of global SLE patients is forecasted to reach 7.1 million by 2023, and to 7.8 million by 2030.

The number of patients diagnosed with SLE is gradually increasing in the PRC. From 2014 to 2018, the number of SLE patients increased from 987,000 to 1.02 million. The number of SLE patients in the PRC is forecasted to reach 1.06 million by 2023, and to 1.09 million by 2030.

Treatment Options for SLE

The main objective for SLE treatment is to induce remission. Practical treatments are generally symptom-specific. In the PRC, SLE is classified into three treatment stages: early stage, middle stage and late stage. Different stages required different drugs. First-line drugs for early stage treatments consists of NSAIDS, antimalarial, thalidomide, prednisone and, if needed, methotrexate and azathioprine. Second-line drugs for middle stage treatment consists of glucocorticoid combined with methotrexate or azathioprine. Third-line drugs for late stage treatment consist of cyclophosphamide, ciclosporin, mycophenolate mofetil and glucocorticoid combined with cyclophosphamide, azathioprine or methotrexate.

Competitive Landscape of SLE mAbs

Belimumab is the only mAb for the treatment of SLE marketed globally. There are currently two mAbs for the treatment of SLE under Phase III clinical trials in the global market; Belimumab is also the only mAb for the treatment of SLE in the PRC, which was approved by the NMPA as of the Latest Practicable Date. There are five mAbs for the treatment of SLE under various clinical trial stages in the PRC. A humanized mAb against CD22 had been tested for the treatment of SLE, but did not meet its primary clinical efficacy endpoints for Phase III clinical trials, according to public information. The table below lists the pipelines of products for SLE treatment in the PRC:

Marketed Targeted Biologics for SLE in China

Target	Company	Product[1]	Indication	Status	Date[2]	NDRL Status
BLyS	GSK	Belimumab	SLE	Marketed	2019-7-12	No

mAb Pipeline in SLE Treatment in China

Target	Company	Product[1]	Indication	Status	Date[2]
BLyS	GSK	Belimumab	Active Lupus nephritis	Phase III	2015-05-21
CD22	SinoMab (中國抗體)	SM-03	SLE	Phase I	2015-01-07
			RA	Phase III	2017-12-28
			NHL	Phase II	2015-01-07
BLyS	Rong Chang (榮昌生物)	RCT-18[3]	SLE	Phase III	2019-07-26
			RA	Phase III	2016-11-09
			NMOSDs	Phase III	2017-10-19
			pSS	Phase II	2019-07-23
BLyS	Junshi (君實)	UBP-1213	SLE	Phase I	2019-03-29
IL-12/23	Johnson & Johnson	Ustekinumab	SLE	Phase III	2019-07-31
			PS	Approved	2017-11-07

1: Only biologics that have entered clinical Phase I before October 20, 2019 are listed.

2: Date denotes the date on which the relevant status was publicly disclosed.

3: Fusion protein (mAbs-like drug)

Source: NMPA, Frost & Sullivan Report

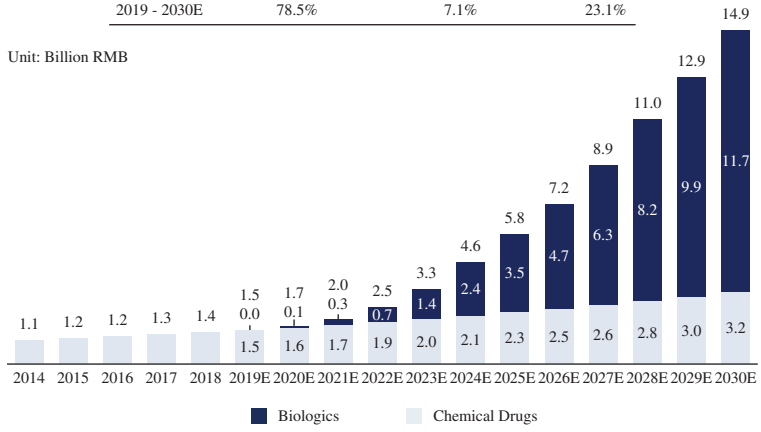
Total sales revenue for the global SLE therapeutics market grew at a CAGR of 12.4% from 2014 to 2018, reaching US$1.2 billion in 2018, and is expected to increase at a CAGR of 21.2% from 2018 to 2030, reaching US$12.0 billion by 2030. By comparison, the SLE therapeutics market in the PRC grew at a CAGR of 7.3% from 2014 to 2018 reaching RMB1.4 billion in 2018, and is expected to increase at a CAGR of 21.7% from 2018 to 2030, reaching RMB14.9 billion by 2030.

Growing prevalence of SLE diagnosis around the world and a strong pipeline of new therapeutics will drive future market growth. Significant unmet needs and increase in available therapeutic options for patients with potent clinical benefits will boost market demand. In particular, the global biologics market for SLE treatment increased from about US$300 million to US$600 million, representing a CAGR of 21.9% from 2014 to 2018, and is expected to further increase at a CAGR of 26.8% from 2018 to 2030, reaching US$10.8 billion in terms of sales revenue.

Historically, the PRC SLE therapeutics market has been miniscule. This market reached RMB1.4 billion in 2018, which were generated from the sale of chemical drugs. The biologics market for SLE treatment is expected to generate revenue in 2019 with the anticipated launch of belimumab in the PRC and the introduction of new biologics. The biologics market is expected to increase from RMB20 million in 2019 to RMB11.7 billion by 2030, with a CAGR of 78.5%. The chart below is a comparison of the PRC SLE biologics and chemical drugs markets and projections.

Market Size of China SLE Therapeutics Market

CAGR	Biologics	Chemical Drugs	Total
2014 - 2018	NA	7.3%	7.3%
2019 - 2030E	78.5%	7.1%	23.1%



Source: Frost & Sullivan Report

Pemphigus

Overview of Pemphigus

Pemphigus is a rare autoimmune disease that results in skin and oral cavity blistering. It is caused by autoantibodies directed against cell-surface antigens on keratinocytes, which will lose their cellular adhesion properties and separate from one another to form blisters within the epidermis when targeted. Pemphigus is mainly diagnosed based on its clinical manifestations (flaccid blisters and erosions on skin and oral mucosa), histology (epidermal acantholysis), and immunological abnormalities (circulating and tissue-fixed antibodies against keratinocyte surface antigens).

In the global market, the number of pemphigus patients increased from 437,900 to 467,200 from 2014 to 2018. The total number of global pemphigus patients is forecasted to reach 504,100 by 2023, and to 555,700 by 2030.

In the PRC, the number of pemphigus patients have increased from 82,100 to 85,400 from 2014 to 2018. The number of pemphigus patients in the PRC is forecasted to reach 89,300 by 2023, and to 93,400 by 2030.

Treatment of Pemphigus

Pemphigus is fatal if left untreated. Patients are usually treated with oral or topical corticosteroids. Other treatment options include immunosuppressants such as mycophenolate mofetil, azathioprine, cyclophosphamide and methotrexate, cyclosporine. However, these treatment options are non-specific; there is a high demand for innovative drugs to improve the treatment of pemphigus.

Competitive Landscape of Pemphigus Treatment Products

Rituximab is the only targeted product available for the treatment of pemphigus, and it has not been approved in the PRC. There are currently four mAbs for the treatment of pemphigus under various stages of clinical trials in the world. Despite low diagnosis rates in the global and PRC market, companies are driven to develop new therapeutics due the compelling medical needs for pemphigus treatment. The chart below summarizes the current product pipeline for the treatment of pemphigus:

- In China, currently there is no pipelines for pemphigus treatment in clinical stage.

Global Marketed Targeted Drugs for Pemphigus

Target	Product	Company	Brand Name	FDA Approval Time[1]	NMPA Approval Time
CD20	Rituximab	Genetech	Mabthera/ Rituxan	2018.06	NA

Global Late Stage Pipelines in Pemphigus Treatment

Target	Product[2]	Type	Company	Status	Date[3]
BTK	PRN-1008[4]	Small molecule	Principia Biopharma	Phase 3	2019/1/8
FcRn	SYNT-001	mAb	Syntimmune	Phase 1b/2	2017/8/1
FcRn	Efgartigimod (ARGX-113)	mAb	arGEN-X	Phase 2	2017/10/18
BAFFR	Ianalumab (VAY-736)	mAb	MorphoSys	Phase 2	2013/12/18

1: Approval time for the indication instead of initial product approval date.

2: Only pipelines that have entered clinical trial before October 20, 2019 are listed. Terminated, withdrawn and failed trials are not included.

3: Date denotes the date on which the clinical trial was publicly disclosed.

4: The only reversible covalent BTK inhibitor in current clinical trial.

Source: FDA, Frost & Sullivan Report

Allergic Asthma

Overview of Allergic Asthma

Asthma is a condition that affects the lungs and a person's breathing. It causes the airways to swell and produce extra mucus. These symptoms make breathing difficult and trigger chronic coughing. It can also cause wheezing and tightness in the chest. Asthma is one of the most common chronic diseases for children, but people may also develop asthma in adulthood. There are two forms of asthma: allergic asthma and non-allergic asthma. Allergic asthma, which is caused by inhaling of allergens, is the more common form and a type of immunological disease. Allergens are typically harmless substance such as dust mites, pet dander, pollen or mold. If a person is allergic to certain allergens, then these allergens may cause the airway passage of the lungs to become inflamed and swollen to manifest various asthma symptoms.

In the global market, the number of asthma patients is gradually increasing. From 2014 to 2018, the number of asthma patients increased from 220.0 million to 234.8 million. This number is expected to reach 247.5 million by 2023 and further increase to 267.7 million by 2030.

The number of asthma patients in the PRC is increasing at a greater pace than the global rate. The number of patients increased from 22.3 million to 23.8 million between 2014 and 2018. This number is forecasted to reach 25.6 million by 2023 and further increase to 27.8 million by 2030.

Treatment Options for Allergic Asthma

Treatment for allergic asthma focuses on controlling symptoms and reducing the risk of exacerbation. Asthma treatment is modified in a continuous cycle of assessment, treatment, adjustment and review response. Once a patient is diagnosed with asthma, physicians prescribe medicine in different stages in an attempt to enhance the patient's lung function and increase the probability of recovery. The chart below displays the steps of the conventional treatment plan for asthma.

	STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
Recommended Control Drugs	No medication recommended	Low Dose ICS	Low Dose ICS/LABA[2]	Med/high Dose ICS/LABA	Add tiotropium[5], oral corticosteroids (OCS), anti-IgE mAbs, Anti-IL-5 drugs
Alternative	Consider low dose inhaled corticosteroids (ICS)	Leukotriene receptor antagonist (LTRA) Low dose theophylline[1]	Med/high dose ICS Low dose ICS/LTRA (or + theophylline[1])	Add tiotropium[1], Med/high dose ICS/ LTRA (or + theophylline[1])	–
Relief Drugs	As-needed short-acting beta-agonist SABA[3] or low dose ICS/formoterol[4]				

1 Not for children <12 years.

2 For children 6-11 years, the preferred step 3 treatment is medium dose ICS

3 SABA includes: Albuterol Sulfate, Albuterol Sulfate HFA

4 Low dose ICS/formoterol is the reliever medication for patients prescribed low dose budesonide/formoterol or low dose beclometasone/formoterol for maintenance and reliever therapy

5 Tiotropium by mist inhaler is an add-on treatment for patients with a history of exacerbations

Source: Bronchial Asthma Treatment Guide (《支氣管哮喘基層診療指南》), Frost & Sullivan Report*

The following table is a comparison of the representative drugs treating asthma:

Comparison of Representative Drugs Treating Asthma

	Introduction	Advantage	Limitation
Inhaled corticosteroid (ICS)	ICS bind to the glucocorticoid receptor, used to be widely prescript but it is limited in prescription due to adverse effect.	• Rapid effectiveness; • Low price.	• Severe adverse effect especially for adolescent
Long-acting β2 agonist (LABA)	β2-agonist cause smooth muscle relaxation. β2 adrenergic agonists' effects on smooth muscle cause dilation of bronchial passages, relaxation of uterine muscle, and release of insulin.	• Good performance in combination therapy; • Reduce side effect of ICS; • Multi-formulation.	• Drug tolerance; • Severe adverse effect of oral formulation; • Inhibition of nerve.
Leukotriene Receptor antagonist (LTRA)	LTRA can inhibit CysLT1 pathway which can lead to bronchoconstriction and the characteristic, reactive airway symptoms associated with bronchial asthma. It can also block other inflammatory effects of leukotriene.	• Good performance in wild asthma; • Low drug tolerance.	• Poor performance in middle and late stage; • Limited ability of anti-inflammatory.
Sodium Cromoglycate	It prevents the release of mediators that would normally attract inflammatory cells and because it stabilizes the inflammatory cells.	• Improve tolerability for patients exercising; • Reduce dosage of ICS.	• Slow effectiveness; • Limited efficacy.
Theophylline	Theophylline is competitive nonselective phosphodiesterase inhibitor, which activates PKA, inhibits TNF-alpha and leukotriene synthesis, and reduces inflammation and innate immunity.	• Low price; • Better clinical performance in Asia.	• High heterogeneity of adverse effect; • Limited efficacy.
Anti-IgE mAbs	Omalizumab is a recombinant DNA-derived humanized IgG1k monoclonal antibody that specifically binds to free human immunoglobulin E (IgE) in the blood and interstitial fluid and to membrane-bound form of IgE(mIgE) on the surface of mIgE-expressing B lymphocytes.	• Significant improvement of symptom, pulmonary function and quality of life; • Great safety and tolerability; • Reduce acute drug needs.	• Long-term efficacy need to be proved; • High price.

Source: CMA, GINA, Frost & Sullivan analysis

Competitive Landscape of Allergic Asthma Products

Omalizumab is the only mAb for the treatment of asthma in the PRC. There are currently five mAbs for the treatment of asthma under Phase III clinical trials in the PRC. The following table is lists the marketed products and pipeline of mAbs for Asthma treatment in the PRC.

Marketed mAbs for Asthma Treatment in China

Brand Name	Generic Name	Manufacturer	CFDA Approval	FDA Approval	NRDL
Xolair® (茁樂®)	Omalizumab	Novartis	2017	2003	x

Pipeline mAbs for Asthma Treatment in China

Drug Name	Target	Major Clinical Trial Sponsor	Status	Date[1]
Benralizumab	IL-5Rα	AstraZeneca	Phase III	2017/7/26
Omalizumab biosimilar	IgE	Biomabs (百邁博)	Phase III	2017/10/19
Mepolizumab	IL-5	GSK	Phase III	2018/8/31
Dupilumab	IL-4/IL-13	Sanofi	Phase III	2018/12/13
Tezepelumab	TSLP	AstraZeneca	Phase III	2019/7/15

1: Date denotes the date on which the relevant status was publicly disclosed (首次公示日期).

*: The statistical results are updated by the end of October 20, 2019

Source: CFDA, CDE, Frost & Sullivan Report

Market Revenue and Projections

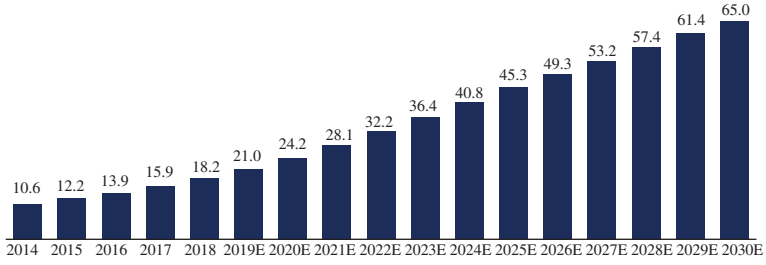
Due to the loss of patent protection for marketed drugs and the introduction of cheaper generic drugs[1], total sales for the global asthma market decreased from US$22.5 billion in 2014 to US$21.1 billion in 2018. Despite the previous decline, the global asthma market is projected to reach US$25.1 billion by 2023 and US$34.6 billion by 2030 due to an expanding pipeline of drugs available to patients. In comparison to the global market, the asthma market in the PRC experienced stable growth between 2014 and 2018 with total sales increasing from RMB10.6 billion to RMB18.2 billion during this period. The asthma market in the PRC will maintain this growth and is expected to reach RMB36.4 billion by 2023 and RMB65.0 billion by 2030. Biologics only comprised less than 1% of the PRC asthma therapeutics market in 2018 with chemical drugs dominating the market. However, biologics market share is expected to reach 6.6% by 2023 and 26.0% by 2030.

The following chart summarizes the historical and forecast data for the PRC market for asthma.

Market Size of China Asthma Market (2014-2030E)*

	CAGR
2014-2018	14.4%
2018-2023E	14.8%
2023E-2030E	8.6%

Unit: Billion RMB



* COPD is not included in the market

Idiopathic Pulmonary Fibrosis

Overview of IPF

IPF is a specific form of chronic, progressive fibrosing interstitial pneumonia of unknown cause to the lungs, occurring primarily in older adults, and associated with the histopathologic and radiologic pattern of usual interstitial pneumonia (UIP). IPF is the most common type of pulmonary fibrosis which causes scarring of the lungs. Scarring causes stiffness in the lungs which leads to breathing difficulties. Damages to the lung caused by IPF are progressive and irreversible. In some cases, damages to the lung can be slowed down by certain medications. Occasionally, lung transplants are recommended for people with IPF.

Although IPF is a rare disease, the treatment of this disease entails significant medical costs, great deterioration of quality of life and low chances of survival. According to a US study, the average healthcare cost for IPF patients is US$21,815 annually, compared to US$8,579 of an age-gender matched control population. In addition, the two drugs available for treating IPF cost more than US$100,000 annually in the U.S. and the average total cost of lung transplantation is US$127,113. According to another U.S. study of IPF patients' healthcare utilization, the average inpatient days in a 36 month period for IPF patients is 13.7 days, compared to 6.1 days for the age-gender matched general population. Total hospitalization rate is also higher for IPF patients: 60% of IPF patients required hospital care while 32% of the control group required hospital care. The average number of hospital visits per patient for IPF patients is 111.1 compared to 68.7 for the control group. Without treatment, the one-year and five-year survival rates from initial diagnosis of acute IPF is 56.2% and 18.4%, respectively.

There has been a significant increase in IPF diagnosis in the PRC. From 2014 to 2018, the number of IPF patients increased from 67,000 to 89,200, representing a CAGR of 7.4%. The exact cause of IPF is unknown, but experts identify pollution exposure, smoking, gastro-esophageal reflux disease, viral infections and family history as potential risk factors. These risk factors contributed to the increase in IPF diagnosis in the PRC. Technological advancement, such as the availability of computed tomography, also contributed to the increase in IPF diagnosis. The number of IPF patients in the PRC is forecasted to reach 166,700 by 2023, representing a CAGR of 13.3% from 2018 to 2023.

Treatment Options for IPF

Although scarring of lungs associated with IPF is irreversible, treatment can significantly slow the rate of fibrosis and increase patients' survival rate. Many treatments also improve the symptoms and patients' quality of life. Current IPF treatment options includes lung transplant, medication to slow fibrosis, medication to improve symptoms, oxygen therapy and pulmonary rehabilitation.

Pirfenidone and nintedanib are the only two drugs approved in the global market clinically proven to slow down the development of scar tissue in the lungs. China's IPF Treatment Guideline lists pirfenidone as the standard treatment of IPF. In addition to medication to slow down fibrosis, physicians also prescribe medicine to treat IPF symptoms and reduce the risk factors of IPF. These medicines include corticosteroids and other immunosuppressants to reduce inflammation and proton pump inhibitors to treat gastrointestinal reflux diseases.

Competitive Landscape of IPF Products

There are two products, Pirfenidone and Nintedanib, available for the treatment of IPF and seven drug candidates under various phases of clinical trials in the PRC. Driven by compelling unmet medical needs, companies continue to explore new therapeutic options for IPF treatment. The chart below illustrates the drugs currently available in the PRC and the pipeline of drug candidates and their development status.

Marketed Drugs in IPF Treatment in China

Brand Name	Generic Name	Manufacturer	CFDA Approval	NRDL
艾思瑞®	Pirfenidone	Beijing Kangdini (北京康蒂尼藥業)	2013/12/25	Included in 2017
維加特®	Nintedanib	Boehringer Ingelheim	2017/09/20	Not Included

Pipeline for IPF Treatment in China*

Drug Name	Major Clinical Trial Sponsor	Status	Date#
Nintedanib	CSPC (石藥集團)	NDA	2019/05/06
Pirfenidone	Tianyiqinkun (天一秦昆)	II	2014/04/28
Pirfenidone	Shaanxi Synthetic (陝西合成藥業)	I	2014/05/07
Pirfenidone	Beijing Rundekang (北京潤德康)	I	2014/08/01
Famitinib	Hengrui (江蘇恒瑞)	I	2015/10/21
Yifenidone	HEC Pharma (東陽光藥)	I	2017/11/20
ZSP1603	Guangdong Zhongsheng (廣東眾生)	Ia	2018/7/26

*: The statistical results are updated by the end of October 20, 2019.

#: Date denotes the date on which the relevant status was publicly disclosed (首次公示日期).

Source: CDE, Frost & Sullivan Report

Global and China Competitive Landscape of BTK Inhibitors

Marketed Products and Pipelines in Late Stage

Global Competitive Landscape of BTK Inhibitors[1]

Product Name	Name Code	Company	Indications	Status
Ibrutinib(Imbruvica)	PCI-32765	Johnson & Johnson/ AbbiVe	MCL, CLL/SLL, WM, MZL, cGVHD	Marketed, 2013.11
Acalabrutinib(Calquence)	ACP-196	AstraZeneca	MCL	Marketed, 2017.10
Zanubrutinib	BGB-3111	BeiGene	MCL, CLL/SLL, NHL	NDA Filing
/	PRN-1008	Principia Biopharma	Pemphigus	Phase III
Evobrutinib	M-2951	Merck	MS	Phase III

China Competitive Landscape of BTK Inhibitors[1]

Product Name	Name Code	Company	Indications	Status
Ibrutinib(億珂)	PCI-32765	Johnson & Johnson	MCL, CLL/SLL	Marketed, 2017.8
Zanubrutinib	BGB-3111	BeiGene	MCL, CLL/SLL	NDA Filing

1. Only pipelines that entered clinical Phase III before October 20, 2019 are listed.

Source: FDA, Clinical trial. gov, CDE, Frost & Sullivan analysis

There are two marketed BTK inhibitors, one under DNA filing and two drug candidates under Phase III clinical trials in the global market. In the PRC market, there are one marketed BTK inhibitor and one under NDA filing. For these seven products, Principia Biopharma is the only company developing a covalent BTK inhibitor for the treatment of immunological diseases.

OVERVIEW OF PRC REGULATIONS

Major Regulatory Authorities

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

Pursuant to the Decision of the First Session of the 13th National People's Congress on the State Council Institutional Reform Proposal (《第十三屆全國人民代表大會第一次會議關於國務院機構改革方案的決定》) promulgated by the PRC National Congress on March 17, 2018, (1) the State Administration for Market Regulation (國家市場監督管理總局) shall be established; the CFDA shall cease to exist, while the NMPA was established as a department under the State Administration for Market Regulation. (2) the National Health and Family Planning Commission (國家衛生和計劃生育委員會) shall cease to exist, while the National Health Commission (國家衛生健康委員會) shall be established as a department under the State Council, incorporating duties of supervision and management which had been assigned to relevant departments. (3) National Healthcare Security Administration (國家醫療保障局) shall be established as a bureau directly subordinate to the State Council.

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

State Administration for Market Regulation

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

National Health Commission

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

National Healthcare Security Administration

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

Laws and Regulations in Relation to New Drug Registration Application

Drug Registration Application

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

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

Clinical Trial (Four Phases)

In compliance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), clinical trials are required for the applications for new drug registration. With regard to applications for generic drugs and supplemental applications, clinical trials shall be carried out in accordance with stipulations in the appendices of this Administration of Drug Registration. Clinical trials are divided into Phase I, Phase II, Phase III and Phase IV:

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

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

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

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

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

New Drug Production

Upon the completion of clinical trials, the applicant can submit a new drug application for approval to manufacture and launch such new drugs as follows. Upon the acceptance of the approval, the applicant shall be granted a new drug certificate (新藥證書), and may together obtain drug approval number (藥品批准文號).

- In compliance with the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), subsequent to the completion of a clinical trial, the applicant shall fill out the application form for drug registration (藥品註冊申請表), and submit application dossier for production to the competent provincial drug administration department. At the same time, the applicant shall submit the raw material for the preparation of the standard product and the research data concerning the relevant standard substance to the National Institute for Food and Drug Control (中國食品藥品檢定研究院).

- The competent provincial drug administration department shall carry out formality review on the application materials, and issue the drug registration application acceptance notice if the relevant materials meet the relevant requirements.

- The competent provincial drug administration department shall, within five days upon acceptance of the application, organize and conduct on-site inspection for the clinical trial conditions and relevant raw materials, undertake preliminary examination in relation to the application dossier, and shall issue examination opinions. For drugs other than biological products, the competent provincial drug administration department shall take sample drugs of three batches, and notify the National Institute for Food and Drug Control for re-inspection of standard.

- The competent provincial drug administration department shall, within the prescribed time limit, submit the examination opinions, inspection report and application dossier to the CDE, and notify the applicant.

- The notified drug control institute shall verify the submitted drug specifications and submit the verification opinions to CDE within the prescribed time, and send copies to the competent provincial drug administration department and the applicant.

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

- For an application which meets the requirements, the CDE shall notify the applicant to apply for on-site production inspection and notify the Center for Food and Drug Inspection of NMPA (國家藥品監督管理局食品藥品審核查驗中心).

- The applicant shall, within six months upon receipt of notification of on-site production inspection, submit the on-site inspection application to the Center for Food and Drug Inspection of NMPA.

- The Center for Food and Drug Inspection of NMPA shall, within 30 days upon receipt of the application of on-site production inspection, organize on-site inspection of the batch production process of samples and other procedures, and confirm the feasibility of the approved production process. At the same time, the Center for Food and Drug Inspection of NMPA shall select one batch of sample (three batches of samples for biological products) and send them to the drug control institute which has conducted the pharmaceutical standards review for standard review inspection, and provide the production site inspection report to the Center for Food and Drug Inspection of NMPA within ten days after the on-site inspection.

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

- The CDE shall, based on the technical examination, on-site inspection report of sample production and sample test results, form a comprehensive opinion and submit it together with the relevant documents to the NMPA. The NMPA shall make decision on approval in accordance with the comprehensive opinions. If requirements are satisfied, a new drug certificate shall be issued. Drug approval number shall be granted at the same time to enterprises with drug production license (藥品生產許可證) and productive conditions.

Prioritized Examination and Approval for Registration of New Drugs

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

According to the Announcement of the NMPA on Several Policies on the Appraisal and Approval of Drug Registration (《國家食品藥品監督管理總局關於藥品註冊審評審批若干政策的公告》) promulgated by the NMPA in November 2015, (1) as to the clinical trial applications for new drugs, one-time approval is implemented and no declaration, appraisal or approval at different phases will be adopted. After the completion of Phase I and Phase II clinical trials, the applicants should submit the test results and the clinical trial plan of next phase on a timely basis. If no safety problems are found, the clinical trial can enter into the next phase after communicating with CDE. The applicants should faithfully report serious adverse events in clinical trials and submit annual research reports on time. If safety risks in clinical trials cannot be controlled, clinical trials should be stopped immediately. CDE should communicate with the applicant in person and formulate meeting minutes listing the agreed items; (2) as to the registration applications which meet specific and urgent conditions, the applications can be handled in a separate line so as to facilitate their appraisal and approval since December 1, 2015. In addition, pursuant to Decision on Adjusting the Approval Procedures of the Administrative Approval Items for Certain Drugs by the NMPA (《國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定》) which is effective from May 1, 2017, the approval in relation to the clinical trial can be directly issued by the CDE on behalf of the NMPA, which shortens the timeline for the application.

In July 2018, the NMPA promulgated the Announcement of the China National Medical Products Administration on Adjusting Evaluation and Approval Procedures for Drug Clinical Trials (《國家藥品監督管理局關於調整藥物臨床試驗審評審批程序的公告》) to further simplify the procedures for the application in relation to the approval of clinical trial, according to which if an applicant does not receive any negative or inquiries from the CDE within 60 days after the CDE's acceptance of the application and fee, such applicant may proceed with conducting the drug clinical trials in accordance with the plan submitted to the CDE.

According to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices promulgated by the General Office of the CPC Central Committee and the General Office of the State Council (《中共中央辦公廳、國務院辦公廳關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) in October 2017, the evaluation and approval of drugs and medical devices urgently needed for clinical practice shall be accelerated.

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

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

Pilot Plan for the Drug Marketing Authorization Holder Mechanism

In May 2016, the General Office of the State Council promulgated the Pilot Plan for the Drug Marketing Authorization Holder Mechanism (《藥品上市許可持有人制度試點方案》), which provides a detailed pilot plan for the drug marketing authorization holder mechanism in 10 provinces and municipalities. Under such mechanism, drug research institutes or researchers in the pilot administrative regions may serve as the applicants for the drug registration and file applications for clinical drug trials and drug marketing; and any applicant granted the drug marketing permit and a drug approval number may become a drug marketing authorization holder. The applicants and the holders shall correspondingly assume the relevant legal liability for clinical drug trials and drug manufacturing and marketing specified in laws and regulations. The aforesaid pilot plan shall be implemented from the date of issuance to November 4, 2019, according to the Decision of the Standing Committee of the National People's Congress on Extending the Period of Authorizing the State Council to Carry out the Pilot Program of Drug Marketing Licenses Holders System in Certain Areas (《全國人民代表大會常務委員會關於延長授權國務院在部分地方開展藥品上市許可持有人制度試點期限的決定》).

In August 2017, the NMPA promulgated the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorization Holder System (《國家食品藥品監督管理總局關於推進藥品上市許可持有人制度試點工作有關事項的通知》), which aims at accelerating the marketing authorization holder system pilot program and further making exploration in respect of the rights, obligations and legal liability of the holder, the quality management system in entrusted manufacturing and the responsibility system for the whole manufacturing and marketing chain, cross-regional regulatory coordination between the drug regulators, division of duties and assumption of responsibilities.

Laws and Regulations in Relation to Drug Manufacturing

Drug Manufacturing Certificate

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

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

According to the Regulations on the Implementation of the Drug Administration Law of the PRC (2019 revision) (《中華人民共和國藥品管理法實施條例(2019年修訂)》) as amended on March 2, 2019, the valid term of the drug production license is five years. The certificate holder should apply for renewal of the drug production license in compliance with the regulation of the drug regulatory department under the State Council six months prior to the expiration date of the certificate.

Good Manufacturing Practices or GMP

Pursuant to the Certification Measures on GMP (《藥品生產質量管理規範認證管理辦法》), in the case of establishing a pharmaceutical manufacturer or expanding the production range or building a new factory, the pharmaceutical manufacturer should apply for GMP certification in accordance with the Regulations for the Implementation of the Drug Administration Law of the PRC (2019 revision) (《中華人民共和國藥品管理法實施條例(2019年修訂)》) as amended on March 2, 2019. The pharmaceutical manufacturer which has obtained the certificate of GMP shall reapply for the GMP certification six months prior to its expiration date.

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

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

Commissioned Production of Drugs

According to the Drug Administration Law of the PRC (2015 revision) (《中華人民共和國藥品管理法(2015年修訂)》), pharmaceutical manufacturers may accept the commission to produce drugs upon the approval of provincial drug administration department. The Regulations on the Implementation of the Drug Administration Law of the PRC (2019 revision) (《中華人民共和國藥品管理法實施條例(2019年修訂)》) and the Administrative Measures on Supervision of Pharmaceutical Production (2017 revision) (《藥品生產監督管理辦法(2017年修訂)》) defined the qualification of the entrusting party and the entrusted party, namely the entrusting party must be a pharmaceutical manufacturer with a corresponding drug approval number while the entrusted party of drug production must be a pharmaceutical manufacturer with a corresponding certificate of GMP. The entrusting and entrusted party of the drug should sign the contract stipulating the general rights and obligations, and specific rights and obligations on the technique and quality control of entrusted production of the drug in accordance with the laws and regulations on drug administration of the PRC.

Other Laws And Regulations In Relation To Drug

New Drug Technology Transfer

The Administrative Regulations for Registration of Drug Technology Transfer (《藥品技術轉讓註冊管理規定》) applies to the filing, evaluation, examination, and monitoring of the applications for registration of drug technology transfer. Drug technology transfer refers to the process of transferring drug production technology from its owner to a drug manufacturing enterprise whereby the transferee shall apply for the registration of drug. Drug transfer technology is classified into new drug technology transfer and drug production technology transfer. The drug technology transfer shall meet the specified application condition and carry out the corresponding procedure. Drugs manufactured by the transferee shall be consistent with those produced by the transferor in terms of, inter alia, formula, manufacturing process and quality specifications in order to guarantee the quality of the drug.

Drug Recall

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

Drug Price

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

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

Insert Sheets, Labels and Packaging

The insert sheets and product labels for any drugs marketed in the PRC must be in compliance with the requirements of the Provisions on the Administration of the Insert Sheets and Labels of Drugs (《藥品説明書和標籤管理規定》). The insert sheets and labels of drugs shall be subject to the ratification of the NMPA, and the literal expression of any drug insert sheets and labels must be scientific, accurate and normative. With regard to the same drug product produced by the same drug product manufacturer, the drug specification and package must remain consistent, and the label content, format and color must remain consistent. The packaging colors for the same drug product produced by the same drug manufacturer should be distinctly different if such drugs are classified as prescription medicine and over-the-counter medicine.

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

Drug Advertisement

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

Commercial Briberies in Pharmaceutical Industry

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

circumstance of the crime of bribery is minor and the relevant people's procuratorate has decided not to lodge a prosecution; (3) where a discipline inspection and supervision authority has initiated a case of bribery and conducted investigation, and punishment has been imposed in accordance with the law; (4) where administrative penalties against the act of bribery have been imposed by, inter alia, the finance administration, the industrial and commercial administration, the NMPA; and (5) any other circumstances specified by laws, regulations and rules.

Coverage and Reimbursement

In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that cover both rural and urban citizens by 2020.

Reimbursement under the National Medical Insurance Program

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

Medical Insurance Catalogue

Participants of the national medical insurance program and their employers (if any), are required to contribute to the payment of an insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalogue. Pursuant to the Interim Measures on the Administration of the Drug Scope for Basic Medical Insurance of Urban Employees (《城鎮職工基本醫療保險用藥範圍管理暫行辦法》), the drugs included in the national medical insurance drug catalogue (基本醫療保險藥品目錄) must be necessary, safe, easy to use, commercially available at a reasonable price with guaranteed supply from market for clinical purposes while satisfying at least one of the following requirements:

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

This catalogue classifies the drugs into Class A and Class B. Class A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while Class B drugs are clinical treatments with good efficacy and slightly higher prices compared to Class A drugs. The social security administration departments of all provinces shall not adjust the scope of Class A drugs in the catalogue and must adjust the scope of Class B drugs strictly following the rules and regulations in force. The quantity involved in adjustments shall not exceed 15% of the quantity of Class B drugs in the catalogue.

Other Laws and Regulations in Relation to Our Business

Patent Protection

According to the Patent Law of the PRC (2008 revision) (《中華人民共和國專利法(2008年修正)》) and other relevant laws and regulations, there are three kinds of patent protection: patent for an invention, patent for utility models and appearance design patent. The protection term for an invention is 20 years and the protection term for a utility model or a design patent is 10 years, both of which are counted from the date of application, and such patent becomes effective after the patent administrative department of the State Council (國務院專利行政部門) makes an announcement of approval. When the invention or utility model patent is granted, unless otherwise stipulated in the Patent Law, without the consent of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products for business purpose, or use the patented method and use, offer to sell, sell or import the products directly obtained with the patented method. When the appearance design patent is granted, without the approval of the patent owner, no entity or person shall implement the relevant patent, that is, manufacture, use, offer to sell, sell or import the patented products incorporating the patented design.

Product Liability and Consumer Protection

The Product Quality Law of the PRC (2018 revision) (《中華人民共和國產品質量法(2018年修正)》) is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any bodily injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall be liable to compensate for any bodily injuries or damage to property of others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

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

aggrieved parties may require the seller to compensate, but they may also require the producer to compensate. Where the responsibility lies with the producer, the seller, after settling the compensation, has the right to recover from the producer. Where the responsibility lies with the seller, the producer, after settling the compensation, has the right to recover such compensation from the seller.

According to the Tort Law of the PRC (《中華人民共和國侵權責任法》), manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Labor Protection and Social Insurance

According to the Labor Law of the PRC (2018 revision) (《中華人民共和國勞動法(2018年修正)》), the Labor Contract Law of the PRC (2012 revision) (《中華人民共和國勞動合同法(2012年修正)》) 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》), labor contracts in written form shall be executed to establish labor relationships between employers and employees. The wages paid by employers to employees shall not be lower than the local standards of minimum wages. In addition, an employer must establish a system for labor safety and sanitation, strictly abide by state rules and standards, educate laborers in labor safety and sanitation, prevent accidents in the process of labor and reduce occupational hazards, and shall establish a system for professional training, extract and use funds for professional training according to state regulations, and provide laborers with professional training in a planned way and according to its specific conditions. When an employing unit recruits a worker, it shall truthfully inform him of the job description, the working conditions, the place of work, occupational hazards, conditions for work safety, labor remuneration and other matters which the worker requests to be informed of.

According to the Social Insurance Law of the PRC (2018 revision) (《中華人民共和國社會保險法(2018修正)》), 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 (2019 revision) (《住房公積金管理條例(2019年修正)》), an employer must go to the department responsible for the administration of housing fund to undertake registration of payment and deposit of the housing provident fund and go through the formalities of opening housing provident fund accounts on behalf of its employees.

Environment Protection

Enterprises generating environmental pollution in the PRC must comply with the Law of the PRC on Prevention and Control of Water Pollution (2017 revision) (《中華人民共和國水污染防治法(2017年修正)》), the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (2016 revision) (《中華人民共和國固體廢物污染環境防治法(2016年修正)》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (2018 revision) (《中華人民共和國大氣污染防治法(2018年修正)》) and Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》). These laws regulate extensive issues in relation to environmental protections including waste water discharge, air pollution control, noise emission and solid waste pollution control. Pursuant to these laws, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

According to the Law of the PRC on Environmental Impact Assessment (2018 revision) (《中華人民共和國環境影響評價法(2018年修正)》), the Regulations on the Administration of Construction Project Environmental Protection (2017 revision) (《建設項目環境保護管理條例(2017年修訂)》) and the Classified Management Directory of the Construction Project Environmental Impact (2018 revision) (《建設項目環境影響評價分類管理名錄(2018年修訂)》), classification management is implemented in respect of any environmental impact of a construction project on the basis of degree of such impact of the construction project on the environment. The environmental impact assessment of the construction project should be made by preparing an environmental impact report, an environmental impact report form or an environmental impact registration form on the basis of the following principles: (1) where considerable effects may be exerted on the environment, preparing an environmental impact report, in which a comprehensive evaluation of the effects on the environment shall be made; (2) where mild effects may be exerted on the environment, preparing an environmental impact report form, in which an analysis or special evaluation of the effects shall be made; and (3) where the effects on the environment are minimal and therefore it is not necessary to make an evaluation of them, filling out an environmental impact registration form. A construction entity may entrust a technical entity with the environmental impact assessment of its construction project, and preparation of the environmental impact report and environmental impact report form of the construction project. If the construction entity has the technical capability of environmental impact assessment, it may conduct environmental impact assessment of its construction project and prepare the environmental impact report and environmental impact report form of the construction project. Where the environmental impact assessment documents of a construction project are not reviewed by the relevant examination and approval department pursuant to the law or are not approved after review, the construction entity concerned shall not commence the construction of the said project.

OVERVIEW OF HONG KONG REGULATIONS

Laws and Regulations on Bio Industry in Hong Kong

Import and Export

Import, export, procuring, supply, dealing, manufacture and possession of "dangerous drug" in Hong Kong are regulated through the implementation of the licensing system and imposition of criminal liability on offenders. "Dangerous drug" refers to drugs or substances specified in Part I of the First Schedule to DDO, which includes, inter alia, substances specified in paragraph 1(a) as well as any compound structurally derived from specified substances, any stereoisomeric form, ester, ether, or salt of specified substances. The relevant legislation also creates certain exceptions to authorize persons (e.g., pharmacists) to procure, supply and possess dangerous drugs if it is necessary for the exercise of their profession, function and employment.

Manufacture and Distribution

Manufacture, distribution, dispensing, supply, wholesale and retail, labelling, possession, import and export of: (a) pharmaceutical products and medicines; and (b) poisons in Hong Kong are also regulated. Failure to abide by the regulations is a criminal offence. Applicable regulations include:–

- Pharmaceutical products and medicines (any substance or combination of substance (a) presented as having properties for treating or preventing disease in human beings or animals; or (b) that may be used in, or administered to, human beings or animals, either with a view to (i) restoring, correcting or modifying physiological functions by exerting a pharmacological, immunological or metabolic action; or (ii) making a medical

diagnosis) – must be registered before they can be sold, distributed or possessed. The sale of pharmaceutical products is restricted under different conditions depending on whether they contain any poisons;

- Poisons – The levels of control over their sale depend on their categorization under the relevant legislation.

Despite the regulations, supply of medicine by a doctor duly registered in Hong Kong for the purposes of medical treatment is not subject to the limitations mentioned above.

Medicine Practice

In Hong Kong, the practice of medicine is regulated and must be carried out by a registered medical practitioner (subject to certain exceptions).

Any person who practices medicine but is not registered or exempted from registration commits an offence and is liable to a fine of HK$100,000 and imprisonment for three years (on summary conviction) or to imprisonment for five years (on conviction upon indictment).

Laws and Regulations on Environmental Protection in Hong Kong

Waste Disposal

In Hong Kong, disposal of waste is subject to regulation and control, "Waste" is defined as any substance or article which is abandoned and includes, inter alia, chemical waste, clinical waste, household waste and trade waste. In particular:–

- Chemical waste – The collection, disposal, storage and transportation of chemical waste are regulated under a licensing system (with exception on collection of waste under special circumstances). The legislation also establishes a register for chemical waste producers;

- Clinical waste includes sharps, laboratory waste, human and animal tissue, infectious materials, dressings and other waste connected with medical, veterinary or nursing practices. The collection and disposal of clinical waste is regulated by legislations.

The legislation also imposes: (a) a general prohibition against unauthorized disposal of waste, and (b) requirements in respect of notice.

Laws and Regulations on Intellectual Property in Hong Kong

Patents

In Hong Kong, application, registration and revocation of patent, as well as proceedings and reliefs concerning infringement of patent, are regulated. An invention is patentable if it is susceptible of industrial application, is new (if it does not form part of the state of the art) and involves an inventive step (if, having regard to the state of the art, it is not obvious to a person skilled in the art). However, a method for treatment of the human or animal body by surgery or therapy and a diagnostic method practiced on the human or animal body shall not be regarded as an invention which is susceptible of industrial application.

Further, a patent may not be granted (a) for an invention the public of working of which would be contrary to public order or morality; (b) for any plant or animal variety or any essentially biological process for the production of plants or animals, other than a microbiological process or the product of such process.

Trade Marks

In Hong Kong, the registration of trade marks, as well as proceedings relating to infringement of trade marks, are regulated. A trade mark is a sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings, and which is capable of being represented graphically. A trade mark is registrable unless it contravenes grounds for refusal under the relevant legislation. A registered trade mark also enjoys the protection under common law (i.e., the law of passing-off).

Further, a trade mark can be assigned or otherwise transmitted separately from the goodwill of a business. Any person threatened by infringement proceedings may apply for relief.

The legislation in Hong Kong also stipulates offences relating to, inter alia, false representation of a sign as registered trade mark. The primary sanction relating to registered trade mark includes offences relating to forged trade mark, and falsely applying of trade mark or resembling marks. It also provides for offence relating to import or export of goods bearing a forged trade mark.

Laws and Regulations on Import & Export in Hong Kong

The import and export of the following items to and from Hong Kong (whether through carriage by air, sea or land) are restricted under a licensing system:

- Strategic commodities;
- Prohibited articles;
- Prescribed articles.

In particular, items such as "chemical or biological toxic agents (or related equipment, components and materials)," "protective and detection equipment and components" for biological use, "equipment capable of use in handling biological materials", "enzymes" for specific chemical or biological reactions, "biopolymers" and "chemical, toxin, micro-organism or other biological agent" are prohibited items the import and export of which require specific licences.

In addition, all cargo which is imported to or exported from Hong Kong must be recoded in manifest containing all particulars prescribed. Criminal sanctions are provided for the import and export of prohibited commodities or goods without licence or unmanifested cargo to and from Hong Kong.

Laws and Regulations on the General Business in Hong Kong

Business Registration

All companies incorporated or registered in Hong Kong (including "shelf" companies and Hong Kong companies carrying out business outside Hong Kong) are required to register. In addition, every person carrying on any business in Hong Kong has to apply for business registration.

Where the business of a company or person is carried out through a branch of the business, application for branch registration is also required.

Laws and Regulations on Data Collection and Processing in Hong Kong

In Hong Kong, subject to the lawfulness of the means of data collection, there are no laws regulating the collection of data unless the data is "personal data." The collection and processing of personal data in Hong Kong are statutorily regulated. For the data to constitute "personal data" they must fulfill all of the following three criteria:

- The data must relate to an individual;
- That individual must be reasonably identifiable from the data;
- The data must be reasonably retrievable.

The regulations is applied through six data-protection principles, which address the collection (principle 1), accuracy and retention (principle 2), use (principle 3), security (principle 4), openness (principle 5) as well as the right of data subject to access and correct the personal data (principle 6) ("**Data Principles**").

The Office of Privacy Commissioner for Personal Data ("**PCPD**") is also empowered to oversee compliance of the Data Principles. Complaint can be made to PCPD for contravention of these principles. Civil lawsuits may also be brought where the data subject suffered loss or injured feelings. Criminal sanction is also stipulated for contravention of the relevant regulation (other than breach of the data protection principles).

Laws and Regulations on Sale of Products in Hong Kong

Sale of Goods

In Hong Kong, certain general sales terms and reliefs governing contract for sale of goods are implied through legislation, such as warranties/conditions that the products are of merchantable quality; fit for the purpose for which they are commonly bought; free from defects; safe, and durable as reasonably expected.

In addition, the following contract terms are also implied in the contracts with customers under legislation:

- Retailer would be liable for damages resulting from defects in the products caused by retailer's negligent act or fraudulent misrepresentation.
- Retailer will be liable for disregard of manufacturer's instructions;
- If retailer knows or reasonably believes that the products may be defective or dangerous, it may have to cease to supply them and take basic precautions such as warning the customers and informing the relevant manufacturers or suppliers.

Undesirable Medical Advertisements

In Hong Kong, no person shall publish, or cause to be published, advertisement likely leads to the use of any medicine for: (a) treating human beings or preventing them from contracting certain disease or condition (including any benign or malignant tumour; viral, bacterial, fungal or other infectious disease; parasitic disease; venereal disease; respiratory disease; disease of heart or cardiovascular system; gastro-intestinal disease; disease of nervous system; disease of genito-urinary system; disease of blood or lymphatic system; disease of musculo-skeletal system; endocrine disease; disease of skin, hair or scalp; and organic condition affecting sight, hearing or balance); or (b) treating human beings for certain purpose (such as the restoration of lost youth and correction of deformity or surgical alteration of appearance), subject to certain exceptions.

Further, no person shall publish, or cause to be published advertisement for an orally consumed product which makes for the product certain claims (including prevention, elimination or treatment of breast lumps; regulation of the function of genitourinary system and/or improvement of symptoms of genitourinary problems; regulation of endocrine system and/or maintenance or alteration of hormonal secretion; regulation of body sugar or glucose and/or alteration of function of pancreas; regulation of blood pressure; regulation of blood lipids or cholesterol), or any similar claim, subject to certain exceptions.

Trade Descriptions

The law of trade description in Hong Kong prohibits use of false trade descriptions, false, misleading or incomplete information, false marks and misstatements in respect of products, and false trade descriptions in respect of services supplied. Certain trade practices are made criminal offences, for example:

- Misleading omission;
- Aggressive commercial practices;
- Bait advertising;
- Bait and switch;
- Wrongly accepting payment.

In certain situations, certain information or instruction relating to goods should also be marked on or to accompany the products or be included in the advertisements.

Consumer Goods Safety

In Hong Kong, a person who supplies, manufactures or imports into Hong Kong any consumer goods has a statutory duty to comply with the general safety requirement that the consumer goods are reasonably safe having regard to all the circumstances, or with an approved standard published by the Secretary for Commerce and Economic Development, if such standard applies. The said safety requirement applies to:

- The manner in which, and the purpose for which, the consumer goods are presented, promoted or marketed;
- The use of any mark in relation to the consumer goods and instructions or warnings given for the keeping, use or consumption of the consumer goods;

- Reasonable safety standards published by a standards institute or similar body for consumer goods of the description which applies to the consumer goods or for matters relating to the consumer goods of that description;

- The existence of any reasonable means (taking into account to cost, likelihood and extent of any improvement) to make the consumer goods safer.

Any person who fails to ensure that the consumer goods supplied, manufactured or imported comply with the requirement/standard commits an offence, and is liable to a fine of HK$100,000 and imprisonment for one year (on first conviction) and a fine of HK$500,000 and imprisonment for two years (on second or subsequent conviction).

Further, warning or caution with respect to the safe keeping, use, consumption or disposal of the products should also be given in both Chinese and English in conspicuous part on the products, package, label or document enclosed therein.

Laws and Regulations on Leased Properties in Hong Kong

Landlord and Tenant

In Hong Kong, the relationship between landlord and tenant is regulated by legislation, which codifies the rights and duties of landlord and tenant depending on the nature of the tenancy.

Buildings Issues

The legislation in Hong Kong also provides for the planning, design and construction of buildings and associated works in Hong Kong, as well as the safety of dangerous buildings, land and connected matters.

Laws and Regulations on Employment in Hong Kong

Employment

The rights and obligations of employees and employers in Hong Kong are regulated by legislation, which applies to every employee engaged under a contract of employment to an employer of such employee, and to a contract of employment between such employer and employee.

The entitlements/protections afforded to an employee include year-end payments, maternity protection, rest days, protection against anti-union discrimination, severance payment, long service payment, employment protection, sickness allowance, holidays with pay and annual leave with pay. Apart from the employees protection, the legislation also provides standard duties and obligations to be implied in contracts between employers and employees, as well as the formalities to be observed for employment contracts.

Mandatory Provident Fund Schemes

In Hong Kong, a system of privately managed, employment-related scheme ("**Scheme**"), was established to provide benefit to their members in local workforce upon their retirement. The Scheme came into operation in December 2000, and is managed by the Mandatory Provident Fund Schemes Authority.

Under the Scheme, all employees (and those who are self-employed) aged between 18 and 65 years with monthly earning between HK$7,100 and HK$30,000 are obliged by law to contribute 5% of their income to the Scheme; and those with monthly earning over HK$30,000 are obliged to contribute HK$1,500 to the Scheme. In the first instance, a contribution of 5% of the total monthly income must be made to the Scheme by both the employee and employer, unless the income falls below the minimum threshold (in which case the employer alone is obliged to contribute). The employee and employer may, if they so prefer, make contribution in excess of the statutory minimum.

Under the Scheme, an employer has a duty to duly pay the mandatory contribution for its own behalf and for the employees. An employer who, without reasonable excuse, fails to pay contribution (or failure to do so on time) commits a criminal offence, and is liable: (a) on first conviction, to a fine at HK$100,000 and imprisonment for six months; (b) on subsequent occasion, to a fine of HK$200,000 and imprisonment for twelve months.

Occupational and Health Safety

In Hong Kong, the occupational safety of employees is by ensuring the safety of employees, and to protect their health and welfare. Subsidiary legislations also set down basic requirements for accident prevention, fire precaution, workplace environment control, hygiene at workplaces and first aid. Labour Department is responsible for enforcement of the relevant regulation.

Laws and Regulations on Tax in Hong Kong

Inland Revenue

In Hong Kong, the assessment and payment of various taxes (i.e., property tax, salaries tax and profits tax) are administered by legislation. Regarding the assessment of salaries tax and profits tax:–

- Salaries tax is assessed at progressive rates on net income, after deductions and allowances, derived from Hong Kong employments, offices and pensions, until the point is reached where it becomes cheaper for the taxpayer to pay the standard rate on income from these sources without taking into account the various personal allowances.

- Profits tax is charged on Hong Kong-derived profits at specific rates for corporations and at the standard rate for sole proprietors, partnerships and other businesses which are unincorporated.

Stamp Duty

In Hong Kong, leases, contract notes, bearer instruments and duplicates and counterparts are, inter alia, chargeable to stamp duty. Specific obligation is imposed on a named party to stamp any applicable instrument. The obligation to stamp exists notwithstanding that the instrument was executed outside Hong Kong. If a chargeable instrument is not properly stamped, the tax collector can recover from the party liable the unpaid duty and penalty. Generally, the parties executing the instrument (as well as any person using the instrument) are jointly and severally liable for the stamp duty payable.

If an instrument is not stamped or properly stamped, the unstamped instrument will remain inadmissible in evidence for most purposes.

Laws and Regulations on Corporate Issues

In Hong Kong, a company and its directors/officers must observe various regulations regarding, inter alia, membership, share capital, distribution of profits and assets, registration, management and administration, appointment and disqualification of officials, among others. The legislation creates criminal offences on the company and/or its directors/officers for failing to observe the relevant regulations.

Laws and Regulations on Competition

The competition law came into effect in Hong Kong in December 2015 and aims at promoting competition and prohibiting anti-competitive practices. In general, three main types of anti-competitive practices, which are described under the following rules, are prohibited under the existing regulation:

- "*First Conduct Rule*": prohibiting undertaking from making or giving effect to an agreement (whether horizontal or vertical) if the agreement has the object or effect of harming competition in Hong Kong. The rule applies to concerted practices/decisions of associations of undertakings (whether the participants are competitors or not). Examples of prohibited agreements are horizontal "cartel" agreements, joint ventures, price fixing and group boycotts.

- "*Second Conduct Rule*": prohibiting business with substantial market power in a market from abusing that power by engaging in conduct which has the object or effect of harming competition in Hong Kong (i.e., to protect or increase position of power and profits). Examples include predatory pricing, anti-competitive tying and bundling; margin squeeze and refusals to deal, as well as exclusive dealing.

- "*Merger Rule*": prohibiting mergers which have the effect of substantially lessening competition in Hong Kong. Currently the application of the rule is limited to mergers relating to undertakings directly or indirectly holding carrier licences issued by the Communication Authority.

The Competition Tribunal has power to impose pecuniary penalties, to award damages and order interim injunctions during investigations or proceedings for violation of competition rules. Parties to a contract may also invoke the rules to support their claim that a contractual clause is void or voidable.

OUR HISTORY AND DEVELOPMENT

Our History

The history of our Group can be traced back to May 2001 when Dr. Leung, the chairman of our Board, the executive Director, our chief executive officer and one of our Controlling Shareholders, subscribed for a majority equity interest in our Company through Skytech Technology. Since then, we began focusing on our biopharmaceutical research and development business in Hong Kong. For further information of Dr. Leung, see "Directors and Senior Management – Board of Directors – Executive Director." For details of the incorporation and major shareholding changes of our Company, see "– Establishment And Major Shareholding Changes Of Our Company" below.

To operate our business in the PRC, we established our subsidiaries, Shenzhen SinoMab, Hainan SinoMab and SinoLink Pharma, in August 2010, February 2014 and July 2018, respectively. For strategic overseas expansion, Australia SinoMab was incorporated in Australia in April 2019. For details of our subsidiaries, see "– Our Subsidiaries" below.

Key Milestones

The following sets forth the key corporate and business development milestones of our Group:

Year	Milestone
April 2001	Our Company was incorporated in Hong Kong.
May 2001	Our founder, Dr. Leung, subscribed for a majority of equity interest in our Company through Skytech Technology.
August 2006	We obtained SM03 IND approval for NHL from the NMPA.
January 2007	We commenced SM03, our flagship product, Phase I clinical trial for NHL.
March 2008	We obtained SM03 IND approval for SLE from the NMPA
December 2008	We obtained the SM03 IND approval for RA from the NMPA.
August 2010	Shenzhen SinoMab was established in Shenzhen, PRC.
July 2011	We commenced SM03 Phase I clinical trial for SLE.
August 2012	We commenced SM03 Phase I clinical trials for RA.
September 2013	We were recognized by the PRC's Ministry of Science and Technology as one of the significant special projects of Significant New Drugs Development of the Twelfth Five-Year Plan Period for our development of SM03 and our accomplishments in the industry.
February 2014	Hainan SinoMab was established in Haikou, PRC.
July 2015	We obtained the drug production license in respect of production of therapeutic biologics in Haikou, PRC.
December 2017	We commenced SM03 Phase III clinical trials for RA.
December 2017	We were awarded recognized by the PRC's Ministry of Science and Technology as one of the significant special projects of Significant New Drugs Development of the Thirteenth Five-Year Plan Period for our development of SM03 and our accomplishments in the industry.

Year	Milestone
July 2018	SinoLink Pharma was established in Suzhou, PRC.
January 2019	We entered into an agreement with LifeArc in relation to the development and commercialization of anti-IL17BR antibody (which we subsequently named SM17) in all fields and worldwide.
March 2019	We entered into a technology transfer and collaboration agreement with Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技有限公司) in relation to the techniques and applications of BTK inhibitor (which we subsequently named SN1011) in terms of indications related to immunological diseases.
April 2019	Australia SinoMab was incorporated in Sydney, Australia.
May 2019	Commencement of the construction of our production base in Suzhou, PRC.
June 2019	SN1011 was entered into the Phase I clinical trials.
June 2019	We were recognized as a "Principal Leading Project of the 13th Suzhou Industrial Park Science and Technology Leading Talents Appraisal" (蘇州工業園區第十三屆科技領軍人才重大領軍項目).

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of Our Company

Our Company was incorporated in Hong Kong with limited liability on April 27, 2001. Upon its incorporation, our Company issued two shares with a par value of HK$1.00 each (the "**Original Ordinary Shares**") to Topart International Limited (一雅國際有限公司) and Topart Secretarial Limited (一雅秘書有限公司), each an independent third party, who undertook to subscribe for the shares on April 20, 2001, respectively. Subsequently on May 7, 2001, each of them transferred one Original Ordinary Share to Skytech Technology and Top Yield Resources Co. Ltd., an independent third party, respectively. On the same date, Skytech Technology subscribed for 4,499 Original Ordinary Shares at nil consideration.

Over time, our shareholding structure evolved as a result of a number of issuances of ordinary and preference shares and equity transfers since our incorporation and up to the Latest Practicable Date. The major shareholding changes of our Company are set out below.

Series A Investment

On September 4, 2002, Creator Investment Limited ("**Creator Investment**"), an independent third party other than its shareholding in our Company, subscribed for 8,000 series A preference shares of HK$1.00 each of our Company (the "**Original Series A Preference Shares**") at a consideration of HK$50,000,000 in cash. The allotment of such Original Series A preference Shares was completed on the same date. Upon completion, our issued share capital comprised 10,000 Original Ordinary Shares and 8,000 Original Series A Preference Shares.

Based on our executive Director's best knowledge, information and belief, Creator Investment was incorporated in the BVI as an investment vehicle of Morningside Capital ("**Morningside Capital**"). For the historical investment background of Morningside Capital and the reason for its subsequent divestment, see "Business – Our Relationship with LonnRyonn" and "– Series B Investment – Transfer of Shares to Hainan Haiyao and Forbest Capital" below.

Further Investment by Creator Investment

On July 30, 2010, Creator Investment subscribed for 138,182 series A preference shares of HK$0.01 each of our Company (the "**Series A Preference Shares**") at the consideration of HK$19,000,000, which was settled in the following manner: (i) HK$5,278,000 was settled by the transfer to our Company of 3,000,000 issued shares of Novelmab, a then subsidiary of our Company in Hong Kong principally engaging in research and development in life science and investment, at the consideration of HK$5,278,000; (ii) HK$10,602,000 was settled by the assignment to our Company of Novelmab's indebtedness in the amount of HK$10,602,000; and (iii) HK$3,120,000 was settled by the set-off against our Company's indebtedness in the amount of US$400,000. The allotment of such Series A Preference Shares was completed on August 23, 2010. Upon completion, our issued share capital comprised 1,198,332 ordinary shares of HK$0.01 each (the "**Ordinary Shares**") and 938,182 Series A Preference Shares. Creator Investment was no longer our Shareholder after transferring its outstanding Series A Preference Shares to Hainan Haiyao in March 2013. See "– Series B Investment – Transfer of Shares to Hainan Haiyao and Forbest Capital" below.

Series B Investment

On September 12, 2011, Forbest Capital subscribed for 534,546 series B preference shares of HK$0.01 each of our Company (the "**Series B Preference Shares**") at the consideration of US$4,000,000 in cash. On the same date, Nathan International Holdings Limited ("**Nathan International**"), an independent third party other than its shareholding in our Company, subscribed for a total of 133,636 Series B Preference Shares at the consideration of US$1,000,000, which was settled in the following manner: (i) US$500,000 was settled in cash; and (ii) US$500,000 was settled by the set-off against our Company's indebtedness in the amount of US$500,000 under the loan agreement entered into between our Company and Nathan International and dated January 25, 2011. The allotment of such Series B Preference Shares was completed on October 15, 2011. Upon completion, our issued share capital comprised 1,198,332 Ordinary Shares, 938,182 Series A Preference Shares and 668,182 Series B Preference Shares. Nathan International was no longer our Shareholder after transferring its outstanding Series B Preference Shares to Forbest Capital in December 2013. See "– Further Transfer of Shares to Forbest Capital" below.

Transfer of Shares to Hainan Haiyao and Forbest Capital

On February 20, 2013, Hainan Haiyao acquired 871,382 Series A Preference Shares from Creator Investment and 250,564 Ordinary Shares from the then Shareholder, Good Catch Investment Limited, an independent third party other than its shareholding in our Company, at the consideration of US$7,689,510 and US$2,211,102 in cash, which was arrived at after arm's length negotiation with reference to our long-term development potential, our financial position at the time of the investment and the consideration of the previous financing, respectively. On the same date, Forbest Capital acquired 66,800 Series A Preference Shares from Creator Investment at the consideration of US$589,477 in cash, which was arrived at after arm's length negotiation with reference to our long-term development potential, our financial position at the time of the investment and the consideration of the previous financing. The transfer of such Series A Preference Shares and Ordinary Shares was completed on April 2, 2013.

On October 8, 2015, the 871,382 Series A Preference Shares held by Hainan Haiyao were converted into Ordinary Shares on a one-to-one conversion basis with effect from the same date. Upon completion, our issued share capital comprised 2,069,714 Ordinary Shares, 66,800 Series A Preference Shares and 668,182 Series B Preference Shares.

Further Transfer of Shares to Forbest Capital

On December 30, 2013, Forbest Capital acquired an aggregate of 143,600 Ordinary Shares from several of the then Shareholders, namely Yip Sum Samuel CHAN, Hung Ying CHIU, Wing Wah Limited, MAV Enterprise Limited, Fuk Wah Ringo LEUNG, Kam Ming KO, So King LI and Man Keen AU YEUNG, each an independent third party other than their respective shareholding in our Company, at a total consideration of US$1,267,198.2 in cash, which was arrived at after arm's length negotiation with reference to our long-term development potential, our financial position at the time of the investment and the consideration of the previous financing. On the same date, Forbest Capital acquired 133,636 Series B Preference Shares from Nathan International, at a consideration of US$1,179,270.88 in cash, which was arrived at after arm's length negotiation with reference to our long-term development potential, our financial position at the time of the investment and the consideration of the previous financing. The transfer of such Ordinary Shares and Series B Preference Shares was completed on December 30, 2013.

Series C Investment

On November 16, 2015, Billion Glory subscribed for 187,442 Series B Preference Shares at the consideration of US$5,000,000 in cash. The allotment of such Series B Preference Shares was completed on December 28, 2015. Upon completion, our issued share capital comprised 2,069,714 Ordinary Shares, 66,800 Series A Preference Shares and 855,624 Series B Preference Shares.

Transfer of Shares to Ms. Sumei YANG and Forbest Capital

On February 20, 2017, Ms. Sumei YANG ("**Ms. Yang**"), who is the mother-in-law of Ms. Wenyi LIU, a non-executive Director, subscribed and Forbest Capital acquired 59,400 and 118,800 Ordinary Shares from a then Shareholder, Chi Wai King KWONG, an independent third party other than his shareholding in our Company, at the consideration of US$524,175.3 and US$1,048,350.6, respectively, in cash, which was arrived at after arm's length negotiation with reference to our long-term development potential, our financial position at the time of the investment and the consideration of the previous financing. The transfer of such Ordinary Shares was completed on March 10, 2017. Ms. Yang was no longer our Shareholder after transferring her outstanding Ordinary Shares to Skytech Technology in June 2019. See "– Series E Investment – Transfers of Shares to Skytech Technology" below.

Series D Investment

On January 31, 2018, Xingze Xinghe and Jianyi Xinghe subscribed for 465,761 and 75,822 Series A Preference Shares at the consideration of the U.S. dollar equivalent of RMB129 million and RMB21 million, respectively, in cash. The allotment of such Series A Preference Shares was completed on April 18, 2018. Upon completion, our issued share capital comprised 2,153,438 Ordinary Shares, 608,383 Series A Preference Shares and 855,624 Series B Preference Shares.

Transfer of Shares to West Biolake

On April 20, 2018, West Biolake acquired 361,745 Ordinary Shares from Hainan Haiyao at the consideration of RMB100,000,787.80 in cash, which was arrived at after arm's length negotiation with reference to our long-term development potential, our financial position at the time of the investment and the consideration of the previous financing. The transfer of such Ordinary Shares was completed June 25, 2018.

Series E Investment

On February 13, 2019, Apricot BioScience, Xingze Xingzhan and Zhihan (Shanghai) subscribed for 66,059, 95,060 and 161,119 series C preference shares of HK$0.01 each of our Company (the "**Series C Preference Shares**," together with Series A Preference Shares and Series B Preference Shares, the "**Preference Shares**") at the consideration of the U.S. dollar equivalent of RMB41 million, RMB59 million and RMB100 million, respectively, in cash. The allotment of such Series C Preference Shares was completed on February 15, 2019. Upon completion, our issued share capital comprised 2,334,310 Ordinary Shares, 608,383 Series A Preference Shares, 855,624 Series B Preference Shares and 322,238 Series C Preference Shares.

Transfers of Shares to Skytech Technology

On June 5, 2019, Skytech Technology acquired 5,300, 22,678, and 59,400 Ordinary Shares from Mr. Peng WAN, Mr. Zhengdong LI (each an employee of our Group and independent third party other than their respective then shareholding in our Company) and Ms. Yang at the consideration of US$676.02, US$193.08 and US$524,175.30, respectively, in cash, which was arrived at after arm's length negotiation with reference to their respective original investment amount at different times. The transfer of such Ordinary Shares was completed on the same date.

Concert Party Agreement

On October 30, 2017, Skytech Technology, Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI, Mr. Guolin XU, Mr. Zhengdong LI and Mr. Peng WAN entered into the Concert Party Agreement, pursuant to which the parties have undertaken to vote unanimously for any resolutions proposed at Board meetings and Shareholders meetings (as applicable) of our Company and confirmed that they had acted in concert in respect of their equity interests in our Company since the date they joined our Company as a shareholder or director (as applicable) and up until the end of three years after Listing. They have made decisions jointly and consistently and have always voted unanimously at Board and Shareholders meetings (as applicable), with Dr. Leung exhibiting the greatest degree of control over the direction of their votes given his more active role in the day-to-day management of our Company as the chief executive officer. Mr. Zhengdong LI and Mr. Peng WAN have been accustomed to act in accordance with the instruction of Dr. Leung, and transferred their respective interests in our Company to Skytech Technology in June 2019 (Skytech Technology, together with Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU, the "**Concert Group**"). Under the Concert Party Agreement, if the Concert Group is unable to reach unanimous consensus at Board meetings and Shareholders meetings (as applicable) of our Company, Dr. Leung will determine how to vote for and on behalf of the Concert Group. For details of the Concert Party Agreement, see "Relationship with Our Controlling Shareholders – Our Controlling Shareholders."

Employee Stock Incentive Plan

Our Company adopted an employee stock option plan in the early days of our history before the commencement of the Track Record Period. The options granted under such plan were fully vested and exercised before the commencement of the Track Record Period.

The Employee Stock Incentive Plan (the "**Plan**") was adopted by our Board in March 2016 and subsequently amended in May 2017. We have granted options to six participants under the Plan on May 19, 2017, all of which were fully vested and exercised as of the Latest Practicable Date. In addition, there was no outstanding option under the Plan as of the Latest Practicable Date. Our Company will not grant further options under the Plan before or after Listing. The exercise price of all the options under the Plan was HK$1.00 (approximately US$0.129). The number of the Shares granted pursuant to the Plan amounted to 39,300 Shares, representing approximately 0.95% of the issued share capital of our Company as of the Latest Practicable Date and approximately 0.78% immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised), respectively. For a summary of the principal terms of the Plan, see "Statutory and General Information – D. Employee Stock Incentive Plan" in Appendix IV to this prospectus.

New Incentive Scheme

On February 13, 2019, Skytech Technology subscribed for 180,872 Ordinary Shares at the consideration of HK$1.00 in cash, for the sole purpose of establishing a share-based incentive plan of our Company (as our Company did not identify any grantee for the purpose of the such plan as of the Latest Practicable Date), in accordance with the share purchase agreement dated February 13, 2019 entered into by, among others, our Company, Dr. Leung, Skytech Technology and certain Pre-IPO Investors. All such 180,872 Ordinary Shares were issued to Skytech Technology on February 15, 2019. For the purpose of the adoption of a share-based incentive scheme of our Company in the near future before Listing, Skytech Technology plans to transfer such 180,872 Ordinary Shares to a trustee to be appointed by our Company after Listing at a nominal consideration, which will hold such Shares as a trustee for the benefit of potential grantees. Such transfer is expected to take place after the Listing Date. The Scheme was conditionally adopted by our Shareholders on October 18, 2019 with effect from the Listing Date. The overall limit on the number of underlying Shares pursuant to the Scheme is 36,174,400 Shares, representing the 180,872 Ordinary Shares as enlarged by the Bonus Issue and approximately 3.60% of the issued share capital of our Company immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised). For a summary of the principal terms of the Scheme, see "Statutory and General Information – E. Scheme" in Appendix IV to this prospectus.

Bonus Issue

Pursuant to the resolutions of our Shareholders passed on October 18, 2019, subject to the Global Offering becoming unconditional in all respects, our Directors were authorized to allot and issue 819,990,445 Shares at nil consideration to all existing Shareholders pro rata under the Bonus Issue.

The following sets forth a summary of the shareholding structure of our Company.

Shareholders as of the Latest Practicable Date	Ordinary Shares	Series A Preference Shares	Series B Preference Shares	Series C Preference Shares	Aggregate number of shares as of the Latest Practicable Date	Approximate ownership percentage as of the Latest Practicable Date[(1)]	Approximate ownership percentage as of the Listing Date[(2)]
Skytech Technology	894,218	–	–	–	894,218	21.70%	17.77%
Forbest Capital	262,400	66,800	668,182	–	997,382	24.21%	19.82%
Hainan Haiyao	760,201	–	–	–	760,201	18.45%	15.11%
West Biolake[(3)]	361,745	–	–	–	361,745	8.78%	7.19%
Chau Yin Janet TSUI[(4)]	21,746	–	–	–	21,746	0.53%	0.43%
Ming Hon YAU[(4)]	10,000	–	–	–	10,000	0.24%	0.20%
Kwan Yin SIU[(4)]	6,700	–	–	–	6,700	0.16%	0.13%
Ka Wa Benny CHEUNG[(4)]	6,700	–	–	–	6,700	0.16%	0.13%
Kwan Yeung LEE[(4)]	5,300	–	–	–	5,300	0.13%	0.11%
Guolin XU[(4)]	5,300	–	–	–	5,300	0.13%	0.11%
Apricot Oversea[(6)]	–	541,583	–	–	541,583	13.14%	10.76%
Billion Glory	–	–	187,442	–	187,442	4.55%	3.73%
Apricot BioScience[(6)]	–	–	–	66,059	66,059	1.60%	1.31%
Le Rong Limited[(7)]	–	–	–	54,780	54,780	1.33%	1.09%
Zliverland Holdings Limited[(7)]	–	–	–	40,280	40,280	0.98%	0.80%
Zhihan (Shanghai)	–	–	–	161,119	161,119	3.91%	3.20%
Total	**2,334,310**	**608,383**	**855,624**	**322,238**	**4,120,555**	**100.0%**	**81.89%**

Notes:

(1) Based on the assumption that each of the Preference Shares will be converted into one Share upon the Global Offering becoming unconditional. All Preference Shares will automatically be converted into Shares of our Company on a 1:1 basis.

(2) Based on the assumption that the Over-allotment Option is not exercised.

(3) West Biolake is the overseas holding platform of Xingze Xingzhan. For details, see "– Pre-IPO Investments – Information about the Existing Pre-IPO Investors – Shanghai Xingze Xingzhan Enterprise Management Center (Limited Partnership)*" below.

(4) Save as Ms. TSUI (our existing employee) who holds the Ordinary Shares pursuant to an employee option plan adopted prior to the commencement of the Track Record Period, each of them is a member of our senior management (other than chief executive) or an existing employee of our Company who holds the Ordinary Shares pursuant to terms under the Employee Stock Incentive Plan. They are independent from each other. See "– Employee Stock Incentive Plan" above.

(5) Apricot Oversea is the overseas holding platform of Xingze Xinghe and Jianyi Xinghe. For details, see "– Pre-IPO Investments – Information about the Existing Pre-IPO Investors – Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* and Shanghai Xingze Xinghe Startup Investment Center (Limited Partnership)*" below.

(6) For details, please see "– Pre-IPO Investments – Information about the Existing Pre-IPO Investors – Apricot BioScience Holdings, L.P." below.

(7) Each of Le Rong Limited and Zliverland Holdings Limited is the overseas holding platforms of Xingze Xingzhan. For details, please see "– Pre-IPO Investments – Information about the Existing Pre-IPO Investors – Shanghai Xingze Xingzhan Enterprise Management Center (Limited Partnership)*" below.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and until the Latest Practicable Date, we did not conduct any acquisitions, disposals or mergers that we consider to be material to us.

PRE-IPO INVESTMENTS

Overview

Mainly to fund our research and development working capital demands and introduce institutional investors that possess industry expertise, our Company underwent five rounds of Pre-IPO Investments. For details of each round of the Pre-IPO Investments in our Company, see "– Establishment and Major Shareholding Changes of Our Company – Series A Investment," "– Establishment and Major Shareholding Changes of Our Company – Series B Investment," "– Establishment and Major Shareholding Changes of Our Company – Series C Investment," "– Establishment and Major Shareholding Changes of Our Company – Series D Investment" and "– Establishment and Major Shareholding Changes of Our Company – Series E Investment" above.

Principal Terms of the Pre-IPO Investments

In connection with the Pre-IPO Investments, the Pre-IPO Investors entered into the relevant share purchase agreements, share transfer agreements and/or shareholders agreements at the time of their respective investment. The table below summarizes the principal terms of the Pre-IPO Investments:

	Name of Investor	Issuer/Seller	Date of initial agreement	Date on which the investment was fully settled	Number and type of Preference Shares/Ordinary Shares subscribed/ acquired	Approximate percentage of equity interest subscribed/ acquired[3]	Amount of consideration paid[4]	Approximate post-money valuation of our Company[4]	Cost per Preference Share/Ordinary Share paid (on an as-converted basis)[4][5]	Discount to the Offer Price completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised)[6]
							(HK$ million)	(HK$ million)	(HK$)	
Series A Investment . . .	Creator Investment[1]	Our Company	September 4, 2002	September 4, 2002	8,000 Original Series A Preference Shares	44.4%	50.0	112.5	6,250.0	98.7%
	Creator Investment[1]	Our Company	July 30, 2010	August 23, 2010	138,182 Series A Preference Shares	6.5%	19.0	293.8	137.5	96.6%
Series B Investment . . .	Forbest Capital[2]	Our Company	September 12, 2011	October 15, 2011	534,546 Series B Preference Shares	19.1%	31.4	164.6	58.7	98.1%
	Nathan International[1]	Our Company	September 12, 2011	October 15, 2011	133,636 Series B Preference Shares	4.8%	7.8	164.6	58.7	98.1%
	Hainan Haiyao[2]	Creator Investment[1]	February 20, 2013	April 2, 2013	871,382 Series A Preference Shares	31.1%	60.3	194.1	69.2	97.8%
	Hainan Haiyao[2]	Good Catch[1]	February 20, 2013	April 2, 2013	250,564 Ordinary Shares	8.9%	17.3	194.1	69.2	97.8%
	Forbest Capital[2]	Creator Investment[1]	February 20, 2013	April 2, 2013	66,800 Series A Preference Shares	2.4%	4.6	194.1	69.2	97.8%
	Forbest Capital[2]	Yip Sum Samuel CHAN, Hung Ying CHIU, Wing Wah Limited, MAV Enterprise Limited, Fuk Wah Ringo LEUNG, Kam Ming KO, So King LI and Man Keen AU YEUNG[1]	December 30, 2013	December 30, 2013	143,600 Ordinary Shares	5.1%	9.9	194.1	69.2	97.8%
	Forbest Capital[2]	Nathan International[1]	December 30, 2013	December 30, 2013	133,636 Series B Preference Shares	4.8%	9.2	194.1	69.2	97.8%

	Name of Investor	Issuer/Seller	Date of initial agreement	Date on which the investment was fully settled	Number and type of Preference Shares/Ordinary Shares subscribed/ acquired	Approximate percentage of equity interest subscribed/ acquired[3]	Amount of consideration paid[4]	Approximate post-money valuation of our Company[4]	Cost per Preference Share/Ordinary Share paid (on an as-converted basis)[4][5]	Discount to the Offer Price completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised)[6]
							(HK$ million)	(HK$ million)	(HK$)	
Series C Investment . . .	Billion Glory	Our Company	November 16, 2015	December 28, 2015	187,442 Series B Preference Shares	6.3%	39.2	626.0	209.2	92.8%
	Ms. Yang[1][2]	Chi Wai King KWONG[1]	February 20, 2017	March 10, 2017	59,400 Ordinary Shares	2.0%	4.1	207.1	69.2	97.6%
	Forbest Capital[2]	Chi Wai King KWONG[1]	February 20, 2017	March 10, 2017	118,800 Ordinary Shares	4.0%	8.2	207.1	69.2	97.6%
Series D Investment . . .	Xingze Xinghe	Our Company	January 31, 2018	April 18, 2018	465,761 Series A Preference Shares	12.9%	143.2	1,111.9	307.4	87.2%
	Jianyi Xinghe	Our Company	January 31, 2018	April 18, 2018	75,822 Series A Preference Shares	2.1%	23.3	1,111.9	307.4	87.2%
	West Biolake[2]	Hainan Haiyao	April 20, 2018	June 25, 2018	361,745 Ordinary Shares	10.0%	111.0	1,109.8	306.8	87.2%
Series E Investment . . .	Apricot BioScience	Our Company	February 13, 2019	February 15, 2019	66,059 Series C Preference Shares	1.6%	45.5	2,838.1[7]	688.8	67.2%
	Xingze Xingzhan	Our Company	February 13, 2019	February 15, 2019	95,060 Series C Preference Shares	2.3%	65.5	2,838.2[7]	688.8	67.2%
	Zhihan (Shanghai)	Our Company	February 13, 2019	February 15, 2019	161,119 Series C Preference Shares	3.9%	111.0	2,838.2[7]	688.8	67.2%
	Skytech Technology	Peng WAN[1]	June 5, 2019	June 5, 2019	5,300 Ordinary Shares	0.1%	0.0053	4.1[8]	1.0	100.0%
	Skytech Technology	Zhengdong LI[1]	June 5, 2019	June 5, 2019	22,678 Ordinary Shares	0.6%	0.0015	0.3[8]	0.1	100.0%
	Skytech Technology	Ms. Yang[1]	June 5, 2019	June 5, 2019	59,400 Ordinary Shares	1.4%	4.1	285.2[8]	69.2	96.7%

Notes:

(1) No longer a Shareholder. For details, see "– Establishment and Major Shareholding Changes of Our Company – Series B Investment – Transfer of Shares to Hainan Haiyao and Forbest Capital," "– Establishment and Major Shareholding Changes of Our Company – Series B Investment – Further Transfer of Shares to Forbest Capital" and "– Establishment and Major Shareholding Changes of Our Company – Series E Investment – Transfers of Shares to Skytech Technology" above.

(2) Each of such parties entered into a deed of adherence to the then applicable shareholders agreements following respective share transfer. Not applicable as our Company did not receive any sale proceeds from such parties as a result of such share transfers. For details, see "– Establishment and Major Shareholding Changes of Our Company – Series B Investment – Transfer of Shares to Hainan Haiyao and Forbest Capital," "– Establishment and Major Shareholding Changes of Our Company – Series B Investment – Further Transfer of Shares to Forbest Capital," "– Establishment and Major Shareholding Changes of Our Company – Series C Investment – Transfer of Shares to Ms. Sumei YANG and Forbest Capital," "– Establishment and Major Shareholding Changes of Our Company – Series D Investment – Transfer of Shares to West Biolake" and "– Establishment and Major Shareholding Changes of Our Company – Series E Investment – Transfers of Shares to Skytech Technology" above.

(3) Upon the completion of such investment at different times.

(4) Based on the exchange rate as indicated in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion."

(5) Calculated by dividing the total consideration by the percentage of equity interest of our Company held by the relevant Pre-IPO Investors at the time of its investment on an as-converted basis.

(6) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$8.60 per Share, being the mid-point of the indicative Offer Price range, on the basis that 1,006,240,400 Shares are expected to be in issue immediately upon completion of the Bonus Issue and the Global Offering (including the completion of the conversion of the Preference Shares into Shares of our Company) and assuming the Over-allotment Option is not exercised.

(7) The valuation of this round of investment indicated the valuation of the Company around early 2018.

(8) The valuation was based on the consideration paid by respective transferors at different times. For details, see "– Establishment and Major Shareholding Changes of Our Company – Series E Investment – Transfers of Shares to Skytech Technology" above.

The basis of determination for the consideration for the Pre-IPO Investments was from arm's length negotiations between our Company, the relevant Pre-IPO Investors and our founder, after taking into consideration, among others, the timing of the investments, the status of our business and operating entities, market conditions and our market position.

We utilized the proceeds for the development and operation of the business of the members of our Group, including but not limited to, product research and development including clinical trials and regulatory approval related activities, staff recruitment, investments and acquisition and general working capital purposes in accordance with the budget approved by our Board. As of the Latest Practicable Date, approximately 78% of the net proceeds from the Pre-IPO Investments were utilized.

At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors' investments in our Company and the Pre-IPO Investors' knowledge and experience.

The equity securities of the Company acquired by certain Pre-IPO Investors in the Pre-IPO Investments will be subject to a lock-up period of six months after the Listing Date, except for transfer to a Pre-IPO Investor's affiliate or with prior written consent of the Company and the Joint Sponsors.

Rights of the Pre-IPO Investors

In addition to the terms described above, the Pre-IPO Investors have been granted the following special rights, all of which will be terminated immediately prior to the Listing when the Preference Shares are converted into Shares of our Company on a one-to-one conversion basis pursuant to the shareholders agreement ("**Shareholders Agreement**") dated February 13, 2019 entered into by, among others, our Company, Dr. Leung, Skytech Technology and certain Pre-IPO Investors.

Conversion rights	Optional conversion At the option of the Pre-IPO Investors, the Preference Shares may be converted into fully-paid Shares of our Company based on the then applicable conversion price. Automatic conversion The Preference Shares shall be automatically converted into fully-paid Shares of our Company based on the then applicable conversion price immediately prior to the closing of the Qualified IPO (as defined below). "Qualified IPO" means a firm commitment underwritten public offering or any reorganization including, but not limited to, reverse merger or exchange of shares, resulting in a firm commitment underwritten public offering of the Ordinary Shares of our Company (or depositary receipts or depositary shares thereof) in an internationally recognized stock exchange approved by the Investors (as defined in the Shareholders Agreement) (including but not limited to the New York Stock Exchange, the Nasdaq Global Market, Stock Exchange, Shanghai Stock Exchange and Shenzhen Stock Exchange, excluding the National Equities Exchange and Quotations), in any case, with an offering price (net of underwriting commissions and expenses) that implies a market capitalization of our Company immediately prior to such offering of not less than US$760 million.
Preemptive right	The Pre-IPO Investors have the preemptive right to purchase up to the pro rata share of any new securities which our Company may propose to issue from time to time.

Right of first refusal and co-sale	If any of Dr. Leung, Skytech Technology or our employees (the "**Original Shareholder(s)**") proposes to transfer any securities of our Company (the "**Offered Shares**") held by it to any third party prospective buyer, the Pre-IPO Investors have a right of first refusal to purchase all the Offered Shares on a pro rata basis on the terms and conditions stated in the transfer notice given by the transferring Original Shareholder(s). In the event that the Pre-IPO Investors do not exercise their respective right of first refusal with respect to all of the Offered Shares, the Pre-IPO Investors who do not exercise their rights of first refusal have the right to participate in the sale of the remaining Offered Shares on the same terms and conditions set forth in the transfer notice given by the transferring Original Shareholder(s).
Liquidation rights	The Pre-IPO Investors have the right to receive an amount equivalent to their initial investment plus all declared but unpaid dividends in preference to any other Shareholders in the event of any liquidation, dissolution or winding-up of our Company, whether voluntary or involuntary.
Information and inspection rights	The Pre-IPO Investors have the right to receive certain financial statements and other information about our Company. The Pre-IPO Investors have the right to inspect our Group's facilities, examine our books of account and records and discuss each member of our Group's affairs with our Directors, officers, employees, legal advisors and other personnel.
Right to elect director and participate in Board	Each of Xingze Xingzhan and Zhihan (Shanghai) has the right to appoint one (1) director to our Board. Hainan Haiyao has the right to appoint two (2) directors to our Board. Apricot Oversea has the right to appoint two (2) directors to our Board. Each of Dr. Haigang CHEN (appointed by Apricot Oversea), Ms. Wenyi LIU (appointed by Xingze Xingzhan), Mr. Chang LIU (appointed by Hainan Haiyao), Mr. Senlin LIU (appointed by Zhihan (Shanghai)) and Mr. Huiyuan MA (appointed by Forbest Capital), being a Director appointed to our Board, will remain as a non-executive Director upon Listing.

Veto rights	Certain corporate actions require the written approval by the Pre-IPO Investors, including, among others, (i) any merger, consolidation or other reorganization in which 50% of our voting power is transferred, (ii) any sale or other disposition of all or substantially all of our assets, (iii) any amendment to the Existing Articles to the extent detrimental to the Pre-IPO Investors, (iv) any change of business presently conducted by us, and (v) any act that will have or is reasonably expected to have any dilutive or detrimental effect on shareholding percentage of the Pre-IPO Investors, other than an employee incentive scheme. Certain corporate actions require the approval by the Investor Directors, including, among others, (i) any appointment or change of our auditors, (ii) any change or material change to our accounting policies, (iii) any appointment or removal of the chief executive officer, chief financial officer, chief technology officer or other senior management of our Company, (iv) any adoption of or amendment to the annual business plan, and (v) any adoption of or amendment to the share incentive plan of our Company.

Information about the Existing Pre-IPO Investors

Forbest Capital Investment Group Limited

Forbest Capital is a company incorporated in the BVI in January 2011 with limited liability with investment in the healthcare sector. Forbest Capital became our Shareholder in September 2011. As of the Latest Practicable Date, it was wholly owned by For Best Holding which was owned by Ms. Tian and Mr. Kang WENG as to 90% and 10%, respectively. Each of Forbest Capital, For Best Holding, Ms. Tian and Mr. Kang WENG will become our Controlling Shareholder by virtue of the Concert Party Agreement and the shareholding upon Listing. Forbest Capital is independent from our other Existing Pre-IPO Investors.

Hainan Haiyao Co., Ltd.

Hainan Haiyao is a limited company by share established in the PRC in December 1992 and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000566). Hainan Haiyao is principally engaged in the research, development, manufacture and sale of medicines and medical instrument. Its main products consist of antihistamines, antibiotics, stomach and intestine medicines, medical intermediates, medical devices and health products. Hainan Haiyao became our Shareholder in February 2013. Hainan Haiyao will become our substantial Shareholder upon Listing. As of the Latest Practicable Date, Hainan Haiyao held approximately 8.09% equity interest of Xingze Xinghe as one of its limited partners. Save as above, Hainan Haiyao is independent from our other Existing Pre-IPO Investors.

Billion Glory International Investment Inc.

Billion Glory is a company incorporated in the BVI in July 2015 with limited liability with investment in the healthcare sector. As of the Latest Practicable Date, it was wholly owned by Mr. Shuang WANG, an independent third party. Billion Glory became our Shareholder in November 2015. Save for its shareholding in our Company, Billion Glory is independent from our Company and from our other Existing Pre-IPO Investors.

Shanghai Jianyi Xinghe Startup Investment Center (Limited Partnership)* and Shanghai Xingze Xinghe Startup Investment Center (Limited Partnership)*

Jianyi Xinghe is a limited partnership established in the PRC in December 2015 with Apricot Capital (上海杏澤投資管理有限公司) as its general partner. Jianyi Xinghe focuses on investment in healthcare companies. Xingze Xinghe is a limited partnership established in the PRC in January 2016 with Apricot Capital and Shanghai Yueyi Investment Center (Limited Partnership)* ("**Yueyi Investment**," 上海月溢投資中心(有限合夥)) as its co-general partners. As of the Latest Practicable Date, Hainan Haiyao was one of the limited partners of Xingze Xinghe and held approximately 8.09% equity interest of Xingze Xinghe. Xingze Xinghe focuses on investment in healthcare companies. Apricot Capital and Yueyi Investment are ultimately controlled by Ms. Wenyi LIU (our non-executive Director), focusing on investment in healthcare companies. Apricot Oversea is the overseas holding platform of Xingze Xinghe and Jianyi Xinghe and became our Shareholder in January 2018.

Apricot BioScience Holdings, L.P.

Apricot BioScience, a USD fund, is a company incorporated in the Cayman Islands in March 2018 with limited liability, focusing on investment in healthcare companies. As of the Latest Practicable Date, its general partner was Apricot Biotech Holdings Limited which was ultimately controlled by Ms. Wenyi LIU (our non-executive Director). Apricot BioScience became our Shareholder in February 2019.

Shanghai Xingze Xingzhan Enterprise Management Center (Limited Partnership)*

Xingze Xingzhan is a limited partnership established in the PRC in October 2018 with Apricot Capital as its general partner.

West Biolake is a company incorporated in the BVI on March 26, 2018 with limited liability and wholly owned by West Biolake Holdings (HK) Limited ("**West Biolake (HK)**"). West Biolake is the overseas holding platform of Xingze Xingzhan. West Biolake became our Shareholder in June 2018.

Le Rong Limited (樂榮有限公司) ("**Le Rong**") is a company incorporated in the BVI with limited liability on April 6, 2011 and wholly owned by West Biolake (HK). Zliverland Holdings Limited ("**Zliverland Holdings**") is a company incorporated in the BVI with limited liability on August 30, 2018 and wholly owned by West Biolake (HK). West Biolake (HK) is wholly owned by Xingze Xingzhan. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan and became our Shareholder in February 2019.

Zhihan (Shanghai) Investment Center (Limited Partnership)*

Zhihan (Shanghai) is a limited partnership established in the PRC in April 2016 with CICC Qizhi (Shanghai) Equity Investment Center (Limited Partnership)* (中金祺智(上海)股權投資中心(有限合夥)) ("**CICC Qizhi**") as its sole limited partner. CICC Qizhi is an investment fund with more than HK$1 billion assets under management and our sophisticated investor as required under the Guidance Letter HKEx-GL-92-18 (issued in April 2018) by the Stock Exchange. Zhihan (Shanghai) focuses on investment in healthcare companies, including a major provider of private preventive healthcare services, a major healthcare technology provider specializing in radiotherapy and a major operator of medical image platform in China. Zhihan (Shanghai) became our Shareholder in February 2019. Save for its shareholding in our Company, Zhihan (Shanghai) is independent from our Company and from our other Existing Pre-IPO Investors.

Public Float

Certain of our Pre-IPO Investors, comprising West Biolake, Apricot Oversea, Apricot BioScience, Le Rong Limited and Zliverland Holdings Limited (collectively, the "**Apricot Entities**" and each a "**Apricot Entity**"), are ultimately controlled by Ms. Wenyi Liu, our non-executive Director. Immediately following the Global Offering (assuming the Over-allotment Option is not exercised), each of Hainan Haiyao and the Apricot Entities will be interested in approximately 15.11% and 21.16% of the issued share capital of our Company, respectively and will be a substantial shareholder upon the Listing. Therefore, each of Hainan Haiyao and the Apricot Entity will be a core connected person of our Company and the Shares held by them will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing. Except for the above, none of the other Pre-IPO Investors (i) is a core connected person of our Company; (ii) has been financed directly or indirectly by a core connected person of our Company for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of our Company in relation to the acquisition, disposal, voting or other dispositions of the Shares registered in its name or otherwise held by it, therefore the Shares held by these Pre-IPO Investors will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing. For details of the shareholding information and the relationship of the Apricot Entities, see "Substantial Shareholders."

Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirmed that the investments undertaken by the Pre-IPO Investors are in compliance with the Interim Guidance on Pre-IPO Investments (issued on October 13, 2010) and the Guidance Letter HKEx-GL29-12 reproducing the same (issued on January 2012 and as updated in March 2017), the Guidance Letter HKEx-GL43-12 (issued in October 2012 and updated in July 2013 and March 2017) and the Guidance Letter HKEx-GL44-12 (issued in October 2012 and updated in March 2017).

REASONS FOR THE LISTING

As our Group is engaging in research and development of innovative biological and chemical drugs, the demand for capital is strong. Our Board is of the view that the net proceeds from the Global Offering could improve the financing opportunities for funding significant research and development expenditures and further develop and commercialize our products. Accordingly, our Board considers that it would be in the best interest of our Company to be listed on the Stock Exchange. For details, see "Business – Overview, Strengths and Strategies – Our Strategies" and "Future Plans and Use of Proceeds."

OUR SUBSIDIARIES

As of the Latest Practicable Date, we had conducted our business through four subsidiaries established in the PRC and Australia. For details, see Note 1 to the Accountants' Report, the text of which is set forth in Appendix I to this prospectus. The following sets forth the details of our subsidiaries:

Name of subsidiary	Place of establishment	Date of establishment and commencement of business	Registered capital as of the Latest Practicable Date	Principal business activities	Shareholder as of the Latest Practicable Date (shareholding percentage)
Shenzhen SinoMab	Shenzhen, Guangdong Province, PRC	August 10, 2010	HK$96,428,600	Clinical center	Our Company (100%)
Hainan SinoMab	Haikou, Hainan Province, PRC	February 8, 2014	RMB50,000,000	Production center	Shenzhen SinoMab (100%)
SinoLink Pharma	Suzhou, Jiangsu Province, PRC	July 30, 2018	RMB200,000,000	Commercial scale production center	Our Company (100%)
Australia SinoMab	Sydney, Australia	April 30, 2019	AUD100	Clinical center	Our Company (100%)

Dissolution of Novelmab

On June 29, 2018, our Company entered into an agreement with TWC Secretarial Services Limited ("**TWC**"), an independent third party, pursuant to which TWC acquired all outstanding shares of Novelmab from our Company at a nominal consideration of HK$1.00 with the sole purpose to dissolve Novelmab. On January 15, 2019, the application for deregistration of Novelmab was lodged with the Registrar of Companies in Hong Kong. Novelmab was dissolved by deregistration on May 31, 2019 under section 751 of the Companies Ordinance. Novelmab is insignificant to our operations as it was inactive and did not contribute any revenue and did not hold any intellectual properties during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we are not aware of any claim being made against us or any of our Directors as a result of the dissolution of Novelmab.

PRC REGULATORY REQUIREMENTS

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise to operate these assets. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that prior CSRC approval or MOFCOM approval for this offering is not required because (i) each of Shenzhen SinoMab and SinoLink Pharma was incorporated as a foreign-invested enterprise without involving acquisition of the equity or assets of a "PRC domestic company," as such term is defined under the M&A Rules, and (ii) Hainan SinoMab was incorporated as a wholly-owned subsidiary of Shenzhen SinoMab without involving acquisition of the equity or assets of a "PRC domestic Company," as such term is defined under the M&A Rules. As further advised by our PRC Legal Advisor, there is uncertainty in relation to the scope of the applicability of the CSRC approval requirements as to how the M&A Rules will be interpreted or implemented.

Circular 37

According to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident (including PRC individuals and PRC enterprises) must register with the local SAFE branch before such PRC resident contributes its legitimate domestic and overseas assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC individual resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital held by PRC individual shareholders, share transfer or swap, and merger or division. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be subject to penalty and sanction and restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

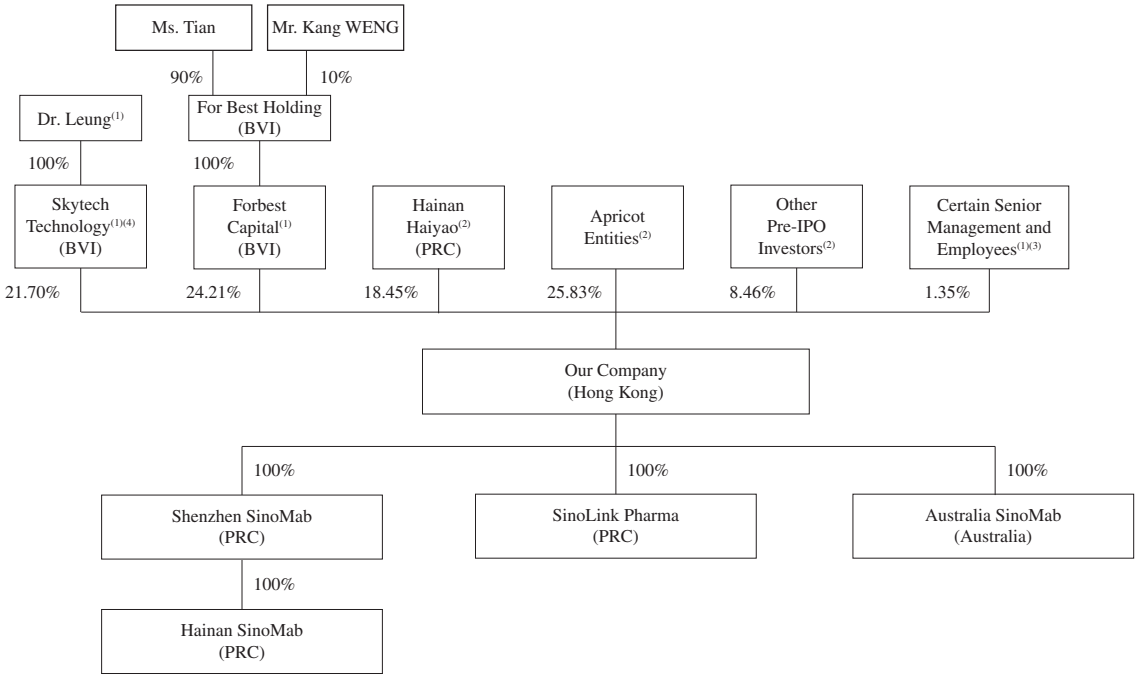
SAFE Circular 37 was issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知). Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on 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 "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks under SAFE Circular 13.

As of the Latest Practicable Date, each of our individual beneficial owners who are PRC residents (as defined under the applicable provision under SAFE Circular 37) completed the relevant registrations as required under SAFE Circular 37 and SAFE Circular 13 as advised by our PRC Legal Advisor.

CORPORATE STRUCTURE

Our Structure immediately prior to the Bonus Issue and the Global Offering

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



Notes:

(1) The Concert Group comprises Skytech Technology, Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU. For details of the Concert Party Agreement, see "– Establishment and Major Shareholding Changes of Our Company – Concert Party Agreement" above.

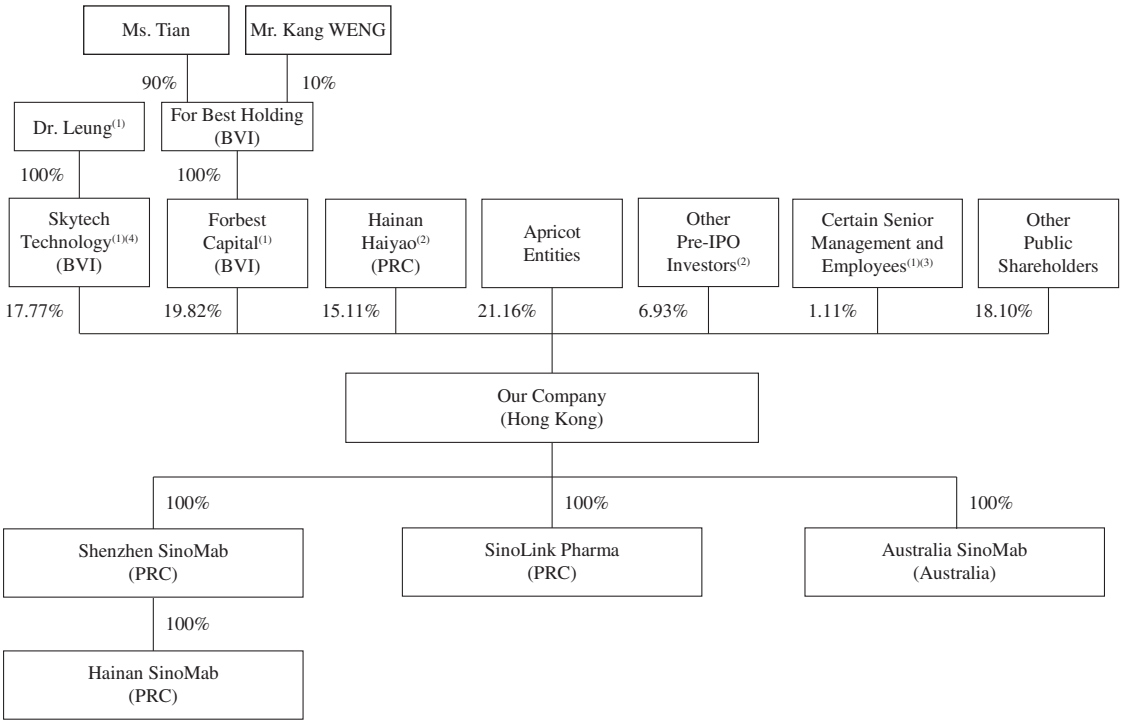
(2) For details of the Apricot Entities and the Pre-IPO Investors, see "– Pre-IPO Investments – Information about the Existing Pre-IPO Investors" above.

(3) Certain senior management and employees refer to Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU, each an independent third party. For details, see "– Establishment and Major Shareholding Changes of Our Company – Employee Stock Incentive Plan" above.

(4) Skytech Technology held certain Shares for the sole purpose of establishing a share-based incentive plan of our Company. For details, see "– Establishment and Major Shareholding Changes of Our Company – New Incentive Scheme" above.

Our Corporate Structure Immediately following the Bonus Issue and the Global Offering

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1) The Concert Group comprises of Skytech Technology, Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU. For details of the Concert Party Agreement, see "– Establishment and Major Shareholding Changes of Our Company – Concert Party Agreement" above.

(2) For details of the Apricot Entities and the Pre-IPO Investors, see "– Pre-IPO Investments – Information about the Existing Pre-IPO Investors" above. The Shares held by other Pre-IPO Investors, comprising Billion Glory and Zhihan (Shanghai), will be counted towards public float of our Company upon Listing.

(3) Certain senior management and employees refer to Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU, each an independent third party. For details, see "– Establishment and Major Shareholding Changes of Our Company – Employee Stock Incentive Plan" above.

(4) Skytech Technology held certain Shares for the sole purpose of establishing a share-based incentive plan of our Company. For details, see "– Establishment and Major Shareholding Changes of Our Company – New Incentive Scheme" above.

OVERVIEW, STRENGTHS AND STRATEGIES

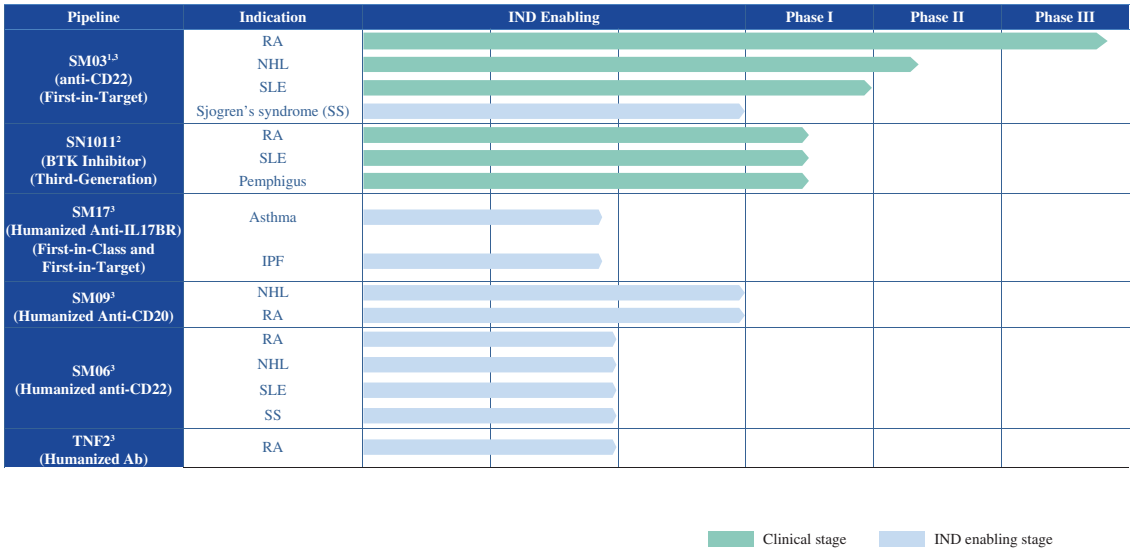
Overview

We are a Hong Kong-based biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of therapeutics for the treatment of immunological diseases, primarily mAb-based biologics. We strive to become a leading global biopharmaceutical company for the development of novel drugs to fulfill unmet medical needs through our Hong Kong-based R&D and PRC-based manufacturing capabilities. We have been dedicated to R&D since our inception, and have built a pipeline of complementary mAb-based biologics and new chemical entities (NCE) addressing indications against a plethora of immunological diseases. SM03, our flagship product, is a potential global first-in-target mAb for the treatment of RA and potentially for the treatment of other immunological diseases. Under the leadership of our management team, consisting of members with rich experience in scientific research and business management, we have established a business model that integrates elements from the entire industry chain encompassing R&D, clinical trials and production. Pursuant to this business model, we leverage our proven ability in novel drug discovery, clinical development and in-house manufacturing capabilities to enable multiple clinical trials and subsequent commercialization. Our vision is to become a global leader in the innovation of therapeutics for immunological diseases.

As an industry pioneer in the Greater China Region, we have built and continue to expand our product portfolio. As of the Latest Practicable Date, we had a product portfolio of two drug candidates in varying clinical trial stages for the treatment of multiple immunological diseases, and four candidates in the IND-enabling stage. These drug candidates target rheumatoid arthritis ("**RA**"), systemic lupus erythematosus ("**SLE**"), asthma, pemphigus, Sjogren's syndrome ("**SS**") and other immunological diseases. Among them, our in-house *ab initio* flagship product, SM03, has the potential to be a global first-in-target mAb against CD22, a novel antigen that is found exclusively on B cells for the treatment of RA and potentially other immunological diseases. SM03 is currently in Phase III clinical trial for RA in China, and we aim to complete patient enrollment by the end of 2019. In addition, we completed Phase I clinical trials of SM03 for NHL and SLE, and we plan to initiate Phase II clinical trials for SLE in China in 2020. SM03 for the treatment of SS is currently in the IND-enabling stage. SN1011 is our third-generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed for higher selectivity with superior efficacy and safety profile for the treatment of RA, SLE and pemphigus for long term administration. It is currently under Phase I clinical trials in Australia and we expect to complete Phase I clinical trials, with 16 subjects having completed dosing in two cohorts as of the Latest Practicable Date, by the end of 2019. SM17 is in the IND-enabling stage developed for the treatment of asthma and the rare disease idiopathic pulmonary fibrosis ("**IPF**"). We intend to enter into human clinical trials by the first quarter of 2021. Our products are strategically tailored to provide patients with multiple treatment options. All of our products are complementary for the purpose of chronic disease management.

We developed a variety of drug candidates via different mechanisms of action for the treatment of immunological diseases, especially for RA and SLE. While we continue to focus on the development of mAb-based biologics, we also seek to supplement and diversify our current product pipeline with small molecule NCEs to provide more treatment options to patients for various indications, disease progression stages and pathogenesis of diseases.

The following chart summarizes our pipeline and the development status of each candidate as of the Latest Practicable Date.



Notes:

1) Our Core Product, SM03, is under various clinical stages for RA, NHL and SLE. The IND approvals for SM03 are currently held by LonnRyonn Pharma Ltd., (深圳龍瑞藥業有限公司) on our behalf. For details regarding our relationship with LonnRyonn, see "– Our Relationship with LonnRyonn."

2) Our NCE drug candidate is currently in Phase I clinical trial in Australia.

3) Denotes our biologic candidates.

Our portfolio of drug candidates encompasses the entire immunological field which, we believe, will enable us to provide comprehensive treatment options for field-wide indications to patients. We believe our dedication, experiences and achievements in the field of immunology have expedited the process, and elevated the industry standard, for the discovery and development of novel therapeutics against a variety of immunological diseases. As a result, we accumulated significant experience in the discovery of new treatment modalities for immunological diseases which has allowed us to better capture a substantial portion of the immunological disease market by leveraging this competitive advantage. We believe our strategic specialization and dedicated focus on immunological diseases is an effective way to differentiate ourselves from our peers. By specializing in innovative treatments of immunological diseases, we seek to solidify our leading position in the field and thereby create a higher barrier to entry for our peers to compete with us in the development of first-in-target or first-in-class drug candidates. With a diverse and expanding product pipeline, we believe we are well positioned to become an industry leader in the development of treatments for immunological diseases.

Our product candidates enjoy promising market prospects. According to Frost & Sullivan, the global market for autoimmune diseases, which includes RA, SLE, SS and pemphigus, was US$113.7 billion in 2018, and is expected to reach US$191.3 billion in 2030. The landscape of the PRC market for autoimmune diseases is significantly different from that of the global market and with limited alternative options because treatment options available in the PRC market are mostly TNF-α based. The PRC market for autoimmune diseases was RMB13.4 billion in 2018. Given the increasing diagnosis rate and the largely unmet medical needs, the PRC market for autoimmune diseases is expected to reach RMB133.0 billion by 2030. The prospect for biologics for the treatment of autoimmune diseases is particularly bright as biologics will supplant NCE as the

primary treatment for autoimmune diseases. Consistent with this trend, the global biologics market for autoimmune diseases was US$74.5 billion in 2018, and is expected to reach US$142.9 billion in 2030. Until recent years, the PRC biologics market for autoimmune diseases was underserved primarily due to a low diagnosis rate and a lack of treatment option. The PRC biologics market for autoimmune diseases was RMB2.5 billion in 2018, and is expected to further expand at a CAGR of 34.6% from 2018 to 2030, reaching RMB87.8 billion in 2030. The significant growth is due to the growing disease diagnosis rate, increasing R&D investment and favorable government policies. As a result, Frost & Sullivan expects biologics to occupy 66.0% of the PRC autoimmune disease treatment market share by 2030 compared to the 18.5% market share in 2018. According to Frost & Sullivan, the market for biologics treating other immunological disease, including allergic asthma and IPF, is currently underserved and has potential for growth. With an increasing patient pool and unmet market needs in the PRC, biologics for other immunological diseases will experience sustainable growth in the future. For industry information on the prospects of our product candidates, please see "Industry Overview – Market for Immunological Diseases."

Our product pipeline is backed by our established full-spectrum platform integrating in-house capabilities across the industry chain, such as our strong and independent target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control and quality assurance, regulatory approval and commercial-scale production up to the commercialization stage, as well as all other processes in the discovery and development of our drug candidates. We believe this full-fledged capability is matched only by a select few biopharmaceutical companies in the Greater China Region. Our platform features patent-protected technologies and knowhow that enable us to attain an in-depth understanding of the drug discovery and development process. As demonstrated by our potentially first-in-target and first-in-class drug candidates, we are capable of identifying novel targets, developing innovative drugs and implementing our development plan via clinical validations. Although we primarily focus on in-house *ab initio* development, our platform can also incorporate external drug candidates at different developmental stages into our pipeline to advance towards commercialization.

Our proven R&D strengths also lead to collaboration with reputable companies and academic institutions. LifeArc, a UK-based medical research charity, engaged us to co-develop its humanized mAb against the receptor IL17BR found on ILC2 cells, which we subsequently named as SM17, in recognition of our accomplishment in R&D and clinical development. SM17 was originally developed by Dr. Andrew N.J. McKenzie, FRS, at the MRC Laboratory of Molecular Biology and we have been entrusted by LifeArc to further develop SM17, conduct clinical trials and to bring it to commercialization. Dr. McKenzie also serves as a member of our Scientific Advisory Board. In addition to our collaboration with businesses, many top universities in Hong Kong and the PRC approach us to conduct joint research studies and publications, in testament to our R&D achievements. These collaborative efforts allow us to continue to be at the forefront of scientific developments in our field.

We have a production base in Haikou, Hainan. We are also constructing commercial-scale production facilities in Suzhou, Jiangsu as part of our commercialization plan. According to Frost & Sullivan, the biopharmaceutical industry in the PRC has undergone significant regulatory changes in recent years, and is expected to become more competitive in the near future. These changes include increased demand for biopharmaceutical products as patient awareness rises, as well as a decrease in the average prices of biopharmaceutical products. We believe having our own production capabilities allows us to leverage these opportunities arising from the aforementioned trends. We can effectively manage costs, quality control and assurance, data security and other aspects of the production process, thereby overcoming challenges during commercialization arising from ever-changing regulatory requirements and an increasingly competitive landscape.

Our company was founded by Dr. Leung, a highly revered scientist with three decades of experience in the field of molecular immunology and therapeutic mAbs. Dr. Leung is also a pragmatic entrepreneur who has successfully applied scientific principles to commercialization. He pioneered, developed and effected the concept of functional humanization, which is a novel antibody re-engineering method critical to our R&D process. Dr. Leung was also the first scientist to successfully develop humanized CD22 mAb. As one of only a handful of entrepreneurs in the Greater China Region with experience in every segment of the biopharmaceutical industry, which includes novel target identification, drug discovery, pre-clinical research, clinical development and production, Dr. Leung's vision and leadership are paramount to our success.

As one of the few biopharmaceutical companies based in Hong Kong, we benefit from the Hong Kong government's policy to foster and promote the biotech industry, including biopharmaceutical companies. We utilize resources and infrastructure of the Hong Kong Science Park to further our development.

We believe we are well positioned to capture significant global opportunities with our competitive strengths, existing capabilities and strategic planning.

Our Competitive Strengths

We believe the following competitive strengths contribute to our success.

Our drug candidate SM03 is a clinically proven, first-in-target anti-CD22 mAb for the treatment of RA and potentially other immunological diseases.

Our flagship drug candidate, SM03, exemplifies our exceptional achievement in developing innovative therapeutics for the treatment of immunological diseases. SM03 is a chimeric mAb specific to the B cell restricted antigen CD22 developed for the treatment of RA and other immunological diseases such as SLE and SS. As of the Latest Practicable Date, we were one of the few biopharmaceutical companies in the world and the only company in the Greater China Region to successfully develop a naked therapeutic mAb that targets CD22. Thus far, SM03 is the first and only clinical stage anti-CD22 mAb for the treatment of RA in the world. In addition to our IP protection of SM03, we are able to establish a QC monograph standard with proprietary target cell line for CD22 unavailable in the market through our R&D efforts to elevate the entry barrier for our potential competitors. We plan to file our NDA for SM03 with NMPA in the second half of 2020.

As a potential first-in-target drug candidate, SM03 differs from conventional biologics for RA such as mAbs targeting TNF-α, IL6, IL17 and CD20. Conventional therapeutics for RA focus on neutralizing soluble inflammatory factors/cytokines or ablation of B cells responsible for the elicitation of RA symptoms. According to Frost & Sullivan, up to 40% of patients do not respond to the neutralization of aforementioned soluble factors, and those who initially respond to these factors would eventually become refractory to similar treatments. B cell targeting is proven to be an alternative treatment modality for non-responders and refractory patients treated with these soluble factors. While both CD22 and CD20 are expressed solely on B cells, mAbs targeting different antigens have different biological outcomes. Anti-CD20 mAb works on completely eliminating peripheral B cells with the concomitant loss of B cell regulatory functions, leading to serious side effects; whereas SM03, via a different mechanism of action, works to suppress B cell activity, but does not eliminate the B cell population. This feature results in the mitigation of autoimmunity while maintaining immunoregulatory functions. These results were corroborated in the Phase II clinical trial led by Peking Union Medical College which substantiated SM03's efficacies for RA and superior safety profile compared to the published clinical data for marketed mAbs targeting TNF-α and CD20 antigens.

We believe SM03, once commercialized, will fulfill a long term unmet medical need and advance the treatment of RA as either a complementary, or an alternative treatment to currently available treatment options. These favorable comparative results may buttress SM03's commercial prospects in the treatment of RA and position us to realize SM03's commercial potential. As SM03 may first be commercialized in the PRC, we believe it can capture a significant share of the market for RA. In 2018, 5.9 million people in the PRC were diagnosed with RA and that number is expected to reach 6.1 million in 2023, according to Frost & Sullivan. Currently, the PRC market for biologic drugs for RA is dominated by TNF-α. The introduction of imported drugs and domestic biosimilars to the PRC market and enhanced patient awareness of RA will increase the accessibility and affordability of therapeutics for RA. As a result, the PRC RA therapeutic market is expected to grow from RMB11.5 billion in 2018 to RMB83.3 billion by 2030 according to Frost & Sullivan. Due to SM03's efficacy level and safety features, we believe SM03 not only can dominate the market for the group of patients who are not responding to conventional therapeutics or have grown resistant to such therapeutics, but also occupy a large portion of the existing market share of conventional therapeutics.

Leveraging our success in developing SM03 as a treatment for RA, we are also actively developing SM03 for the treatment of additional indications. For example, we have completed SM03 phase I clinical trial for SLE and NHL, and are conducting SM03 phase II clinical trial for NHL in China.

We expect our success in SM03 to well position us to make significant inroads in other immunology areas through the introduction of other products in our pipeline.

We are one of a select few biopharmaceutical companies in the Greater China Region with an established full-spectrum platform.

We are one of a few select biopharmaceutical companies in the Greater China Region that has full-fledged capability. We have built a platform with an industry chain allocation to standardize and systemically monitor our R&D, clinical trials and manufacturing process. This comprehensive platform integrates all-industry functionalities, including target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control and quality assurance, regulatory approval and commercial-scale production up to the commercialization stage. As we build our sales and marketing team in anticipation of the commercialization of SM03, we plan to integrate the commercialization process into our platform.

Our R&D system, clinical trial management system and production system form our full-spectrum platform. This platform allows our (1) R&D team to evaluate the scientific merits of a drug candidate; (2) clinical trial management team to develop the drug candidate to realize its therapeutic potential and monitor regulatory affairs; and (3) production team to effect large-scale production. Through this platform, we place equal emphasis on basic biological science, drug candidate development, technology assimilation and process optimization. We believe our industry chain allocation and capabilities differentiate us from other industry participants, giving us a competitive advantage among industry peers. By conducting R&D in-house and actively leading our clinical trials, Dr. Leung and our team of experts are able to direct and oversee the entire developmental process to ensure the scientific validity as well as the authentication and integrity of our clinical research and production. We do not rely on CMOs for production, which allows us to effectively manage our quality control process, scale of production and production costs. Most importantly, our independent and exclusive involvement in the development of our drug candidates obviates the need to share our intellectual property with external parties and thus, make us less vulnerable to information leaks and process uncertainties compared with those who rely on third parties to complete segments of their developmental process.

Details of our core systems are as follow:

R&D System: Our R&D system allows for full process development capabilities and integrates the entire process of identifying and developing new drug candidates, which includes the initial guidance of R&D directions, target validation and recognition via basic and translational research, antibody screening and functional assay, antibody humanization, bioactivity assay development, cell line construction, bioprocessing from bioreactor production to antibody purification and formulation, process development, and experimental designs for pre-clinical studies. The following proprietary technology and self-developed approach exemplify our exceptional R&D capabilities and differentiate us from our peers:

- Innovative Research Capabilities: Our innovative research capabilities confers us with the ability to evaluate an antibody or an NCE's potential for development and compatibility with our product development strategy. In addition to facilitating our *ab initio* drug candidate development, it also enabled us to successfully assimilate SM17 and SN1011 from our business partners into our platform for further development.

- Protein and Cell Line Engineering Techniques: We possess highly proficient molecular biology and cell line engineering techniques in developing novel ways to modify antigens and antibodies. We also utilize these techniques to engineer cell lines that express difficult-to-purify antigens for antibody development, or to generate anti-idiotype antibody and engineer cell lines that express the anti-idiotype antibody fragment on cell surface for clinical evaluation and quality control of our novel antibodies.

- Functional Humanization: Dr. Leung developed this antibody framework re-engineering technology for the humanization of murine monoclonal antibodies. Our proprietary method is more likely to reduce the immunogenicity of an antibody as compared to conventional CDR-grafting technology, and thus improve the antibody's tolerance level and receptiveness by mitigating or eliminating the need for back-mutated murine residues in a re-engineered antibody without reducing the affinity of the resultant antibody.

- Cell Line Development Technique: This advanced technique was designed for engineered antibodies and cell bank establishment. We have the requisite expertise and functionalities to generate high-yield production cell line and optimize the production process through rounds of DOE experiments for bioreactor production and scale-up to ensure robust manufacturing.

Clinical Trial Management System: Our highly experienced clinical trial management team works closely with our regulatory affairs team to structure and develop our clinical trials. Our clinical team designs clinical trial protocol, oversees CROs' execution of our clinical plan and analyzes clinical data to ensure the overall authenticity of the clinical trial. In addition, our clinical team is also involved in the pre-clinical R&D stages to evaluate a drug candidate's development potential and assess its suitability for clinical trials. As part of our clinical trial management system, our regulatory affairs team is experienced and well-versed in the regulatory requirements at different stages of the drug approval process, including guidelines from different government agencies such as the NMPA in the PRC, FDA in the United States, EMA in Europe and TGA in Australia.

Production System: We have a GMP-compliant manufacturing plant in Haikou with a production capacity of 1,200L comprising two 100L and two 500L stainless steel bioreactors. The production capacity of our Haikou production base is sufficient in serving our clinical and initial marketing needs. We are also constructing another production base in Suzhou to expand our production in preparation for commercialization of SM03 and other drug candidates in our pipeline. We expect to complete construction of our Suzhou production base by the end of 2021. Our Suzhou production base, as planned, occupies approximately 7,000 sq.m. in production area with a total production capacity of 6,000L. We understand the Suzhou Dushu Lake Higher Education Town intends to grant us approximately 43,333 sq.m. of land, and we plan to use the net proceeds we receive from this Global Offering to purchase this land and build our PRC headquarters, R&D center and a second production base on this lot. See "Future Plans and Use of Proceeds" for more details regarding the purchase of land from the Suzhou Dushu Lake Higher Education Town. Our production area in Suzhou will be equipped with advanced equipment. For example, we will install custom-made stainless steel bioreactors manufactured by Sartorius and filling machine manufactured by Bosch, which are the two major types of equipment necessary for antibody production.

Upon completion of this production base, we believe our in-house manufacturing capability will meet our clinical trial and commercial production demands. Our facilities and equipment are designed and built to comply with international practices and support our long term strategic plans, taking into consideration quality, costs, manageability, expandability and control. For example, our facilities are expected to be equipped with three 2,000L stainless steel bioreactors instead of using disposable single-use bioreactors. Despite a higher initial investment and longer lead time for installation, we believe the use of stainless steel bioreactors has many long term benefits such as lower variable costs in the long run, less reliance on single-use bioreactor suppliers and risk of interrupted supply and scalable production volume. The flow and control of the entire manufacturing process in Suzhou are designed to adhere to the most recent cGMP requirements, so that our production could meet the clinical and marketing approval requirements of various drug regulatory authorities in the world such as the NMPA, FDA, EMA and TGA.

We believe we are well positioned to capitalize on market opportunities as a result of our full-spectrum platform and our in-house capabilities. We will continue to leverage our platform and capabilities to aim to develop an array of first-in-target and first-in-class therapeutics for the treatment of immunological diseases to solidify our position as an R&D-driven biopharmaceutical company and enhance our competitive advantage in the PRC and globally.

We have an expanding portfolio of drug candidates for the treatment of immunological diseases targeting markets with significant growth potential.

As of the Latest Practicable Date, we had built a pipeline of six drug candidates. Our portfolio of drug candidates targets various immunological diseases with largely unmet medical needs and total addressable market. Our drug candidates are generally non-competing among themselves and complementary to one another, and form a complete portfolio for the treatment of immunological diseases. Our portfolio of drug candidates is a mix of mAb-based biologics and small molecule NCEs. We aim to maintain this dual-pronged approach in the exploration of future drug candidates to ensure sufficient diversity and coverage of our portfolio.

Our portfolio of drug candidates covers a wide range of immunological indications. In addition to SM03, we identify the following as our key products.

- SN1011: SN1011 is our third-generation, covalent reversible BTK inhibitor designed for higher selectivity and superior efficacy for the treatment of RA, pemphigus and SLE for long term administration. Traditional BTK inhibitors, limited by their mechanism of action, are inappropriate in treating chronic diseases as a result of insufficient target affinity and lack of selectivity, and are mostly relegated to treatments in oncology. SN1011 is a third-generation, covalent reversible NCE developed via the approach of rational drug design where the NCE is conferred with properties favorable for the long term use of the BTK inhibitors. It selectively inhibits B cell activity, and has been shown to effectively suppress inflammatory responses in CIA (collagen induced arthritis) and CAIA (collagen antibody induced arthritis) murine arthritis model and murine MRL/lpr Lupus model. SN1011 is currently in Phase I clinical trial for immunological diseases in Australia. As of the Latest Practicable Date, 16 subjects have completed dosing in two cohorts.

- SM17: The potentially first-in-class and first-in-target antibody of SM17 exhibits possible therapeutic effects against multiple indications, including asthma and IPF (idiopathic pulmonary fibrosis). The administration of SM17 parent antibody could significantly reduce airway neutrophilia and inhibit airway eosinophil and lymphocyte responses in rhinovirus-exacerbated asthma model. In bleomycin-induced IPF model, the antibody also significantly reduces the deposition of pulmonary collagens. Moreover, the antibody suppresses the release of inflammatory factor from ILC2s, which is responsible for the initiation of asthma and IPF. This unique mechanism distinguishes SM17 from other currently approved asthma therapeutic antibodies that target ILC2s downstream pathways. Pre-clinical data and the unique mechanism of action of SM17 encouraged us to believe that SM17 may have broader and more beneficial effects for asthma treatment than other approved biologics. We are currently in the process of generating and collecting necessary data through our full-spectrum platform in preparation for filing IND. We expect SM17 to enter clinical trials in the first quarter of 2021.

We focus on the development of therapeutics to treat a broad range of immunological diseases. As part of this effort, targets are carefully selected to ensure therapeutic effects are achieved via different mechanisms of action at different channels in order to cover a broad range of immunological disorders. B cell is known to regulate the immune system through multiple immunological interactions and cytokine secretions; in turn, SM03 interacts with CD22 to restore its immunological tolerance against autologous tissues, thereby alleviating symptoms in RA, SLE and SS with the potential to treat other immunological disorders as well. BTK inhibitor works on suppressing a different set of molecules involved in an independent signal transduction pathway to achieve similar therapeutic outcomes. These two molecules complement one another in addressing heterogenous patient populations where non-responders and those who develop resistance on one target (e.g., CD22) can be replaced with a different target (e.g., BTK), and vice versa. There is clinical evidence indicating that BTK inhibitors are effective in treating a rare form of immunological disease known as pemphigus vulgaris, whereas anti-CD22 antibody has shown to be efficacious for treating Alzheimer's disease in mice; together they demonstrate that different targets can expand the breadth of treatable disease indications. SM17, on the other hand, targets a completely different molecule on different cell types in the immune system. SM17 interacts with the receptor IL17BR expressed on the surface of ILC2 (type 2 innate lymphoid cells) that is known to trigger asthma. The antibody not only can effect therapeutic responses against asthma, but is also shown to have the potential for treating a variety of immunological diseases such as ulcerative colitis and IPF. With these unique mechanisms of action for multiple targets, our products form a non-competing, complementary portfolio of treatment options for patients.

The PRC market for immunological diseases is expected to experience rapid growth. Due to the PRC's large population and growing immunological disease incidence, there is a large unmet demand for innovative treatments. With increasing capital investment in the pharmaceutical industry and favorable government policies, the development and improvement of treatment for immunological diseases will drive market growth in the PRC. According to Frost & Sullivan, the developed global immunological treatment market will experience steady growth driven by increasing R&D investments and advancements in biologics treatments. Combining the advanced features of our drug candidates and optimal market projections, we believe our drug candidates, once commercialized, stand to compete for significant market share. For information on the prospects of our product candidates, please see "Industry Overview – Overview of the Pharmaceutical Market."

Our experienced and highly cohesive management team, led by our founder, provides exemplary leadership and guidance.

We are led by a team of experienced scientists and pharmaceutical executives. Our management team possesses complementary expertise across the entire industry chain including, among others, drug discovery, process development, clinical developments, cross-jurisdiction regulatory compliance, production, commercialization and financing.

Dr. Leung, our founder, also serves as our chief executive officer. He has extensive experience in molecular immunology and the development of monoclonal antibodies. The monoclonal antibodies developed under his leadership have entered different clinical stages in the United States, Europe and the PRC. Dr. Leung was the first scientist in the world to introduce, develop and effect the concept of functional humanization, which is critical to our clinical development process. He has more than 25 years of research experience on Target CD22 and was the first scientist to successfully develop humanized CD22 mAb. Dr. Leung earned his Master of Philosophy degree in Immunopharmacology from the Chinese University of Hong Kong and his Ph.D. in molecular biology from the University of Oxford. Dr. Leung completed his postdoctoral research at Yale University in 1992.

Beyond his strong scientific background, Dr. Leung is a pragmatic entrepreneur with extensive knowledge of the entire industry chain that, we believe, cannot be emulated by many. Dr. Leung's vision of the industry drives the growth of our company and his all-round expertise enables him to oversee and guide every aspect of our development. Dr. Leung's versatile expertise originates from his diverse experience. Before becoming an entrepreneur and founding our company, Dr. Leung rose through the ranks at a publicly listed pharmaceutical company and served as its executive director of biology research. Upon his return to Hong Kong, Dr. Leung served as the managing director of the Hong Kong Institute of Biotechnology.

Our core management team is comprised of graduates from top universities with significant work experience from international and domestic business enterprises and medical institutions. Our R&D team is predominantly comprised of master's and doctoral degree-holders with extensive research experience. We believe the complementary skillsets of our R&D team members establish competitive advantages in R&D, clinical trial and commercialization critical to our growth. Our core team members were handpicked by Dr. Leung to form a congenial and cohesive team. The turnover rate for this core group has been low during the Track Record Period.

In addition to our internal leadership, our company's advisory board engages world-renowned experts, which as of the Latest Practicable Date included Dr. Andrew N.J. McKenzie of Cambridge University and Professor Chen Jianzhu of MIT as our consultants to provide us with strategic guidance and scientific validation. We believe our advisory board serves a critical role in providing neutral and unbiased opinion with respect to the direction of our scientific approach and product development.

We believe Dr. Leung and our executive team are pillars of our Company and will lead us to greater success with their complementary skillsets from immunological expertise to business management and industry vision.

Our Strategies

We believe the following strategies will contribute to our growth.

Rapidly advance our flagship product SM03 towards commercialization

We plan to rapidly advance the development of SM03. We expect to complete patient enrollment for SM03's Phase III clinical trial for RA by the end of 2019, and plan to file our NDA with the NMPA in the second half of 2020. We also plan to initiate the global development of SM03 by conducting a bridging clinical study in Australia leading to the subsequent clinical trials planned in the United States. In addition to our efforts to develop SM03 as a therapeutic for RA, we will advance SM03 clinical trials for NHL, SLE and SS to broaden the therapeutic uses of SM03 in fulfilling unmet medical needs.

In preparation for the commercialization of our products, we are in the process of assembling a professional team of marketing, sales and management experts. Our senior management in charge of commercialization is expected to be in place by the end of 2019. We aim to establish a full-service marketing team to effectively promote our products. We have developed a clear blueprint for the launch of SM03 and to build a strong sales and marketing team in support of its commercialization. Through the launch of SM03 and the expected recognition to follow, we plan to leverage our strategic focus on immunological diseases and SM03's potential first-in-target advantage to structure a world-class commercial team to specialize in the promotion and sales of immunological drugs, thereby setting a precedent and framework of success for the future commercialization of our other drug candidates. We envision gaining valuable experience from the commercialization of SM03, and leveraging this experience for the commercialization of our future products.

Further progress our existing product pipeline

We have built a well-designed product pipeline to provide a comprehensive range of treatment options for immunological diseases. SN1011 and SM17 both have the potential to become ground-breaking therapeutics for the treatment of various immunological diseases in addition, and complementary to, SM03. We hope to achieve product synergy through the development of these drug candidates to enhance our competitiveness through product differentiation. We intend to allocate significant human and financial resources to accelerate our product pipeline towards commercialization.

SN1011 is currently in Phase I clinical trial in Australia. As of the Latest Practicable Date, 16 subjects have completed dosing in two cohorts. We will accelerate its clinical trials to streamline its development. At the same time, we are in the process to file IND with NMPA to initiate SN1011 clinical trials in the PRC. We expect to complete Phase I clinical trials in Australia by the end of 2019. We will also continue to carry out our preclinical research of SM17. Our study of SM17 has generated favorable data and we are optimistic of its potential for clinical trials and commercial development. We will continue to leverage our R&D and production capabilities to advance other drug candidates in our product pipeline.

Continue to discover and develop novel drugs for the treatment of immunological diseases by leveraging our R&D capabilities

In addition to our current portfolio of drug candidates, we will continue to focus on discovering and developing novel drugs for the treatment of immunological diseases, which differentiates us from our peers. We will continue to track and explore new targets suitable for the development of immunological drugs by leveraging our full-spectrum platform, including the proprietary technologies it encompasses. In furtherance of this effort, we will also allocate significant resources to optimize our full-spectrum platform in order to maintain our competitive edge in technology and in-house capabilities and enrich our portfolio of drug candidates. In addition, we will diversify our portfolio by introducing and incorporating various small molecular NCEs to expand our product portfolio.

Expand our production scale to support our product commercialization

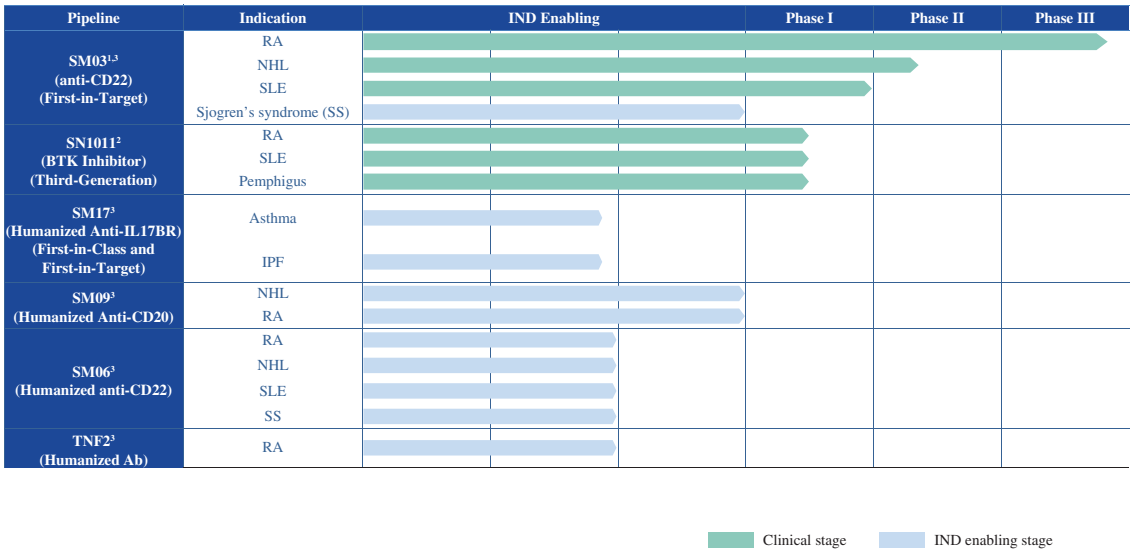
In anticipation of our growing product pipeline and clinical trials progress, we plan to expand our production base in Suzhou in addition to our facilities currently under construction to increase our production capacity. We are constructing our commercial-scale production base and installing three 2,000L stainless steel bioreactor production lines in Suzhou in preparation for the launch of SM03, and may further expand its production capacity to suit our long-term commercialization needs. We believe the strengthening of our production capabilities will increase our competitive advantage in our field and solidify our status as a full-fledged biopharmaceutical company.

Strengthen our global presence through leveraging our position as a Hong Kong-based biopharmaceutical company

We plan to establish and strengthen our global presence by leveraging our position as one of the few biopharmaceutical companies based in Hong Kong. We benefit from many advantages innate to Hong Kong, such as a long-established common law system that fosters entrepreneurship and protects intellectual property, connection to the global community through the widespread use of English, a world-class financial system, and a concentrated and abundant source of scientific and financial talent. These advantages contribute to our global appeal to potential investors and partners, such as LifeArc and Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (“蘇州信諾維醫藥科技有限公司”) (“**Suzhou Sinovent**”). Thus far, we are one of the few biopharmaceutical companies to benefit from these advantages, which we intend to fully utilize to further strengthen our business and expand our operations to the United States, Europe and other major jurisdictions.

OUR PRODUCT PIPELINE

We have a pipeline of six drug candidates that focuses on immunological diseases. The following chart sets out the R&D progress and clinical trial of our drug candidates as of the Latest Practicable Date:



Notes:

1) Our Core Product.

2) Our NCE drug candidate is currently in Phase I clinical trial in Australia.

3) Denotes our biologic candidates.

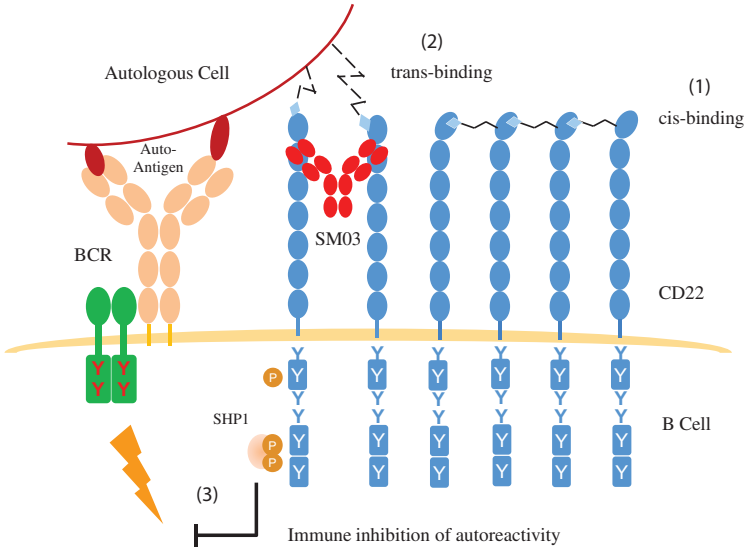
OUR FLAGSHIP PRODUCT SM03

Our self-developed SM03 is a potential first-in-target anti-CD22 mAb developed for the treatment of RA and potentially for other immunological diseases such as SLE, SS and NHL. SM03 utilizes a novel mechanism of action distinct from the current treatments available in the market. As a chimeric mAb, SM03 does not utilize our framework patching technology for antibody humanization. SM03 for RA is currently in Phase III clinical trials in China, and we expect it to be our first commercially available drug candidate.

Mechanism of Action

SM03 is a recombinant immunoglobulin IgG1 monoclonal antibody that selectively targets and binds CD22, a co-receptor of the B cell receptor (BCR). CD22 is a cell surface antigen found on mature and memory B cells, but it is not expressed on hematopoietic stem cells, pro-lymphocytes or plasma cells. The biology of CD22 is complex and maintains a baseline level of B cell inhibition to keep humoral immunity in check. As a B cell restricted antigen, CD22 is targeted in therapies against dysregulated B cells which cause autoimmune diseases, such as RA, and blood malignancies.

SM03 is a novel B cell modulator that binds CD22 at a specific epitope to induce co-localization of CD22 with the BCR. As demonstrated in the diagram below, this CD22 co-localization from (1) cis-binding; to (2) trans-binding promotes the inhibitory function of CD22 on BCR-mediated signaling; and thereby (3) modulates B cell activity. The loss of BCR proteins from the B cell surface by mechanisms such as internalization and trogocytosis may further disrupt BCR activation.



Source: Frost & Sullivan Report

In vitro, SM03 has been shown to suppress B lymphoma cell lines, induce apoptosis and demonstrate moderate antibody-dependent cellular cytotoxicity (ADCC). SM03 causes moderate reductions in a number of peripheral B cell depletion *in vivo*.

Recent studies suggested that anti-CD22 antibody may regulate the balance between regulatory interleukins and proinflammatory cytokines through inhibition of proinflammatory IL-6 and tumor necrosis factor cytokine production. B cell hyperactivity and altered cytokine production play a pivotal role in autoimmune diseases such as RA, SLE and SS. Hence, there is a strong rationale for targeting CD22-mediated B cell signaling in these conditions.

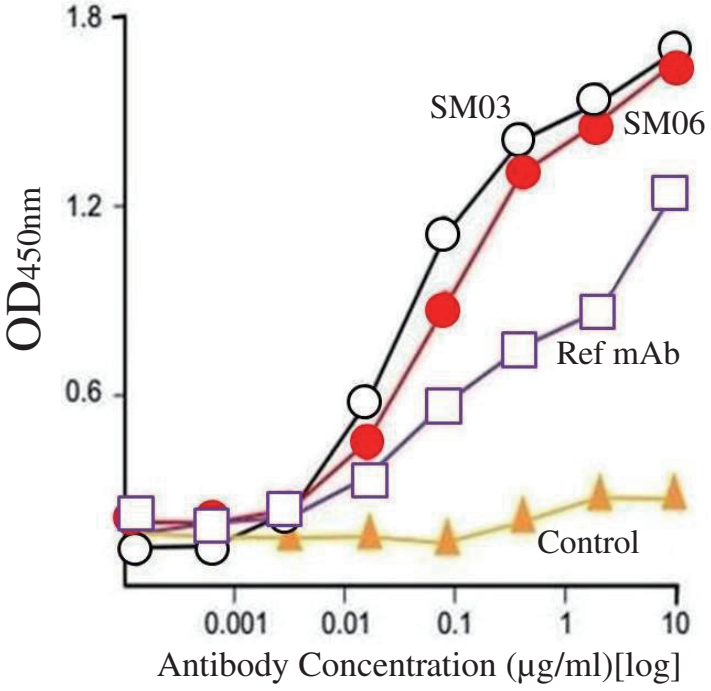
The following description, data and figures regarding the affinity, internalization and cytotoxicity of SM03 further elaborate on and enhance the understanding of the mechanism of action of SM03.

SM03 Affinity

EPZ, a humanized monoclonal antibody against CD22, had been tested for SLE and did not meet their primary clinical efficacy endpoints. When evaluating SM03 by exogenous sources of recombinant CD22 by BIAcore, the affinity for SM03 against human CD22 was at 0.8 nM, which was almost 10 times higher in affinity compared to the reference mAb EPZ, whose affinity as reported was at 7.6 nM (U.S. Patent 2015/0239974A1). According to a press release by UCB S.A., the EMBODY Phase 3 clinical program for EPZ consisted of two identical studies – EMBODY 1 and EMBODY 2. EMBODY 1 and EMBODY 2 were multicenter, randomized, double-blind, placebo-controlled 48-week studies. In each study, patients (n= 786 for EMBODY 1; n=788 for EMBODY 2) received placebo or treatment with 2,400 mg of EPZ over four 12-week treatment cycles, administered as 600 mg every week for four weeks or 1,200 mg every two weeks for four weeks. All patients were taking corticosteroids at the start of the trial, in addition to EPZ or placebo, while immunosuppressant and antimalarial therapies were administered per their standard therapy regimen. The primary endpoint of the studies was the percentage of patients meeting treatment

response criteria at Week 48 according to a combined response index, the BILAG-based Combined Lupus Assessment (BICLA). UCB S.A. announced that the two EMBODY Phase III clinical studies for EPZ in Systemic Lupus Erythematosus (SLE) did not meet their primary clinical efficacy endpoints in either dose in both studies. Treatment response in patients who received EPZ in addition to standard therapy was not statistically significantly higher than those who received placebo in addition to standard therapy. To confirm the comparison between published results related to EPZ, we constructed an *ab initio* mAb corresponding to EPZ according to published sequences. Direct binding flow cytometry study on Raji cells was performed to compare the affinity of SM03, its humanized version SM06 and EPZ.

The sequences of SM03 are completely different from those of EPZ. As demonstrated in the diagram below, the affinity of EPZ was at least an order of magnitude lower than those of SM03 and SM06. The control mAb, which is an irrelevant antibody specific for TNF-α, did not show binding affinity towards Raji cells. The result is consistent with the affinity comparison between our own BIAcore on SM03 and published data on the reference mAb. In addition to a substantially lower affinity for human CD22, EPZ binds to CD22 epitope in a completely different way. The CD22 binding epitope of SM03 was delineated to be specific against a discontinuous conformational epitope of the human CD22 antigen. The high affinity of SM03 for human CD22 and the specific epitope bound may disrupt the cis-ligand binding of CD22 to effect co-localization of CD22 with the BCR. These features are considered important for the induction of immunosuppression on B cells. EPZ, on the other hand, binds with lower affinity to the base of domain II and part of domain III, making it less potent in the induction of immunosuppressive effect.

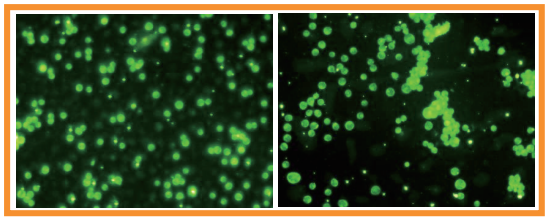


Comparative Affinity Studies on SM03 and Reference Antibodies

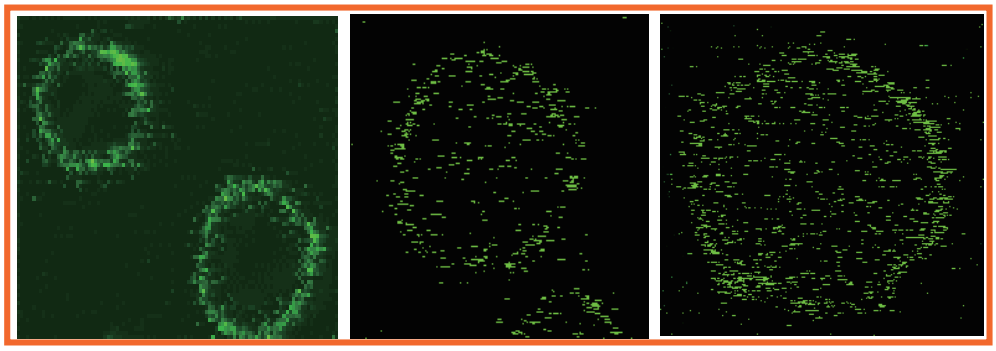
As shown in the graph above, SM03 binds with high specificity and high affinity (apparent Kd, 0.8 nM by BIAcore) to CD22 expressed human Burkitt's lymphoma cell lines. The high affinity of SM03 binding to a unique epitope on CD22 is crucial for the induction of immunological inhibition.

SM03 Internalization

Human CD22 are overly-expressed on the surface of human Burkitt's lymphoma cell lines, Raji and Daudi, as revealed by phase contrast fluorescence microscope after the incubation of the cell lines with SM03. The distribution of bound SM03 on Raji cells was monitored employing confocal fluorescence microscopy. At the 10th minute of incubation, over 50% of the surface bound SM03 were internalized; the internalized SM03 appeared to recycle to the cell surface at the 20th minute of incubation, as surface intensity had increased compared to that at the 10^{th}-minute time point as shown in the diagram below. The internalization of antibodies are believed to cause the reduction of surface molecules responsible for the induction of immune responses.



Daudi **Raji**



0 min **10 min** **20 min**

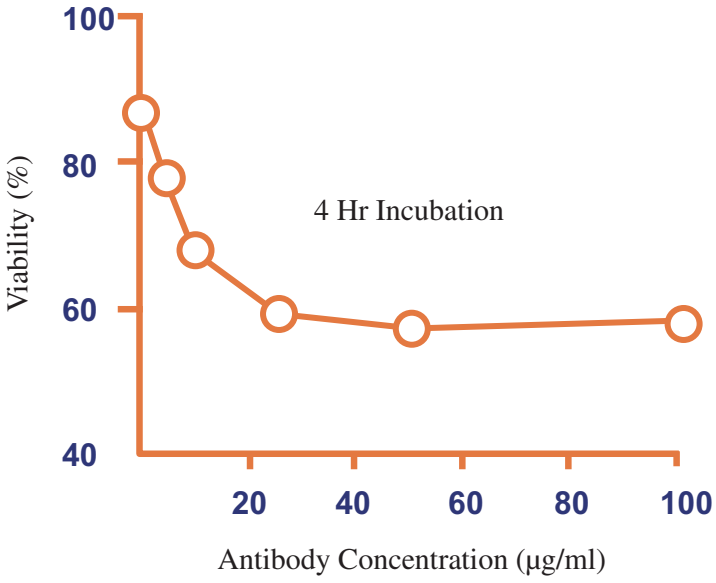
Internalization of SM03

The pictures demonstrate the internalization of SM03 at the 0^{th} minute, 10^{th} minute and 20^{th} minute. This sequence shows the gradual internalization of CD22 induced by SM03 binding which brings with them other crucial immunological molecules leading to mitigation of immuno responses.

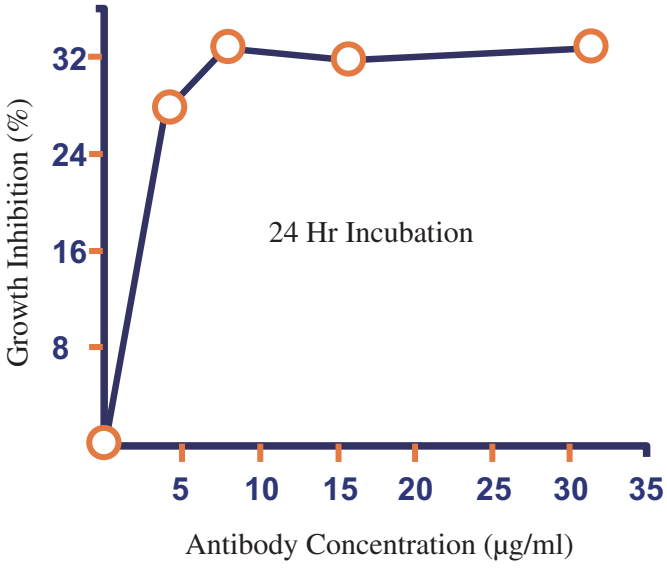
SM03 Cytotoxicity

Immobilized SM03 could have cytotoxicity against human Burkitt's lymphoma cells. Different concentrations of SM03 were added onto the wells of 96-well microtiter plate to allow for antibody immobilization through adherence to plastic surface. Either Raji or Ramos lymphoma cell lines were added onto the wells containing the immobilized antibody. After incubation at 37°C for four or 24 hours, trypan blue exclusion assay and MTS assay were used to evaluate the percentage of cell death and the growth inhibition induced by the immobilized SM03. Both assays revealed that hyper-crosslinked SM03 (via antibody immobilization) was effective in inducing cell death or growth inhibition for Burkitt's lymphoma cell lines that over-expressed CD22.

Trypan Blue Exclusion Assay
Raji Cell Cytotoxicity



MTS Assay
Ramos Cell Growth Inhibition



As shown in the graphs above, SM03 is efficient in inducing Raji Cell death at four hours of incubation as evaluated by trypan blue exclusion assay and is efficient in inhibiting Ramos Cell growth at 24 hour incubation as evaluated by MTS assay.

Pre-clinical Research

In order to fulfill the regulatory requirements for obtaining IND approvals for SM03 from the NMPA in China, our senior management led an internal team with experience in immunology, pharmacology and toxicology to conduct the following pre-clinical research and regulatory work to address the potential of targeting CD22 for the treatment of immunological diseases. We commenced pre-clinical research for SM03 in November 2003. Our pre-clinical efforts include: (1) design and assessment of efficacy in animal models, (2) dose selection, (3) toxicity evaluation, (4) PK and PD studies, (5) CMC compilation, (6) preparation and modification of IND package, (7) onsite inspection, (8) registration sample submission, and (9) pre-IND meeting preparation and IND defense.

The nonclinical development program consisted of a battery of safety pharmacology studies, PK and toxicology studies. These studies were conducted using intravenous administration consistent with NMPA guidance as well as international guidelines such as guidelines of the FDA and EMA. Primates, such as rhesus or cynomolgus monkeys, were considered as the most relevant subjects for assessing PK, PD and nonclinical safety due to the fact that SM03 only binds to human and primate CD22. For the toxicology program, a variety of dosage regimens were evaluated in cynomolgus monkeys.

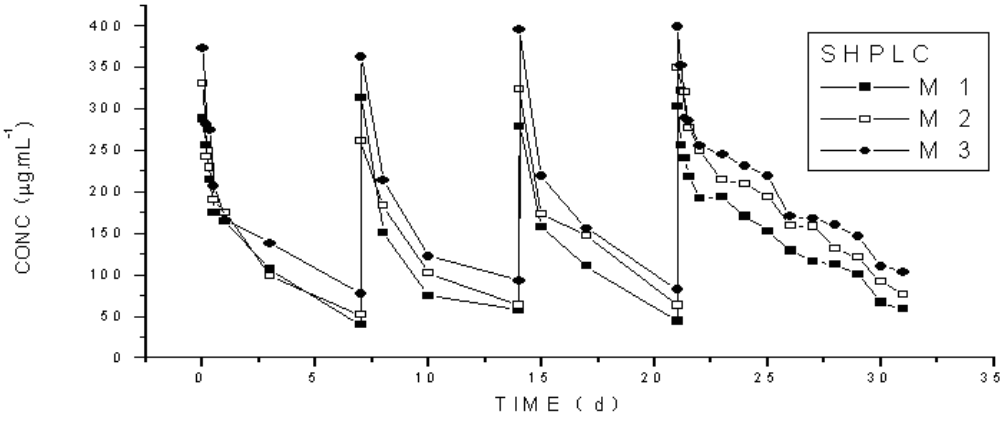
PD and PK Results

The following graphs demonstrate the PD and PK results from our preclinical research described above.

Effect of Different Dosages of SM03 on the Elimination of Peripheral CD22+ B Cells in Cynomolgus Monkey

	% CD22+ cells post anti-SM03 administration		
Group	**After Day 1**	**After Day 7**	**After Day 14**
Solvent Control Group	3.53 ± 1.96	10.43 ± 1.80	14.88 ± 0.24
25 MK	0.06 ± 0.02	0.79 ± 0.43	0.37 ± 0.21
75 MK	0.02 ± 0.01	1.03 ± 0.34	0.25 ± 0.08
225 MK	0.05 ± 0.04	0.79 ± 0.32	0.34 ± 0.33

PK Profile of SM03 in Cynomolgus Monkeys after Multiple Dosing



Based on our pre-clinical research and the toxicology, PD and PK results demonstrated in the table and graph above, we concluded the following:

- SM03 does not recognize and bind or promote destruction of any normal human tissues other than those harboring matured B cells.

- SM03 is of human IgG1/kappa isotype. Its distribution and metabolism in primates are similar to those of other reported antibodies with the same IgG1/kappa isotype, with the exception of specific distribution to organs and tissues harboring CD22+ cells.

- SM03 has a long terminal half-life ranging from six to eight days in monkeys, which is typical of antibodies with human IgG1/kappa isotype. The mean Cmax and mean AUC of SM03 cumulatively increased corresponding to the increased dosage. The volume of distribution was approximately equal to blood volume. The long half-life of SM03 may be the result of recycling through the FcRn receptor, which is known to be a major mechanism for maintaining the blood levels of endogenous IgG1 antibodies.

- SM03 was non-toxic and considered safe to monkeys at a dose range of 25 to 225 mg/kg administered as single-dose or repeatedly on a weekly basis for 16 weeks in toxicology studies. In the repeat-dose study, there was no significant rejection of SM03 response developed in monkeys. Overall, SM03 was well-tolerated in monkeys with no observable adverse effects.

- A number of peripheral CD22+ B cell reduction occurred following single doses of SM03 administration in monkeys. Normal B cell pool was eventually reconstituted on day 52 after the cessation of SM03 administration. The reconstitution occurred possibly from the unaffected hematopoietic stem cells and precursor B cells lacking CD22 expression.

Clinical Trials

We obtained IND approvals for NHL, SLE and RA in August 2006, March 2008 and December 2008, respectively. Since obtaining our first IND approval for NHL, we continued to explore SM03 for the treatment of other indications. Subsequent to obtaining these IND approvals, we sought to obtain clinical trial approvals from GCP centers and ethics committees of all participating hospitals and investigators in accordance with the guidelines issued by NMPA. We commenced clinical trials for NHL, SLE and RA in January 2007, August 2011 and August 2012, respectively. Due to financial and human resource limitations, we primarily focused on the development of SM03 for the treatment of RA after observing promising efficacy clinical results. The market for RA is also the largest among the markets for the three indications in both the global and PRC market.

As of the Latest Practicable Date, we completed four clinical trials and had two ongoing clinical trials with SM03 in China for RA, NHL and SLE. Our clinical trials for SM03 are in compliance with GCP requirements of NMPA. For these clinical trials, SM03 was given as monotherapy or in combination with background standard therapy to evaluate its safety, tolerability, PK and clinical activity. Patients with active RA, SLE and recurrent aggressive and indolent low-grade or follicular NHL participated in these clinical trials in China. Under NMPA's rules and regulations, both healthy volunteers and patients are permitted to participate in phase I clinical trials to explore a drug candidate's safety. Because the PK level of active patients may be different from that for healthy volunteers and more indicative for efficacy, we elected to enroll active patients. As of December 31, 2018, 365 adult patients received SM03 infusion as part of the six clinical trials. SM03 combined with background methotrexate was demonstrated to be an efficacious treatment for

active RA, and was shown to reduce disease activity, improve clinical signs and symptoms, and improve physical functions. Compared to the published clinical data of the approved monoclonal antibodies administered via intravenous infusion, such as rituximab and infliximab, SM03 achieved better safety profiles in terms of infusion related reactions, SAEs, serious infections and malignancies. In addition, SM03 intravenous infusion was well tolerated, with obvious clinical activity against NHL and SLE. Below are the summary of our clinical trials for RA, SLE and NHL, respectively. As an innovative drug candidate, SM03 is not required by the NMPA to include head-to-head comparative clinical data.

1. RA

Phase I (August 2012 to August 2014)

Phase I RA Clinical Trial (CTR20131127): Phase I clinical trial was an open-label, single-center study with the objective to assess the safety and PK profiles of SM03 in patients with active RA on background methotrexate. Eight patients received two doses of 600mg infusions on a biweekly basis for a total of 12 weeks. The mean serum half-life was 16 days, with volume of distribution approximately similar to blood volume. SM03 residue can be detected even at the end of the 12 weeks. Phase I SLE clinical trial had enrolled 29 patients for SM03 and was deemed sufficient to provide Phase I safety data for SM03. The enrollment of eight patients for RA was for the purpose of obtaining additional safety and meaningful PK data. Key study concepts such as sample size and dosage regimens of RA registration study were submitted to the PRC Center for Drug Evaluation (CDE) and to principal investigators for review. CDE reviewers and principal investigators did not raise any concerns or objections to the RA registration study.

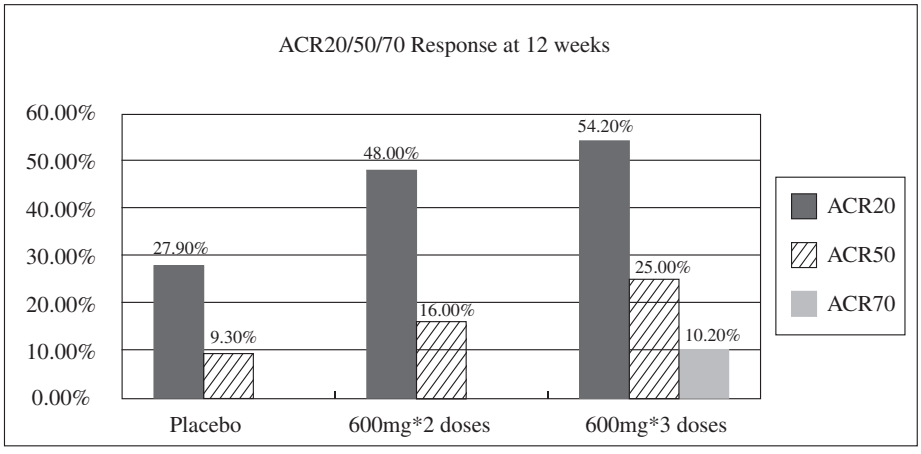
Among the moderate-to-severely active RA patients treated, four had American College of Rheumatology (ACR) response, and European League Against Rheumatism (EULAR) good and moderate response. Based on these results, we can determine that SM03 was well-tolerated and demonstrated obvious clinical activity against RA.

Phase II (December 2014 to November 2016)

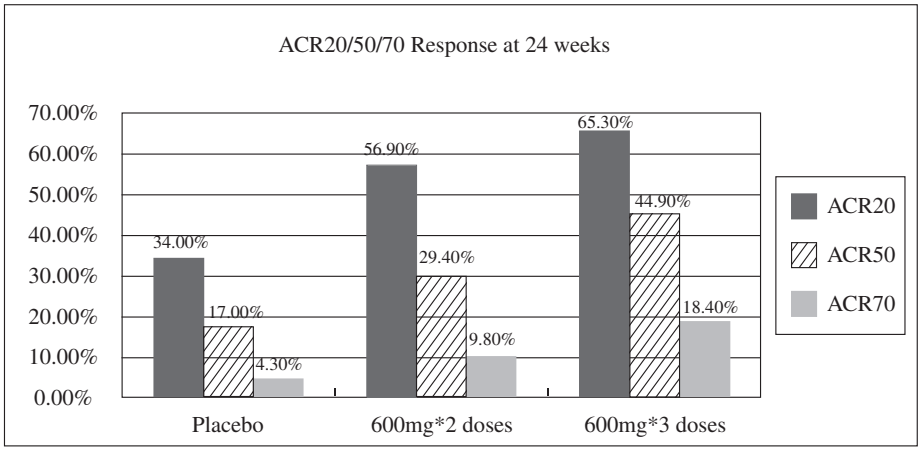
Phase II RA Clinical Trial Design (CTR20140856): Phase II clinical trial was a randomized study to evaluate the efficacy and safety of SM03 compared to placebo in patients with moderate-to-severe active RA. In this double-blind study, active RA patients with inadequate response to methotrexate were randomized (1:1:1) with the high dosage group receiving SM03 600 mg*6, low dosage group receiving SM03 600mg*4 and placebo*2 and the control group receiving placebo*6. These three groups received SM03 (N=104) or Placebo (N=52) at weeks 0, 2, 4 and 12, 14, 16 in combination with methotrexate. Efficacy endpoints included ACR20, ACR50 and ACR70 response rates, disease activity score in 28 joints (DAS28), and EULAR response rates. Patient-reported outcomes, safety and immunogenicity outcomes were also assessed. For SM03, ACR20 responsive rates are primary endpoints in demonstrating the efficacy of the clinical trials in accordance with international standards; ACR50 and ACR70 response rates are provided for reference purposes in addition to ACR20 response rates.

Clinical Trial Results: We observed significant ACR20 response rates at week 12. At week 24, ACR20 response rates were significantly higher in SM03 treated group than the placebo groups (65.3% compared to 56.9% and 34%). ACR50 response rates (44.9% compared to 29.4% and 17%) and ACR70 response rates were also higher in SM03 treated group (18.4% compared to 9.8% and 4.3%). DAS28 scores decreased from baseline to week 24 in SM03 treated group much more than in placebo groups (-1.65 compared to -1.38 and -0.70). EULAR response rates at week 24 were higher in SM03 treated group versus the placebo groups (75.5% compared to 70.6% and 40.4%). The diagrams below demonstrate the results observed from our Phase II clinical trials:

(A)



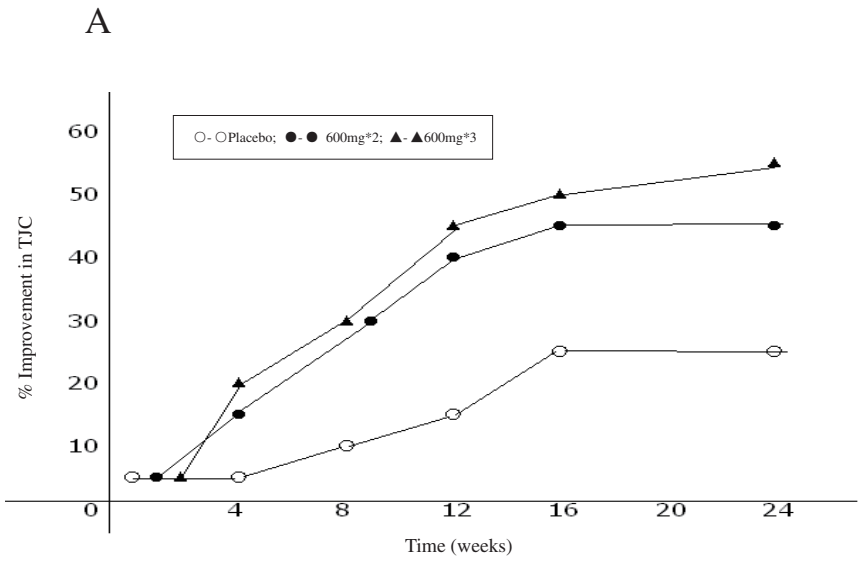
(B)



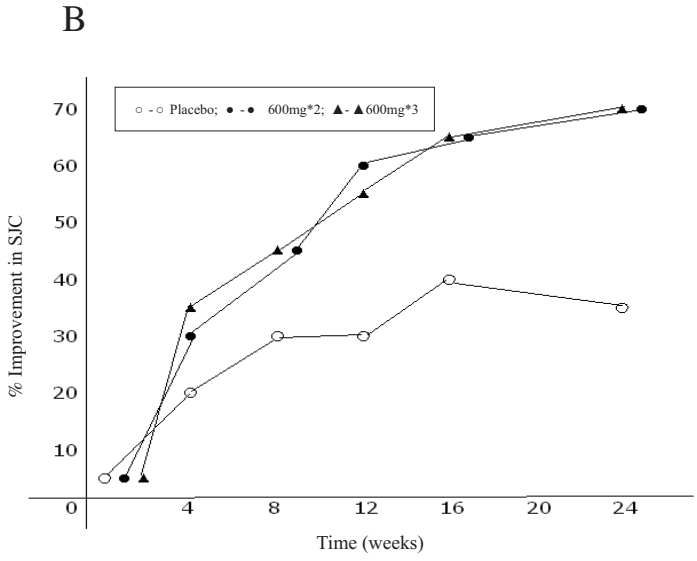
ACR Response Rates at 12 and 24 Weeks

The diagram below demonstrates the improvement of tender joint count and swollen joint count results to indicate the actual benefits. As observed, patients reported significant improvements in tender joint count and swollen joint count results compared to the placebo group.

Tender Joint Count



Swollen Joint Count



Tender Joint Count and Swollen Joint Count Results

Based on the data above, Phase II Clinical Trial for the treatment of RA has met its primary endpoint (ACR 20) which is further substantiated by its secondary endpoints (ACR 50 and ACR 70). The results of both low dose and high dose groups demonstrated statistically significant improvements over the results of the placebo group.

The following table demonstrates the immunogenicity of SM03 expressed in terms of Human Anti-Chimeric Antibody (HACA) response.

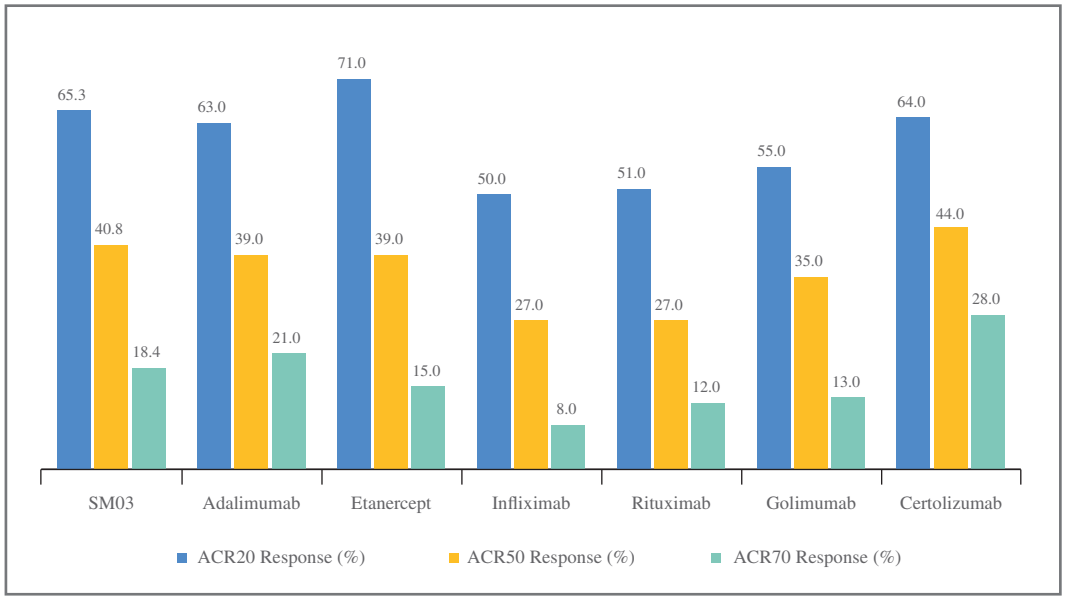
Immunogenicity Data for SM03

Group	No. of HACA positive (%)	No. of HACA negative (%)	No. of patients analyzed
SM03 Treatment group	5(6.41%)*	73(93.59%)	78
Control group	0(0%)	38(100%)	38

Based on the observed results, we concluded that the occurrence of immunogenicity of SM03 is low and on par with most marketed humanized antibodies, and that the presence of HACA has no correlation with ACR responses.

The following charts are comparisons of SM03's efficacy and safety profiles with marketed drugs. As shown in the charts, when evaluated under ACR20, ACR50 and ACR 70 endpoints, SM03 exhibited similar efficacy patterns to drugs available on the market while maintaining a superior safety profile compared to Infliximab and Adalimumab (Safety profile information for Etanercept, Golimumab and Certolizmab are not currently available).

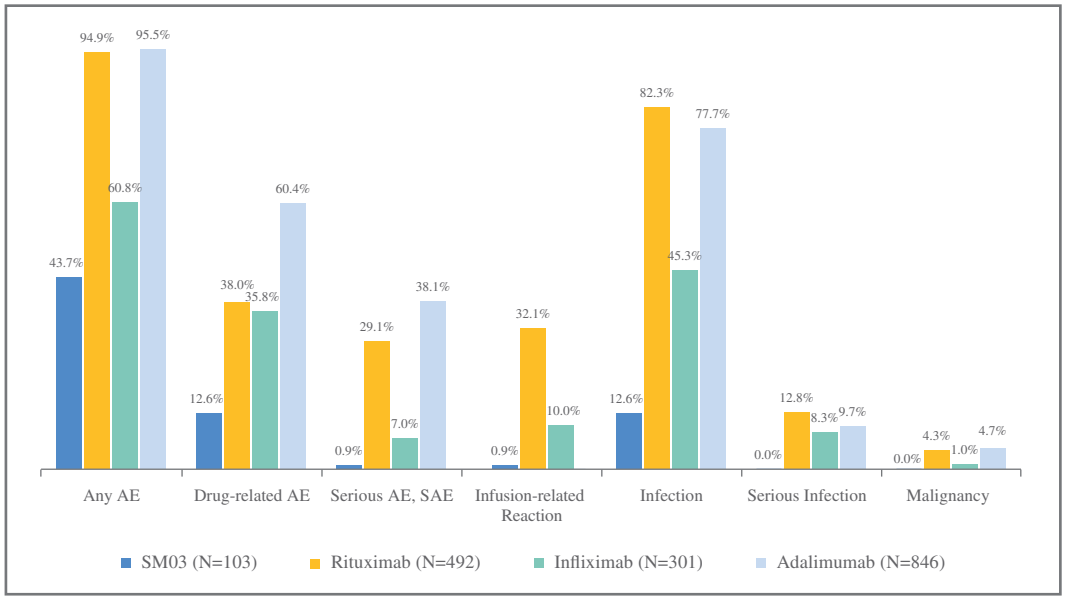
Efficacy of SM03 Compared with Marketed Drugs
(not based on head-to-head comparative studies)



Sources: Medical description of the products of Adalimumab, Etanercept, Infliximab, Rituximab, Golimumab and Certolizumab

The efficacy comparison was generated based on historical data made available to the public and not the result of head-to-head comparative studies. The clinical trials designs and recruitment criteria for SM03 and marketed drugs may be different. In addition, SM03 data used in comparison to marketed drugs were based on the results of Phase II clinical trial and may not be indicative of the final results of the ongoing Phase III clinical trials for the treatment of RA. SM03 may not ultimately produce better efficacy for the treatment of RA compared to these marketed drugs.

Safety Profile of SM03 Compared to Rituximab/Infliximab/Adalimumab
(not based on head-to-head comparative studies)



Sources: *Rituximab Clinical Summary Report, Protocol Number: WA17045, 01/08/2012; Remsima Assessment Report, Pivotal Phase III Study CT-13 3.1 EMA/CHMP/589317/2013; Adalimumab DE020 OLE (5 year) Clinical Study Report, R&D/06/370*

Phase III (December 2017 to Ongoing)

Phase III RA Clinical Trial (CTR20170914): Phase III RA clinical trial is a multi-center randomized, double blind, placebo-controlled, parallel group study to confirm the clinical efficacy and long term safety in active RA. The primary efficacy endpoint is ACR20. The planned enrollment for the clinical trials is 510 patients. This pivotal phase III RCT has been ongoing since early 2018. Before initiating Phase III clinical trials, we consulted NMPA clinical reviewer for the protocol design in terms of the primary efficacy endpoints, the size of patient enrollment, the duration of treatment, the statistics and other elements. The protocol has been extensively discussed, assessed and agreed with medical/biological statisticians and participating hospitals. As of the data cutoff date in August 2019, over 270 patients had been enrolled. SM03 had been well tolerated and the majority of AEs were of mild or moderate grades. The most frequently occurred AEs were mild respiratory infections and laboratory value deviations or abnormalities. Peking Union Medical College Hospital is serving as the independent principal investigator for the ongoing Phase III clinical trials.

2. NHL

Phase I (January 2007 to December 2008)

Phase I NHL Clinical Trial (SM03-NHL-I-V3.3): Phase I NHL clinical trial was a single-center, dose-escalation study examining the safety, efficacy and PK of SM03 in patients with recurrent aggressive and indolent NHL. A total of 21 patients received SM03 for six weeks. Their safety and clinical responses were observed and assessed, mainly in follicular lymphoma. We observed that, after being administered with SM03, the patients' circulating B cells decreased transiently and modestly without significant effects on T cells or immunoglobulin levels. Serum half-life observed was six to eight days. SM03 was well-tolerated at up to 480 mg/m^2 weekly infusion with clinical activity.

Phase II (July 2012 - Ongoing)

Phase IIa NHL Clinical Trial (CTR20131130): Phase IIa NHL clinical trial is a multi-center, open-labeled study to assess the safety and efficacy of SM03 monotherapy in patients with refractory recurrent indolent NHL. A total of 15 assessable patients, 14 of whom were in Ann-Arbor III or IV stage, received weekly infusion of SM03 at doses of 360 mg/m^2 or 480 mg/m^2, for up to eight doses. The majority of the observed TEAE were CTC grade 1 or 2, most were abnormalities/deviations of laboratory tests. The main objective of our Phase IIa clinical trial was to find the optimal dosage of SM03, and we concluded that SM03 infusion was well tolerated at doses of 360 mg/m^2 and 480 mg/m^2. We are currently consulting Key Opinion Leaders for the review of our Phase IIa clinical results and seeking their advice on Phase IIb clinical trial protocol. Due to our strategic focus on immunological diseases, we have no immediate plan to initiate Phase IIb clinical trial of SM03 for NHL in the near future.

3. SLE

Phase I (July 2011 to August 2014)

Phase I SLE Clinical Trial (CTR20130117): Phase I SLE clinical trial was an open-label, dose-escalation, multi-center study to assess the safety, efficacy and PK of SM03 in patients with active SLE. A total of 29 patients received weekly infusion of SM03 at doses of 240 mg/m^2, 600mg/m^2 or 900 mg/m^2 for four infusions. SM03 had a long serum half-life of 15-18 days in SLE, with volume of distribution similar to blood volume. The Cmax and AUC of SM03 increased with increasing dosage. The residue SM03, in microgram per ml, can be detected in patients treated, at the end of 12 weeks. Among the 15 moderate-to-severely active SLE patients, four had significant disease activity (SLEDAI) reduction ($\geq$ 4 scores) at 12-week, mainly in mucocutaneous or hematologic sectors. Based on these results, we conclude that SM03 was well-tolerated and demonstrated clinical activity against SLE at dose of 240 mg/m^2, 600mg/m^2 or 900 mg/m^2.

We are currently in the process of designing our Phase II clinical trials protocol.

Summary of Safety Results for SM03

As of the Latest Practicable Date, no material adverse change has occurred with respect to the regulatory review or approval process of SM03. The table below summarize AE observations for SM03:

	Indication, and number of patients(%)			
AE	**NHL I/II (n=36)**	**SLE-I (n=29)**	**RA-I/II (n=112)**	**RA-III (n=136)**
Any AE	24 (68)	14 (48.3)	45 (47.3)	49 (36)
Treatment related AE	5 (13.9)	6 (20.7)	13 (12.6)	11 (8.1)
Serious AE, SAE	3 (8.3)	1 (3.4)	1 (0.9)	4 (2.8)
Treatment related SAE	–	–	0 (0)	1 (0.7)
Infusion-related reactions	–	–	1 (0.9)	1 (0.7)

The safety and tolerance of SM03 were assessed in clinical trials in patients with RA, SLE, and NHL. The majority of the adverse events (AEs) were mild and moderate in severity grade. The most common (<10%) AEs reported in clinical trials were infections and infestations, including upper respiratory tract infection, urinary tract infection. Other AEs included leukocytosis or leucopenia, elevated transaminase, urine leukocyte, fever and rash. Serious AEs (SAE) and infusion reactions were scarce with no case of death, hypersensitive reactions, severe infections, malignancies reported, which demonstrates the preferred safety profile of SM03 as compared to the safety data of therapeutic mAbs currently available in the market.

Details of the most common AEs for NHL, SLE and RA are as follows:

AEs in NHL clinical trials: the most common AEs were fever, leucopenia and neutropenia, and elevated transaminase. Other AEs included fatigue, dizziness, pruritus, sweating, thrombocytopenia, decreased hemoglobin, abnormal coagulation factors, elevated lactic acid dehydrogenase, elevated creatinine, urinary leukocytes or erythrocytes and tumor progression.

AEs in SLE clinical trials: the most common AEs were infections, fever, elevated transaminase, neutropenia and thrombocytopenia, proteins in urine, elevated IgG and prolonged thrombin time.

AEs in RA clinical trials: the most common AEs were infections and infestations. Other AEs included fever, decreased or elevated leukocytes count and lymphocytes count, elevated urine cell, abnormal transaminase, dizziness, headache, chest distress, palpitations, infusion reactions and menstrual disorders.

Regulatory Process and Next Steps for SM03

We obtained SM03 IND approvals for NHL, Lupus and RA in August 2006, March 2008 and December 2008, respectively. As confirmed by the Directors, since our obtaining the IND, communication with the NMPA mainly included the following:

- In February 2014, we communicated with the NMPA regarding Phase I clinical trial results and Phase II and Phase III clinical trials design, including sample size, primary endpoint, statistics and other elements.

- In February 2017, we communicated with the NMPA regarding Phase II clinical trial data and results and Phase III clinical trial design, including sample size, the proportion of subjects in each group, the primary efficacy endpoint, the placebo group, the safety endpoint, the minimum sample size and the primary endpoint statistics. NMPA did not raise any concerns regarding the Phase II clinical trials results or Phase III clinical trial design.

- In October 2017, we received approval for Phase III clinical trial from PRC Ministry of Science and Technology Office (中華人民共和國科技技術部中國人類遺傳資源管理辦公室) and also completed online registration for clinical trials with the NMPA/CDE in December 2017.

We will continue to advance clinical trials for SM03 for RA, NHL and SLE. We expect to file our SM03 NDA for RA with the NMPA in the second half of 2020. We are also actively developing SM03 for the treatment of SS to advance it to clinical trials.

Market Opportunity and Competition

For information on the competitive landscape regarding SM03, please see "Industry Overview – Analysis of Immunological Diseases Market."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SM03 SUCCESSFULLY.

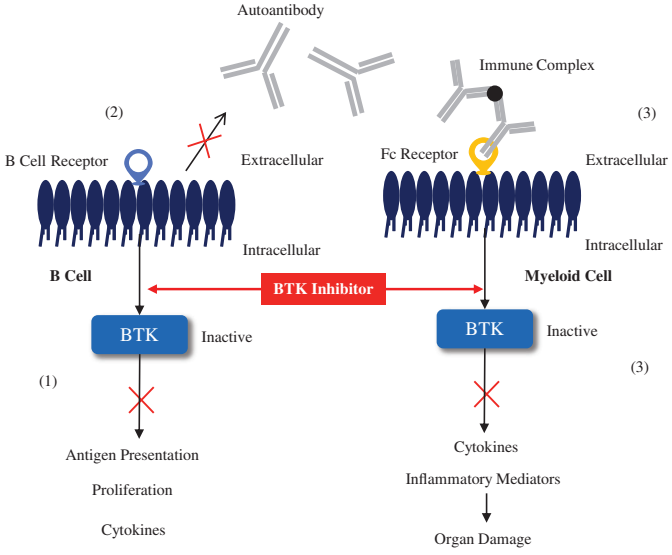
OUR KEY PRODUCTS

SN1011

SN1011 is a third generation Bruton's tyrosine kinase inhibitor designed for higher selectivity and superior efficacy for the treatment of RA, SLE, pemphigus and other immunological diseases for long term administration. It compares favorably with similar BTK inhibitors currently available in the market, such as Ibrutinib, in terms of selectivity and affinity. SN1011 binds onto the active site of BTK via a covalent reversible mode, which differs from other marketed BTK inhibitors that binds via a covalent irreversible mode. There is one other third-generation covalent reversible BTK inhibitors in clinical trial. However, SN1011 demonstrates higher affinity and selectivity in the inhibition of BTK activity such as minimal cross-reactivity to other non-B cell tyrosine kinases. It exhibits the engineered and desired properties in different *in vitro* and *in vivo* assays. The high affinity of SN1011 binding due to its covalent nature ensures a strong BTK inhibitory effect and the reversible covalent binding allows the inhibitor to detach from the BTK active site in about six hours, avoiding a prolonged inhibitory effect on the BTK that causes undesirable side effects and toxicities. More importantly, SN1011, via rational drug design, was structured to exhibit minimum or no cross reactivity to non-BTK tyrosine kinases with similar structure, conferring the molecule with high selectivity for BTK. Cross-reactivity and irreversible covalent binding are the major contributors to the high toxicity observed in most BTK inhibitors in the market and in clinical trials. As corroborated by our preclinical results, SN1011, therefore, is a potent BTK inhibitor that is well-tolerated and suitable for long term use for the treatment of B cell related autoimmune diseases such as RA, pemphigus and SLE.

Mechanism of Action

When B cells are stimulated via the B cell receptor, a cascade of events leads to the activation of the Bruton's tyrosine kinase (BTK). BTK activation can result in (1) B cell antigen presentation, B cell proliferation and the release of different cytokines and (2) production of autoantibodies. Independently, (3) immune complex against some antigens will trigger myeloid cells via the Fc-receptor, resulting in activation of BTK, (4) leading to the release of cytokines and other inflammatory mediators which cause organ damage. SN1011 inhibits the activation of BTK and prevents the cascade of events causing organ damages to occur. SN1011 was designed to have a recognition chemical structure that will selectively and non-covalently fit into the structure of the binding site of the BTK; a chemical structure positioned to align with the Cys481 on the BTK active site will form an unstable disulfide-linkage with the inhibitor. The chemistry of the disulfide-linkage was designed to be unstable for dissociation after roughly six hours of engagement which allows the BTK inhibitor to detach from the BTK active site, hence demonstrating its covalent reversible nature. The diagram below demonstrates SN1011's mechanism of action.



Source: Frost & Sullivan Report

Pre-clinical studies

1. Pharmacology

SN1011 binds to the active site of BTK kinase in a reversible covalent manner, exhibiting high inhibitory effect on BTK and excellent selectivity against other non-BTK kinases. SN1011 was demonstrated to significantly inhibit the IgM-induced phosphorylation level of Ramos cells. In stark contrast to first generation irreversible covalent BTK inhibitors, IgM-induced phosphorylation inhibition by SN1011 diminished gradually over time under drug elution conditions. Moreover, SN1011 also suppressed other BTK-related signaling pathways, such as calcium signals and elevation of signals related to CD69 and CD86, and the release of IgM-induced inflammatory cytokines.

On cellular levels, SN1011 inhibits the proliferation of primary B cells *in vitro*, without any effects on the T cell proliferation. SN1011 was shown to be effective in a dose dependent manner in slowing down disease progression in collagen-induced mouse arthritis models (mCIA) and reducing the rate of disease occurrence in collagen antibody-induced mouse arthritis models (mCAIA). Despite having certain inhibitory effects on hERG, SN1011 did not have demonstrable effect on the cardiovascular system of beagles and the respiratory system and central nervous system of SD rats, and is considered to be safe.

2. Toxicology

Toxicology studies showed that the maximum tolerated dose (MTD) for single dose administration of SN1011 was 500mg/kg and 1000mg/kg in rats and beagles, respectively. The NOAEL of the 28-day trial for rats was 100mg/kg/day. The NOAEL of the 28-day trial for beagles was 30 mg/kg/day.

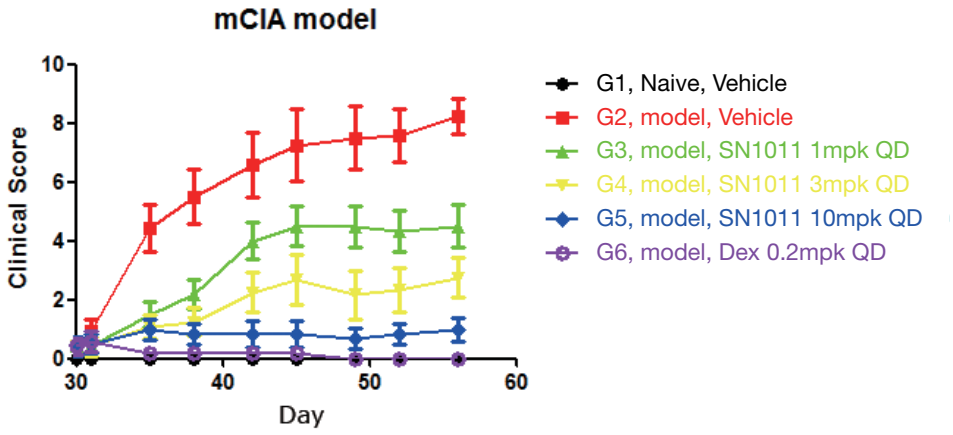
3. Selectivity

SN1011 demonstrated high affinity against BTK with IC_{50} substantially lower than the marketed Ibrutinib (IC50 1 vs 1.5 nM), which indicates a higher potency in inhibiting BTK activity. SN1011 is highly selective for BTK but not to other non-BTK kinases. Non-specific binding of SN1011 to these non-BTK kinases such as Lck, SRC, Lyn, EGFR, ITK, and JAK3, when expressed as IC50, were hundred and thousand-fold lower than that of Ibrutinib. The highly selective nature of SN1011 against BTK is important to ensure a safety profile for its long-term use for treating chronic disease. This is in agreement with the toxicity data where SN1011 was demonstrated to be well-tolerated in rats and dogs at doses of up to 100 mpK.

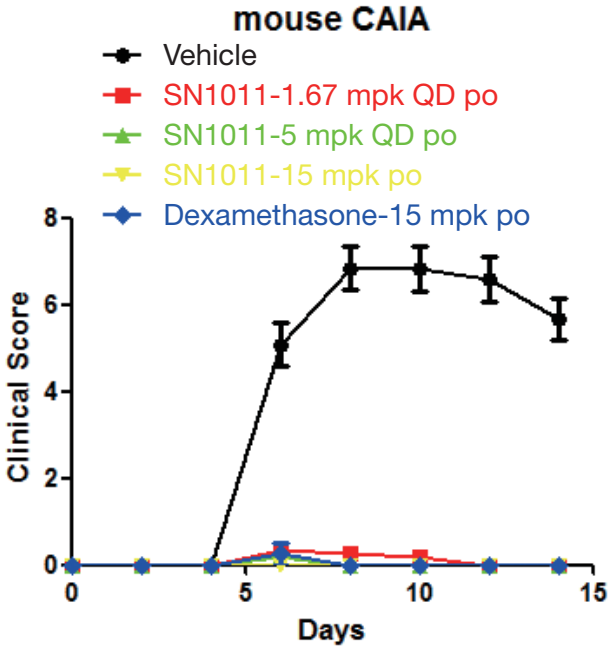
NCE	**IC_{50}, nM**	**Kinase IC_{50}/BTK IC_{50}, Selectivity**						
	BTK	**Lck**	**SRC**	**Lyn**	**EGFR**	**ITK**	**TEC**	**JAK3**
SN1011	**1**	**3668x**	**4853x**	**1125x**	**714x**	**5178x**	**6x**	**>10000x**
Ibrutinib	1.5	4x	17x	17x	4x	3x	5x	21x

4. Animal Models

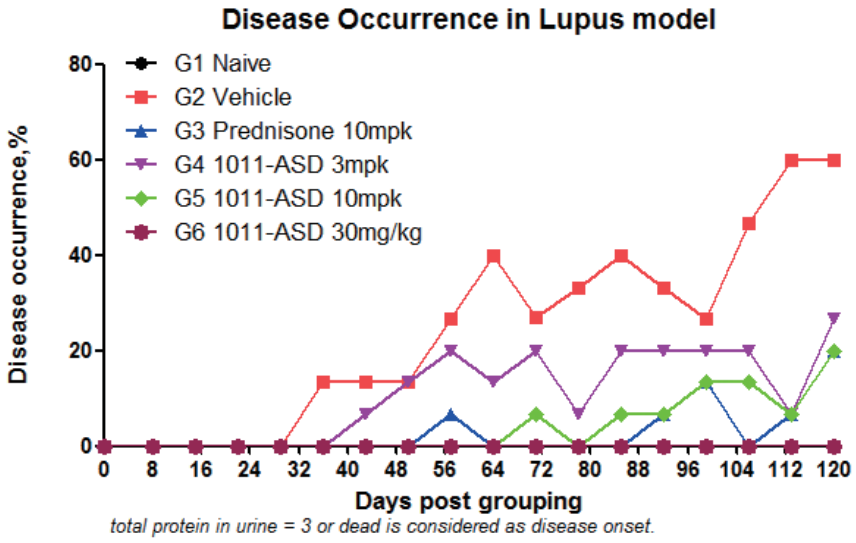
CIA model for RA: SN1011 demonstrated efficacies against RA in a murine CIA model in a dose-response manner, and symptoms of inflammatory responses were effectively suppressed at 1 mg/kg.



In a murine CAIA model for RA, SN1011 at a dosage as low as 1.67 mg/kg was effective in suppressing the inflammatory responses for as long as 14 days.



Murine MRL/lpr Lupus model: SN1011 was effective in suppressing the disease occurrence in MRL/lpr murine model in a dose-dependent manner.



Next Steps for SN1011

We have completed all non-clinical studies for SN1011 and have entered the clinical stage for SN1011 in Australia. As of the Latest Practicable Date, 16 subjects have completed dosing in two cohorts. The specific arrangements and plans are as follows:

- To complete Phase I FIH dosing study for healthy volunteers by the end of 2019 in Australia to obtain the final study report by mid 2020.

- To initiate multinational Phase II POC study for autoimmune diseases patients in the second half of 2020.

- To file NMPA IND in the fourth quarter of 2019 in China and to initiate Phase I clinical trials in the first quarter of 2020. This clinical trial is planned as a bridging study in order to allow clinical trials in China to join global POC phase II clinical trials.

We are also negotiating with the regulatory agencies in the PRC, U.S. and Europe to obtain rare disease designation status to explore SN1011 on conditional approval bases for Phase II clinical trials.

Market Opportunity and Competition

For information on the competitive landscape regarding SN1011, please see "Industry Overview – Analysis of Immunological Diseases Market."

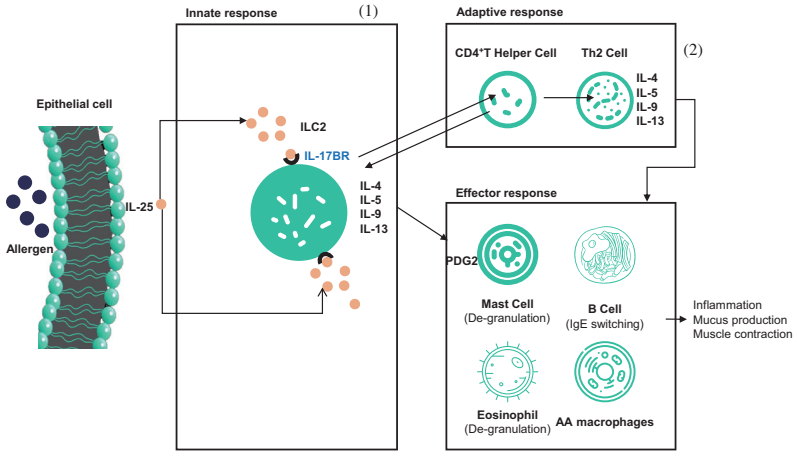
WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SN1011 SUCCESSFULLY.

SM17

The parent antibody of SM17 was originally developed to treat eosinophilic asthma via blockage of IL25 onto the receptor IL17BR expressed on type 2 innate-lymphoid cells (ILC2). The antibody is specific to IL17BR, which is found to be significantly upgraded in biopsy tissues of asthmatic patients. When evaluated in a murine-based Ovalbumin (OVA)-induced Allergic Asthma Model, binding of the antibody to IL17BR blocks receptor signaling which enhanced protection against airways resistance and significantly reduced cell infiltration into the lungs and serum levels of antigen specific IgE. This potential first-in-class and first-in-target antibody was further humanized by LifeArc using their proprietary humanization technology. The antibody was later found to exhibit other therapeutic potential, including type II ulcerative colitis and idiopathic pulmonary fibrosis (IPF). In the latter case, the antibody was demonstrated to significantly reduce pulmonary collagen in mice suffering from bleomycin-induced pulmonary fibrosis. The levels of antibody-induced pulmonary collagen reduction were comparable to that achieved in mice treated with pirfenidone.

Mechanism of Action

IL17B receptors (IL17BR) are expressed on innate lymphoid cells (ILC2s), which serve an important role in the initiation of type-2 immune responses and have recently been linked to complex roles in the transition from innate to adaptive immunity. (1) ILC2s provide a critical source of type-2 cytokines (IL-4, -5, -9 and -13), (2) which in turn stimulate the effector response leading to inflammation, mucus production and muscle contraction. Since IL17BR sits upstream of the pathway leading to type-2 responses, its inhibition was predicted to have a therapeutic effect, attenuating disease phenotype such as allergic asthma, ulcerative colitis (UC), and IPF. SM17's binding to IL17BR receptor on ILC2 cells will prevent engagement of the receptor to IL-25 which will subsequently prevent the production of downstream cytokines such as IL-4 and IL-5, which are known factors causing asthma symptoms. The diagram below demonstrates SM17's mechanism of action.



Source: Frost & Sullivan Report

Next Steps for SM17

We are in the process of generating and collecting the necessary data through our in-house platforms for IND filing. We are currently generating high yield production cell and preparing for the full characterizations of SM17. Upon the establishment of the cell bank, we will further establish the parameters for bioreactor production, optimize purification and formulation and finalize physicochemical properties and QC assays for SM17. We will then conduct pre-clinical studies to test its efficacies, safety, PK/PD and other regulatory requirements as consistent with the policies of the regulatory agencies in major jurisdictions. Pre-IND meetings with the relevant regulatory agencies in these jurisdictions are planned prior to our IND submissions. We intend to enter into human clinical trials by the first quarter of 2021.

Market Opportunity and Competition

For information on the competitive landscape regarding SM17, please see "Industry Overview – Analysis of Immunological Diseases Market."

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET SM17 SUCCESSFULLY.

OTHER DRUG CANDIDATES

In addition to our flagship product SM03 and two key products, we have three drug candidates at various IND-enabling stages.

- SM06: SM06 is a second-generation anti-CD22 antibody that is humanized using our proprietary framework-patching technology. SM06 is a humanized version of SM03 following the mechanism of action of SM03; it is contemplated to be a less immunogenic and more human-like antibody with less side effects. We believe SM06 will be more suitable for treating diseases requiring long-term administration, such as RA, SLE and other immunological diseases. Humanized SM06 was shown to retain the original specificity and affinity against CD22, and induce internalization and biological responses in human Burkitt's lymphoma cell lines. Moreover, due to its internalization property and high degree of humanness, SM06 is an ideal candidate to be developed as an ADC (antibody-drug conjugate) product for the treatment of immunological diseases as well as B cell malignancies. SM06 will not compete with SM03 because it is developed as a backup product for lifecycle extension. Chimeric antibodies may be subjected to the development of drug resistance arising from the development of HACA response upon long term use; therefore, humanized antibodies are commonly developed to serve as a second generation backup product to extend the lifecycle of use in the event that patients become refractory to the first generation chimeric antibodies. Humanized antibodies are non-competing products compared to their chimeric versions. For example, infliximab is a chimeric antibody targeting TNF-α for the treatment of various immunological diseases; golimumab was developed as a second-generation humanized anti-TNF-α antibody for similar indications. Both infliximab and golimumab are currently marketed for the treatment of immunological diseases. SM03 and SM06 follow the same concept, and we do not believe SM06, once marketed, will compete with SM03.

  We are currently in the process of optimizing production for SM06 and expect to complete preclinical research in five years. Once we commercialized SM03, we will proceed to engage NMPA to initiate clinical trials for SM06.

- SM09: SM09 is a framework-patched, humanized anti-CD20 antibody that targets an epitope different from that of other market-approved anti-CD20 antibodies such as rituximab, obinutuzumab and ofatumumab. SM09 binds to CD20 with high affinity and induces cell death in a variety of Burkitt's lymphoma cell lines such as Raji, Ramos and Daudi via mechanisms such as ADCC, CDC and apoptosis. Binding of SM09 on the surface of CD20+ lymphoma cell lines will encourage the binding of C1q on the cell surface, leading to a cascade of complement activation events that will result in cell death. Meanwhile, the Fc portion of SM09 will help attract cytotoxic T-cells to the antibody bound lymphoma with concomitant elimination of the lymphoma cells. The following tables demonstrate the primary PD studies and PK results from our pre-clinical research:

SM09 Primary PD Data

	Rituximab	Ofatumumab	SM09
Parent	**2B8**	**2F2**	**1F5**
Ig type	chimeric IgG1	fully humanized IgG1	humanized IgG1
Target	CD20	CD20	CD20
Epitope	large loop 164-186	large loop + small loop (AGIYAPI)	large loop 167-184
In vitro effectiveness			
**affinity (Kd)	~ 8nM	~ 5nM	~ 4nM
ADCC	+	+	+
*CDC	+++ (type I)	+++ (type I)	+++ (type I)
Apoptosis	+/-	-	+
Tissue cross-reactivity	lymphoid follicle	lymphoid follicle	lymphoid follicle
In vivo effectiveness			
Animal	Cynomolgus monkey	Cynomolgus monkey	Cynomolgus monkey + macaque
Elimination of B cell	Peripheral blood + lymph	Peripheral blood + lymph	Peripheral blood + lymph

* Beers SA et al. Semin Hematol. 2010, 47(2):107-114

** Rituxan full prescribing information.1997
Teeling JL,et al. Blood 2004;104:1793-800
Timmerman P et al. The Open Vaccine Journal, 2009 2,56-57

SM09 PK Data

Dosage (mg/kg)	AUClast, d*ug/mL	Cmax, ug/mL	T1/2z day	CL mL/d/kg	Vz mL/kg
Single (once/week*1)					
10	189	152.2	1.9	50	137
30	879	602.3	3.6	30	150
100	1184	1028.7	2.4	82	270
Multiple (once/week*4)					
30 (4^{th})	965	586	3.0	54	249

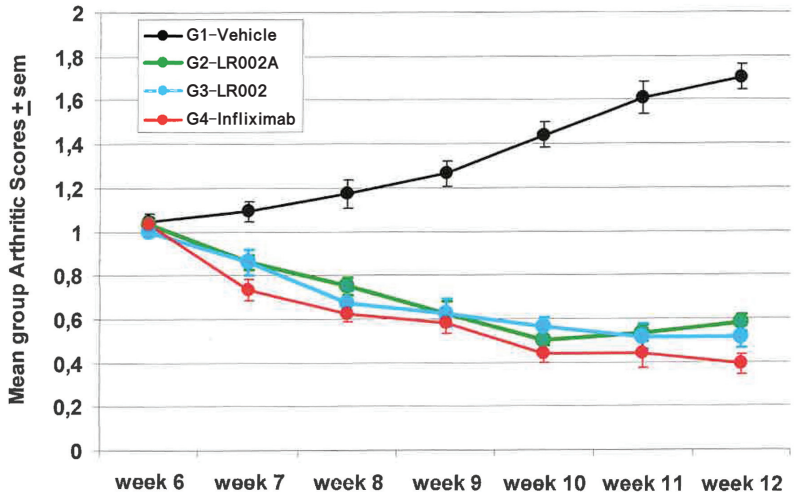
AUC/Cmax Proportion generally increases by dosage (1:4:6)

Based on the pre-clinical research, we concluded that the administration of SM09 in cynomolgus monkeys at doses of 25 and 50 mg/Kg for eight consecutive weeks demonstrated rapid depletion of peripheral CD20+ cells and the number of circulating CD20+ cells gradually returned to normal upon the cessation of SM09 administration. Nearly all needed experiments, process, results, and reports in the CMC section for SM09 are ready for IND application. SM09 is a likely candidate to treat NHL, RA and other hematological tumors.

- TNF2: TNF2 is a humanized version of infliximab. The antibody blocks binding of TNF-α onto its receptors with affinity and specificity comparable to infliximab, and efficiently inhibits TNF-α induced death of L929 cell, which is a murine fibroblast cell line. In a head-to-head study comparing infliximab with TNF2, both antibodies improved the arthritic scores in transgenic mice Tg197, confirming the functional similarities and comparability of the two antibodies.

The following graph demonstrates the result of the head-to-head study to infliximab:

Arthritic Evaluation



The graph demonstrates the effects of the treatments on arthritic scores of experimental Tg197 mice. By week 12 the mean disease severity scores of the biweekly treated groups were as follows: (G1) Vehicle Saline buffer = 1.70, (G2) hN009 (labelled as LR002A in the chart) at 30 mg/kg = 0.58, (G3) N009 (labelled as LR002 in the chart) at 30 mg/kg = 0.51, (G4) Infliximab at 30 mg/kg = 0.39. The control mice at week 6 had a score of 1.09. Bars indicate standard error of the mean.

Production cell lines, cell banks, and manufacturing process have been established. The antibody is expected to be less immunogenic and safer for long-term use. We are currently in the process of generating and collecting necessary data through our full-spectrum platform in preparation for filing IND. We expect TNF2 to enter clinical trials in 2021.

FULL-SPECTRUM PLATFORM

We have created a full-spectrum platform with an industry chain allocation to standardize and systemically monitor our R&D, clinical trials and manufacturing process. Our platform integrates all industry functionalities, including target identification, drug candidate development, pre-clinical research, clinical trials, clinical production, quality control and quality assurance, regulatory approval and commercial-scale production up to the commercialization stage into one.

Our full-spectrum platform consists of three core systems: R&D system, clinical trials system and production system.

R&D System

Our R&D Team

We are committed to becoming a global leader in the innovation of therapeutics for the treatment of immunological diseases. Our R&D capabilities and our ability to identify and develop innovative targets and therapeutics in particular are the foundation to our current and future success. We have made significant investments to our R&D program aimed at building and maintaining a full-spectrum platform. We focus on developing drug candidates for the large and growing therapeutic area of immunological diseases.

Our R&D activities are executed by a team of experienced scientists in the field of molecular biology and immunology and a management team with deep expertise in the biopharmaceutical industry. In particular, our founder and chief executive officer, Dr. Leung, oversees our R&D process. Dr. Leung has extensive experience in the field of molecular immunology and the development of mAb-based biologics, which contributed to the development of our R&D platform. For example, functional humanization, which is a novel antibody re-engineering method developed by Dr. Leung, was successfully incorporated into our platform and plays an integral role in the development of our drug candidates.

Our R&D team has a full range of capabilities, from drug discovery to the IND stage. Our in-house team facilitates our pre-clinical studies through target validation, translational research, functional assay, antibody humanization, safety and efficacy assay and other key activities. We believe our R&D team will enable us to achieve our long-term goal of developing and commercializing innovative immunological therapeutics for patients worldwide. As of the Latest Practicable Date, we had a team of 30 upstream R&D personnel.

In 2017, 2018 and the four months ended April 30, 2019, our R&D expenses were RMB32.6 million, RMB47.3 million and RMB20.2 million, respectively. The total amount of R&D expenses attributed to SM03 during the Track Record Period were RMB97.9 million. We also recorded a total of RMB21.8 million to our CRO expenses to conduct clinical trials for SM03 during the same period.

Our R&D Process

We believe our comprehensive R&D process can only be matched by a few industry competitors in the Greater China Region. The following are the key steps in the research and development of new drug candidates:

- *Discovery.* Our in-house research team is responsible for the identification of targets and the selection and design of drug candidates. Experienced with target candidate research and druggability analysis, we monitor drug candidates under development in the immunological diseases industry, and identify and select molecules that have pharmaceutical activity and market potential.

- *Pre-clinical development*. We design pre-clinical studies to study the efficacy, safety and PK, among other things, of drug candidates. We will apply for IND approval if the pre-clinical studies are completed and assessed to warrant further study.

- *CMC development*. We formulate guidelines related to process development and controls, characterization, specification and stability. All of these guidelines fulfill regulatory requirements and are designed to demonstrate that the quality of a drug candidate and its manufacturing process meet a sufficiently high standard.

- *Clinical trials*. Concurrent to the CMC development, our R&D team designs clinical trials to study the effects of our drug candidates on patients. Based on the clinical trials data, we will consider submitting an NDA to commercialize the drug candidate. We generally expect the clinical trial process to take six to eight years and the NDA process for innovative drugs to take up to 18 months, subject to early regulatory approval. As of the Latest Practicable Date, we were in the process of conducting four clinical trials and had completed four clinical trials, which demonstrates our capability to efficiently and successfully conduct multiple clinical trials.

Our R&D Center

We established our R&D center at our headquarters in Hong Kong. Situated in Hong Kong's Science Park, our R&D center stands to benefit from the infrastructure and advanced equipment available at the special district to support our overall R&D efforts. Our R&D center is equipped with research, process development and analytical laboratories and pre-clinical and clinical trials facilities, with advanced equipment and machinery, such as the BioLogic DuoFlow Pathfinder 80 System and Cellometer Automatic T4 Cell Counter machines.

Our Proprietary Technology

Our R&D system includes, among others, four key proprietary technological components: (1) innovative research capabilities; (2) protein and cell line engineering technique; (3) functional humanization; and (4) cell line development. This platform enables smooth transition among the key milestones in the lifecycle of a drug candidate to accelerate the development process and increase the likelihood of success while reducing the cost of development. We believe these four components are critically important to the research and development of our drug candidates:

- Innovative Research Capabilities: We constantly explore new research directions that are in line with our developmental strategy using our innovative research technology, through which we are capable of evaluating and validating the feasibility of a target or antibody for further development. In addition to guiding the development of SM03, we are currently exploring new antibodies against novel targets for the treatment of cancers and age-related macular degeneration (AMD). Our innovative research technology affords us the ability to evaluate an antibody or an NCE's potential for development and overall consistency with our product development strategy. For example, this capability allowed us to successfully assimilate SN1011 from Suzhou Sinovent and SM17 from LifeArc into our platform and product pipeline.

- Protein and Cell Line Engineering Technique: We possess highly proficient techniques in molecular biology and cell line engineering. We are able to develop novel methods to modify antigens and antibodies using our product and cell line engineering technique to facilitate the development of our drug candidates with pre-determined characteristics. We also utilize this technique to engineer cell lines that express difficult-to-purify antigens for antibody development, or to generate anti-idiotype antibody and engineer cell lines that express the anti-idiotype antibody fragment on the surface for clinical evaluation and quality control of our novel antibodies.

- Functional Humanization Technology: Functional humanization is an antibody framework re-engineering technology developed by Dr. Leung for the humanization of murine monoclonal antibodies. Conventional antibody framework re-engineering technology, in most cases, requires the reintroduction of structural amino acid from mice, a process known as back-mutation, to the humanized antibody in order to maintain its binding affinity. Back-mutation, however, increases the likelihood of added immunogenicity, which reduces the human immune system's tolerance of the antibody. Our proprietary method mitigates or eliminates the need for back-mutated murine residues in a re-engineered antibody without reducing the affinity of the resultant antibody. Therefore, there is a higher chance of reducing the immunogenicity of the antibody using our functional humanization method compared to results from conventional humanization methods, and thus improving the tolerance level and receptiveness of the antibody to the human immune system.

- Cell Line Development Technique: We possess the skills for generating production cell lines for engineered antibodies and cell bank establishment, and are equipped with the necessary expertise and functionalities to optimize production through rounds of DOE experiments for bioreactor production and scale-up to ensure robust manufacturing at typical pharmaceutical margins.

Our platform also includes an efficient operating system integrating these individual functionalities to lay the structural framework and foundation in guiding the development of our innovative drug candidates from inception to commercialization. Through in-house and collaborative research, we constantly search for new research directions that are in line with our development focus, and enable us to validate or evaluate the feasibility of a target or antibody for further development as a product candidate. It also confers us the ability to evaluate if an antibody or an NCE can be developed into a product that is commensurate with our product development strategy, allowing us to incorporate SN1011 and SM17 into our platform for joint-development with LifeArc and Suzhou Sinovent, respectively.

Clinical Trial Management System

Our internal clinical trials team designs, implements, collects and analyzes data for our clinical trials. Such clinical trials team is comprised of seven staff members with clinical development experience. We believe that the global experience and local expertise of our clinical trials team enable us to conduct successful clinical trials in China and worldwide. As of the Latest Practicable Date, we had obtained five IND approvals for SM03 in China and completed dosing in 16 subjects in Phase I clinical trials for two cohorts in Australia, and implemented seven clinical trials for multiple immunological diseases.

Each of our clinical trial programs is led by a program leader who (i) formulates a clinical development plan, (ii) designs the trial protocol, (iii) oversees the trial execution and (iv) prepares the NDA filing, with the support of our entire team. We employ clinical trial designs to achieve efficiency in drug development processes and potentially accelerate approvals for our drug candidates. To maximize trial efficiency and accelerate the overall process to the extent possible, we strategically select trial locations to optimize trial speed and cost-effectiveness. We believe the size and geographic diversity of our clinical trial programs provide us a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple clinical trials concurrently. In addition, the clinical team will participate in early R&D stages in determining the likelihood of a candidate to be successful for a particular indication at clinical phases, contributing to our R&D platform for the identification and evaluation of product candidates.

We strive to achieve clinical trial excellence by maintaining strong quality control measures. We perform core functions such as clinical development strategy formulation and protocol design in house, and exercise control and oversight over key functions of clinical trial management. We have implemented standardized metrics to monitor key qualitative and quantitative indicators. We conduct site visits to oversee site initiation, patient recruitment and data quality monitoring. We also engage third party consultants to perform clinical trial audits. Data quality is further assessed by in-house data review, including medical review, document review and monitoring report review.

We benefit from the large number of patients available in China to participate in our clinical trials. By conducting large-scale clinical trials utilizing this vast pool of clinical subjects, we are able to reduce our drug development lead times by generating the requisite data reliably and efficiently. We are able to recruit specialized populations for otherwise difficult-to-recruit clinical trials. We also have the expertise and experience in recruiting for, and conducting clinical trials involving a variety of indications. In addition to our clinical trial efforts in mainland China, we also conduct clinical trials in Australia to develop new products or as bridging studies in preparation for our new drug applications with the FDA and other drug regulatory agencies around the world to tap into the U.S. and other major international markets.

Our clinical trials team also includes a team that manages the regulatory submission process for our drug candidates. Our regulatory affairs team is experienced and well-versed in the regulatory requirements at different stages of the drug approval process in accordance with the guidelines from different government agencies such as the NMPA in China, FDA in the U.S., EMA in Europe and TGA in Australia. The team interacts with R&D, Production, QA, QC and clinical trials departments on a regular basis to ensure all protocols, processes, data and quality of the finished products are in compliance with the regulatory requirements of NMPA, FDA, EMA and TGA. During the Track Record Period our regulatory affairs team successfully obtained five INDs for SM03 covering RA, SLE and NHL, and participated in three Phase I studies and advanced SM03 into Phase III studies. In addition, the team also facilitated SN1011 into Phase I clinical trial in Australia.

We engage industry-leading CROs to manage, conduct and support our clinical trials in China and to supplement our internal clinical trials team. To afford maximum flexibility and efficiency, we outsource day-to-day execution of non-core clinical development activities to CROs. We select CROs based on various factors, including their quality, reputation and research experience in the immunology field. In addition to the scope, depth and quality of the service and product offerings of the CROs, we place emphasis on the ability of the CROs to facilitate optimal site selection, to timely recruit patients and to conduct complex clinical trials efficiently. We currently work with Beijing Highthink Pharmaceutical Technology Service Co., Ltd.* (北京海金格醫藥科技股份有限公司) ("**Beijing Highthink**"), a PRC-based CRO. According to public information, Beijing Highthink has established relationships with more than 400 medical institutions in the PRC. It was recognized as one of the top 20 PRC CROs at the 2019 China Medical Health Industry Development Conference.

Generally, we enter into separate agreements with CROs for each clinical trial or service. During the Track Record Period, the CROs that participated in our clinical trials were Independent Third Parties. Principal terms of the service agreements with our key CROs are summarized as follows:

- *Services*. The CRO implements and manages the clinical trials in accordance with the protocol designed by us as specified in the service agreement.
- *Term*. The CRO is required to complete the clinical trial within the prescribed time limit.
- *Payments*. We are required to make payments to the CRO in accordance with the payment schedule agreed by the parties.
- *Intellectual property rights*. We own intellectual property rights arising from the clinical trial.
- *Risk allocation*. Each party should indemnify the other party for losses caused by its fault or gross negligence. If the research fails due to unresolvable technical difficulties or otherwise due to circumstances beyond the parties' control, the parties should negotiate the allocation of losses resulting from such failure.

We communicate with clinicians of clinical centers, analyze and interpret clinical data and, more importantly, design clinical protocols for trials at different phases. We assign internal staff to supervise CROs on key clinical activities, such as patient eligibility review, medical data review and SAE review, to ensure that the performance of these CROs complies with our protocols and applicable laws, which in turn protects the integrity and authenticity of the data from our clinical trials. Our internal staff holds meetings with CROs to evaluate the CRO's performance by following up on clinical progress and resolving potential issues and risks.

Production System

Up to the Latest Practicable Date, we carried out our manufacturing activities at our Haikou production base, where we manufacture our drug candidates for pre-clinical research, clinical trials and future large-scale production. We are also constructing another production base in Suzhou, Jiangsu, which upon completion will further increase our production capacity to satisfy our commercialization needs. We do not rely on CMOs for our manufacturing needs as we perform and handle all manufacturing in-house.

Haikou Production Base

Our Haikou production base is located in Haikou, Hainan Province. It occupies a total operational area of approximately 4,526 sq.m. We obtained the drug production license for our Haikou production base on July 17, 2015.

Our Haikou production base has a production capacity of 1,200L comprising two 500L stainless steel bioreactor lines and two 100L stainless steel bioreactor lines. The plant has an operational area consisting of a clean area for processing, a CNC area for supporting activities, utility rooms, quality control laboratories, warehouse and administrative offices. The clean areas are divided into three suites: an upstream process suite, a downstream process suite and a fill-and-finish suite. The upstream process suite is for culture media preparation, cell culture and bioreactor operations. These activities are carried out under Class C (class 100000) conditions. The downstream process suite is used for extraction of antibodies and their subsequent purification under Class C conditions. The final filling and vialing of antibodies are completed in the fill-and-finish suite, which has Class A and Class B areas for sterile operations. Manufacturing process flow, cleanroom layout and HVAC system are designed in accordance with current GMP requirements promulgated by the NMPA in 2010 and applicable government policies regulating sterility and viral controls.

Our quality control laboratory comprises various testing facilities and instruments for supporting all quality control measures required by GMP and pharmacopeia. Our chemistry laboratory is equipped with advanced instruments with high sensitivity and precision for detecting tiny amounts of impurity in our product. Our microbial laboratory is established for microbial and related toxin monitoring. We maintain, calibrate, validate and qualify our facilities and equipment on a regular basis to ensure the safety and efficacy of our products. Our testing instruments and production equipment are built and validated to meet data integrity requirements.

Suzhou Production Base

Our Suzhou production base is located in the Suzhou Industrial Park in Suzhou, Jiangsu Province. Construction is underway in compliance with cGMP standards. Phase I of our Suzhou production base has a planned production capacity of 6,000L which consists of three 2000L stainless steel bioreactors occupying approximately 7,000 sq.m. of production area. In addition to our existing facilities under construction, we understand the Suzhou Dushu Lake Higher Education Town intends to grant us approximately 43,333 sq.m. of land and we plan to build our PRC headquarters, R&D center and a second production base on this lot. We expect to complete construction of our Suzhou production base by the end of 2021.

As planned, the production base is equipped with advanced equipment. Our facilities and equipment are designed and built to comply with international practices and meet our long-term strategic plans taking quality, costs, manageability, expandability, and control into consideration. For example, the base will be equipped with three 2,000L stainless steel bioreactors instead of single-use bioreactors commonly employed by other industry players in China. Compared to classic stainless steel vessels, the initial capital investment is relatively lower and the lead time is shorter when installing single-use bioreactors. However, we believe the use of stainless steel bioreactors has significant long-term financial and operational advantages. First, while the use of single-use bioreactors may appear to be more economical during the initial stage, continuous manufacturing variable costs will likely surpass costs for stainless steel bioreactors in the long run. Second, stainless steel bioreactors can be expanded to up to tens of thousands of liters, which afford us with the flexibility to scale up our production to cater to market demands. In contrast, there is a general size limitation for single-use bioreactors, and users may not be able to scale up production in accordance with market fluctuations. Third, single-use bioreactor users are more susceptible to suspension of supply and price fluctuations because single-use bioreactors must use distinguished disposable vessels. Once installed, single-use bioreactor users' operation will become completely dependent on suppliers to gain access to disposable vessel. In addition, regulatory authorities worldwide have expressed concerns regarding compatibility between the polymeric materials and culture media used by single-use bioreactors. Due to single-use bioreactor's relatively longer

contact period and higher temperature, polymeric materials may discharge harmful substances into the culture broth and drug products, which is a major safety concern. Accordingly, disposable vessel users will need to perform extensive research and validation efforts in order to eliminate such safety risks.

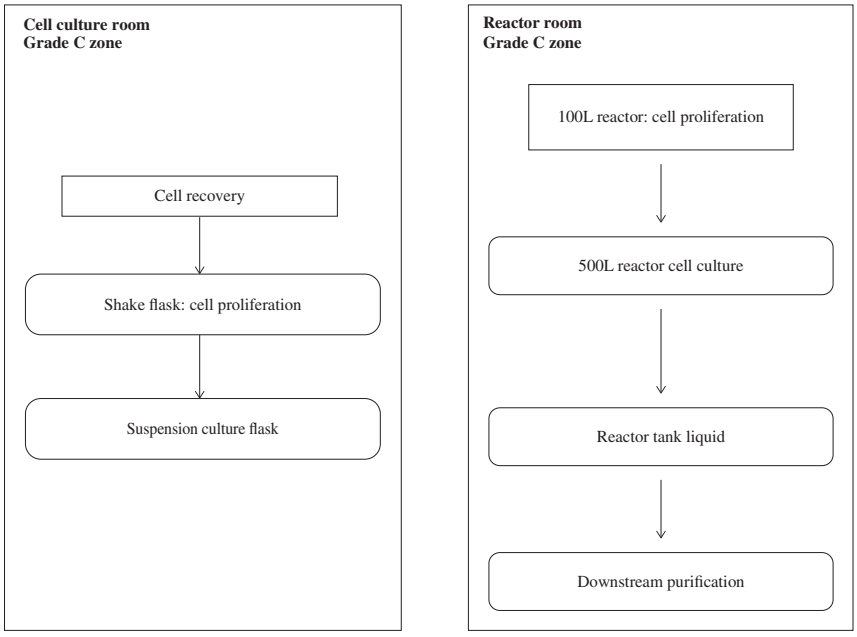
For details of the depreciation rate of our manufacturing equipment, see Note 2.4 of the Accountants' Report set out in Appendix I to this prospectus.

Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements governing recordkeeping, manufacturing processes and controls, personnel, quality control, and quality assurance, among others. We plan to design our manufacturing process to operate under GMP requirements in China and cGMP requirements globally. We plan to obtain a pharmaceutical manufacturing license issued by the NMPA.

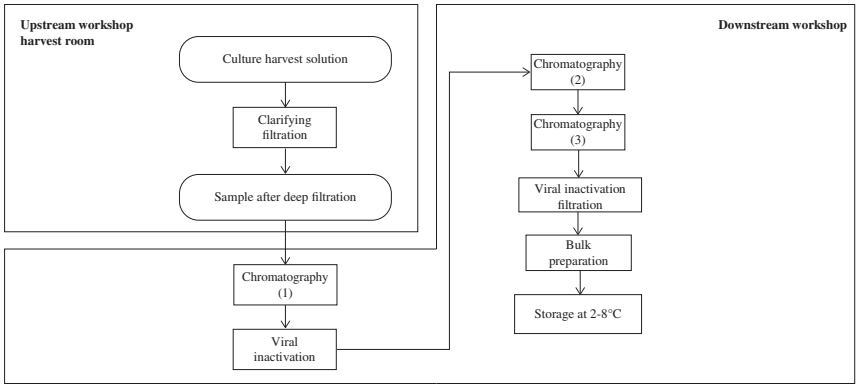
Established Manufacturing Process

The following diagrams summarize our manufacturing process:

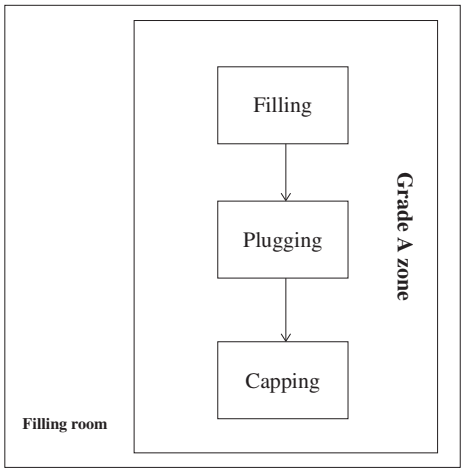
Upstream technical process



Downstream purification process



Filling and packaging process



Our manufacturing process consists of cell culture, downstream purification, formulation and filling processes at well-established standards. Different cell lines and antibody species vary in characteristics which require precise adjustments to process conditions. We contributed extensive resources, knowledge, time and efforts in establishing and optimizing the complete process to fit the unique properties of our in-house products. Intensive intellectual inputs are required to ensure designs of manufacturing site and equipment, operation procedures, quality system, process logistics are in compliance with GMP and cGMP requirements. The technical production process is as follows:

(1) Preparation of culture medium and buffer solution: Trained operators use calibrated weighing equipment to weigh the ingredients of each formulation in the weighing area. Ingredients are transferred to preparation area where they are put into culture bags, mixed and dissolved into homogenous solutions. Solutions are tested to meet required quality before use.

(2) Cell culture: Production cell line is retrieved from working cell bank. Cells are grown in culture medium with culture volume expanding via rounds of sub-culture to generate sufficient quantity of cell mass. Cell culture is tested to meet required quality and sterility before being inoculated into bioreactors.

(3) Culturing in bioreactor: Cell culture with the required density and viability is first inoculated into 100L stainless steel bioreactor for further expansion to support the cell mass required for final 500L culture. Cells are eventually inoculated into production stainless steel bioreactor with maximum culture volume at 500L. Cells are cultured using in-house parameters and conditions which are established to maximize antibody yield. Culture conditions are closely monitored and controlled by the sophisticated bioreactor computer system.

(4) Downstream purification: when the 500L bioreactor culture meets the determined endpoint, culture broth is harvested and clarified to remove cell debris and other insoluble matters before being subjected to further purification process. Target antibody is purified by going through multiple column chromatography steps, including affinity chromatography and ion exchange chromatography. Purification conditions are closely monitored and controlled by the sophisticated chromatography computer system. Validated viral clearance steps with orthogonal action mechanisms are used to ensure viruses are successfully removed. Antibody with high purity is further processed into drug substance, and subsequently tested to meet the required quality specifications before being released for processing into finished goods.

(5) Filling and packaging: Antibody bulk is further processed into final drug product by well-trained operators via validated process. After final formulation, antibody drug solutions are filtered to remove any microbial and particles. Packaging materials are cleaned and sterilized to remove possible contaminants such as microbial, toxins or particulate matters. Sterile antibody solutions are then dispensed and enclosed the in final closure system under a controlled sterile environment in the filling and capping machine. Package integrity and solution clarity of filled products are checked before they are boxed and labelled. Final goods are tested to meet required quality and sterility, and check for accurate labelling information before they are released by the quality management department.

COLLABORATION WITH THIRD PARTIES

In addition to allocating significant resources to strengthen our product pipeline and R&D capabilities, we also establish strategic partnerships with reputable organizations and top universities in Hong Kong and the world to explore joint-research and joint-development opportunities to accelerate our R&D process and diversify our product pipeline.

Collaboration with LifeArc

On January 10, 2019, we entered into an agreement with LifeArc (the "**LifeArc Agreement**") in relation to the development and commercialization of anti-IL17BR antibody, which we subsequently named as SM17, in all fields (the "**Field**") and worldwide (the "**Territory**"), as defined in the LifeArc Agreement. LifeArc is a UK-based medical research charity, whose mission is to pioneer new ways to turn great science into great patient impact. LifeArc focuses on the identification of product candidates at an early stage and seeks to enhance value to these candidates using its team of experts and proprietary technologies. According to public information, LifeArc provides intellectual property identification, technology development, early stage drug discovery and antibody humanization services for academia, biotechnology and pharmaceutical organizations and charities, aiming to propel promising medical research into viable and accessible patient treatments.

According to public information, LifeArc together with United Kingdom Research and Innovation (the "**UKRI**"), an organization established under the UK's Higher Education and Research Act 2017 that provides research and innovation funding to qualified institutions and business entities, developed certain intellectual property rights relating to anti-IL17BR antibody. LifeArc filed and received certain patents for the development of the anti-IL17BR antibody as listed in the LifeArc Agreement (the "**Patents**"). UKRI exclusively licensed its rights in the Patents to LifeArc.

Summarized below are the principal terms of the LifeArc Agreement:

Exclusivity

LifeArc granted us the exclusive right under the Patents to develop, manufacture and sell anti-IL17BR in the Field and in the Territory specified in the agreement.

LifeArc reserves for itself and UKRI the non-exclusive, irrevocable, worldwide, royalty-free right to use the Patents in the specified field for LifeArc's and UKRI's own internal, non-commercially funded research and development purposes together with the right to grant sub-licenses to their collaborators under non-commercial collaboration agreements.

Commercialization

Pursuant to the LifeArc Agreement, we will use diligent efforts to develop and commercialize anti-IL17BR antibody throughout the Territory, as defined in the agreement, including to obtain all and any regulatory approvals which may be required to market and sell the anti-IL17BR antibody and to maximize sales for the benefit of LifeArc and us. We will establish the production cell lines, initiate the pre-clinical toxicity studies and file the first IND application pursuant to the milestone dates set out in the LifeArc Agreement.

Payments and Fees

We have made an initial payment of US$250,000 to LifeArc and agreed to pay three milestone payments of US$7.5 million (the "**Co-Development Fee**") based on the following milestone schedule.

Development Milestone Event	Amount to be paid
On the approval of the first IND application in the Territory for any indication	$500,000
Initiation of first Phase IIb clinical trial	$2,000,000
First Approval to Market	$5,000,000

In addition to the Co-Development fee, we will contribute 3.5% of all future net sales to LifeArc.

Term

The right granted under the LifeArc Agreement will remain in force on a country by country basis until the later of (i) the date on which all the Patents have been abandoned or allowed to lapse or expired or been rejected or revoked without a right of further appeal in the relevant country or territory; (ii) the date of expiry of regulatory exclusivity for the anti-IL17BR antibody in the relevant country or territory within the specified territory; and (iii) the 10th anniversary of the first commercial sale of anti-IL17BR antibody in each country.

Collaboration with Suzhou Sinovent

On March 30, 2019, we entered into a cooperation agreement with Suzhou Sinovent (the "**Sinovent Agreement**") in relation to the techniques and applications of a BTK inhibitor, which we subsequently named as SN1011, for indications related to immunological diseases (the "**Drug Project**"). According to public information, Suzhou Sinovent is committed to bringing advanced

drugs to patients at a faster pace. Suzhou Sinovent aims to develop and promote advanced treatment methods to solve difficult and complicated diseases worldwide. Based on this agreement, we will jointly develop the BTK inhibitor with Suzhou Sinovent in an effort to commercialize this drug candidate. For more information related to the background and shareholding of Suzhou Sinovent, please see "Connected Transactions – Connected Persons" and "Directors and Senior Management – Information of a Company in which our Senior Management is Interested."

Summarized below are the principal terms of the Sinovent Agreement:

Transfer Arrangements

Suzhou Sinovent agrees to transfer all of its interests in the Drug Project to us.

Suzhou Sinovent grants us the use of its proprietary technologies for the development of the BTK inhibitor free of charge during the term of the Sinovent Agreement.

Scope of Work

Suzhou Sinovent will continue to participate and complete all pre-clinical research, complete pre-clinical filing and assist with clinical trials by participating in the design of clinical protocol, regulatory communication and CRO engagement and advisory support to effect drug approval and commercialization.

Development Activities

We will be solely responsible for the completion of the clinical trials for the BTK inhibitor and bear the costs incurred.

Payments and Fees

We will make an installment fee of RMB40 million by January 31, 2020 and four milestone payments of RMB100 million in total leading to product approval (the "**Co-Development Fee**"). For information related to Co-Development Fee, please see "Connected Transactions – One-off Transactions Before Listing – (1) Subject Transfer under the BTK Transfer and Collaboration Agreement."

In addition to the Co-Development fee, we also agreed to a revenue sharing arrangement with Suzhou Sinovent in which we will pay a certain percentage of the total sales to Suzhou Sinovent. For more information, please see "Connected Transactions – Potential Non-exempt Continuing Connected Transactions – (3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement."

Intellectual Property

We will own all intellectual property rights related to and to be developed under the Drug Project and the BTK inhibitor.

Cooperation with Academic Institutions

We and our founder also collaborate with top universities in Hong Kong, namely the Chinese University of Hong Kong, or CUHK, and University of Hong Kong, or HKU. Most recently, Dr. Leung and CUHK submitted a proposal to the Hong Kong government for a research project related

to the study of an antibody for the treatment of liver cancer. We also supported Dr. Stephanie Ma and HKU's research proposal for the development of an antibody for the diagnosis, prognosis and treatment of liver cancer. We believe our collaboration with these institutions is a viable channel to strengthen our R&D capabilities. Our long-established relationships with local universities also ensure that we have access to advanced research initiatives and state of the art facilities. We are committed to innovation and scientific development, and these partnership and collaboration opportunities enhance this endeavor.

OUR RELATIONSHIP WITH LONNRYONN

The five IND approvals we received from the NMPA for our Core Product SM03 are currently held by and under the name of LonnRyonn Pharma Ltd. (深圳龍瑞藥業有限公司), ("**LonnRyonn**") on our behalf. LonnRyonn was established in April 2003 as our wholly-owned subsidiary in the PRC to serve as our pilot plant for our initial pre-clinical production needs. We submitted our IND applications for SM03 under its name. We disposed 75% of our equity interests in LonnRyonn in 2008 and the remaining 25% equity interests in 2009, respectively, to two subsidiaries of one of our shareholders at the time, Morningside Capital (the "**Purchaser**"). At that time, the production scale of the pilot plant no longer suited our production needs for clinical trials, and the Purchaser was in need of a pilot plant to complement its business operation. The Purchaser is an institutional investor that invests in high-tech companies across industries and was one of our earliest investors. Subsequent to its acquisition of LonnRyonn, the Purchaser disposed all of its equity interests in our Company on March 22, 2013 and April 2, 2013, respectively. As of April 2, 2013, we are no longer affiliated with the Purchaser, its subsidiaries or its directors or officers.

We attempted to transfer the IND approvals back to Shenzhen SinoMab but were informed by the PRC regulatory agency that such transfer could not be completed until we receive the new drug certificate for SM03, even though no parties contested our rights to these five IND approvals. As advised by our PRC legal advisor, because PRC laws and regulations do not, at that time or currently, have relevant regulations and procedures regarding the transfer of IND approvals during clinical trials, we cannot complete the transfer of these IND approvals to our designated PRC entities when we disposed all of our equity in LonnRyonn or at the present time. However, there is no law or regulation requiring that clinical trials must be conducted by the IND-holder and, therefore, we are permitted to conduct clinical trials for SM03.

In September 2011, we and LonnRyonn executed a transfer agreement transferring all ownership interests in the five IND approvals to us for no consideration (the "**2011 Agreement**"). In the 2011 Agreement, LonnRyonn acknowledged that the five IND approvals were the product of our independent development and that any rights related to the SM03 belonged to us; we did not pay consideration to LonnRyonn under the 2011 Agreement due to this reason. As part of the arrangement, LonnRyonn agreed to continue to hold these approvals on our behalf. LonnRyonn also agreed to cooperate with us to the best of its ability to complete the clinical trials and ancillary work related to SM03. Furthermore, the rights to which we are entitled under the 2011 Agreement will be registered with the regulatory authority upon the NDA's approval of SM03. Pursuant to the 2011 Agreement, all the fees and expenses (including tax) arising from or in connection with the five IND approvals as well as the transfer of the ownership interests in the five IND approvals shall be borne by us and hence not dependent upon the financial resources of LonnRyonn.

In February 2019, we and LonnRyonn executed a supplemental transfer agreement to assign our rights under the 2011 Agreement to Shenzhen SinoMab. In particular, LonnRyonn further agreed and acknowledged that we will submit the NDA for SM03 under Shenzhen SinoMab. LonnRyonn subsequently issued a declaratory statement in June 2019 to attest to our ownership to and rights under the IND approvals.

As of the Latest Practicable Date, the Purchaser maintained ownership interests in LonnRyonn, and LonnRyonn continues to operate as a R&D enterprise for the research and development of antibodies and advanced biologic drugs. Although there is currently no dispute regarding our ownership of these five IND approvals, we cannot assure you that no dispute will arise in the future due to our arrangement with LonnRyonn. Furthermore, until the five IND approvals are properly registered with the relevant authorities, we cannot assure you that LonnRyonn's business operations, including its indebtedness or bankruptcy, will not cause any dispute with respect to the five NDA approvals. To mitigate these risks associated with LonnRyonn's holding of our IND approvals, LonnRyonn undertakes to use reasonable efforts to maintain its ordinary course of business operation and in compliance with PRC law in accordance with the terms of the 2011 Agreement. LonnRyonn further agreed not to obtain any loans or financing using the IND approvals as secured assets. As of the Latest Practicable Date, our PRC legal advisor did not find any records of administrative penalties, credit risks, official records of operational abnormality, liquidation plan or anything that would affect LonnRyonn's operation or cause its decertification or dissolution. Accordingly, we believe LonnRyonn is financially sound to perform its obligations under the 2011 Agreement (as amended).

According to our PRC legal advisor, current PRC laws and regulations do not require that NDAs must be filed by the holders of the IND approval, and that Shenzhen SinoMab will be able to file the NDA for SM03 on the basis that the INDs for SM03 are held under LonnRyonn's name. Our PRC legal advisor is of the view that, as of the Latest Practicable Date, it did not foresee any substantial issue in LonnRyonn transferring the new drug certificate, once approved, to our designated PRC subsidiary, provided that both our Group and LonnRyonn adhere to the Measures for the Administration of Drug Registration (《藥品註冊管理辦法》), Administrative Regulations for Registration of Drug Technology Transfer (《藥品技術轉讓註冊管理規定》) and other relevant PRC laws and regulations. Our arrangement with LonnRyonn does not affect or give rise to any claim against the patents we use to develop and advance SM03.

PROCUREMENT

Our Procurement System

We have established a centralized procurement system in Haikou. Our manufacturing department determines the materials that need to be purchased and the specific quality requirements. Our procurement team is responsible for analyzing and comparing the quality and price before procurement.

According to our internal policy, our procurement team selects the supplier based on the comprehensive evaluation of quality, price and accessibility, which ensures a transparent decision-making mechanism during the procurement process. We also conduct onsite audits for our suppliers.

Our Suppliers

We primarily procure raw materials and CRO services from our suppliers and service providers. In 2017, 2018 and the four months ended 2019, our five largest suppliers, including service providers, accounted for 48.7%, 59.9%, and 59.9%, respectively, of our total purchases, and our largest supplier accounted for 22.6%, 32.8% and 27.3%, respectively, of our total purchases. All of our top five suppliers during the Track Record Period are Independent Third Parties. During the Track Record Period, none of our Directors, their respective associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the top five suppliers. During the Track Record Period, none of our suppliers was also our major customer. We monitor the quality of supplies according to our standard operating procedure. We conduct sampling inspection of our raw materials before manufacturing.

The tables below set forth the top five suppliers for each year/period during the Track Record Period:

Year ended December 31, 2017

	Purchase amount	Products/ services purchased	Length of the suppliers' relationship with the Company	Credit terms offered by suppliers	Payment method	Principal business of suppliers	% of total purchase amount
	(RMB'000)						
Supplier A	5,000	Plant and equipment rental	2016 to present	No credit terms (annual payment)	Wire transfer	Medicine production	22.6
Supplier B	2,264	Cell culture medium supplements	2017 to present	30 days	Wire transfer	Biochemical products-related materials and services provider	10.2
Supplier C	1,966	Disposable sterile consumables	2014 to present	No credit terms	Wire transfer	Medical instruments provider	8.9
Supplier D	889	Auxiliary materials for membrane filter	2015 to present	No credit terms (milestone payments)	Wire transfer	Scientific research and technical services	4.0
Supplier E	664	Housing rental	2007 to present	No credit terms (prepaid)	Wire transfer	Science park management	3.0

Year ended December 31, 2018

	Purchase amount	Products/ services purchased	Length of the suppliers' relationship with the Company	Credit terms offered by suppliers	Payment method	Principal business of suppliers	% of total purchase amount
	(RMB'000)						
Supplier A	14,588	Clinical filing, technology, data management and other services	2016 to present	No credit terms (milestone payments)	Wire transfer	CRO service provider	32.8
Supplier B	5,000	Plant and equipment rental	2016 to present	No credit terms (annual payment)	Wire transfer	Medicine production	11.2
Supplier C	3,414	Disposable sterile consumables	2014 to present	No credit terms (milestone payments)	Wire transfer	Medical instruments provider	7.7
Supplier D	2,527	Cell culture medium supplements	2017 to present	30 days	Wire transfer	Biochemical products-related materials and services provider	5.7
Supplier E	1,098	Housing rental	2007 to present	No credit terms (prepaid)	Wire transfer	Science park management	2.5

	Four months ended April 30, 2019						
	Purchase amount	Products/ services purchased	Length of the suppliers' relationship with the Company	Credit terms offered by suppliers	Payment method	Principal business of suppliers	% of total purchase amount
	(RMB'000)						
Supplier A	7,188	Clinical filing, technology, data management and other services	2016 to present	No credit terms (milestone payments)	Wire transfer	CRO service provider	27.3
Supplier B	2,716	Legal services	2019 to present	No credit terms (milestone payments)	Wire transfer	Legal services provider	10.3
Supplier C	2,394	Cell culture medium supplement	2017 to present	30 days	Wire transfer	Biochemical products-related materials and services provider	9.1
Supplier D	1,772	Renovation project	2018 to present	30 days	Wire transfer	Renovation service provider	6.8
Supplier E	1,689	Cooperative development	2019 to present	7 days	Wire transfer	R&D of product candidates	6.4

We do not rely on any of our current suppliers as there are viable substitutes available on the market to meet our supply needs at a comparable price and quality. Pursuant to our internal policy, we select and assess our suppliers based on a comprehensive review of their basic information, and, where necessary, results of on-site visits.

We may also procure customized supplies in the case when general or standardized supplies are unable to meet the required quality or quantity. Customized supplies may take a longer period to produce and deliver and have fewer alternative sources for substitutes.

We enter into supply agreements with our suppliers on a case-by-case basis instead of entering into binding long-term supply agreements with them. The case-by-case procurement allows us to remain flexible in accordance with the development of our craftsmanship and our needs for raw materials and other supplies. We generally make payments in installments.

Inventory Management

We have deployed the Kingdee system for inventory management. Our inventory primarily consists of raw finished products and samples and equipment for clinical purposes. We generally maintain an inventory level for raw materials to support six months of production needs. We have established an inventory management standard operating procedures and inventory management system to monitor each stage of the warehousing process. All materials and products are stored in different areas of the warehouse according to their respective storage requirement, properties, usage and batch number. We pay special attention to the temperature and humidity levels, to which our materials and products are sensitive, to ensure the quality of the inventory. Warehouse personnel are responsible for the inspection of the materials and products, the safety and regular cleaning of the warehouse.

QUALITY CONTROL

Our quality management department, comprising our quality assurance and quality control teams, is responsible for ensuring our high standard of quality. We have a comprehensive quality control system with stringent policies relating to manufacturing. Moreover, our quality control system is designed to ensure that we are in compliance with GMP, labeling requirements and other applicable laws and regulations. We also conduct a formal risk assessment and justification in accordance with the standards and procedures under our quality management system and policies. As of the Latest Practicable Date, our quality control and quality assurance consisted of 20 employees.

- Our quality assurance team is responsible for on-site inspection and raw materials management;

- Our quality control team has established a comprehensive quality control system in accordance with GMP requirements and applicable regulations. It is responsible for the quality inspection of raw materials, intermediate products, final products and production facilities, and the issuing of reports based on inspection results.

Quality Control for Raw Materials

We procure raw materials only from our approved suppliers. All approved suppliers are selected by our procurement team, which conducts basic information checks and may carry out on-site quality audits on supplier candidates to ensure they comply with relevant requirements. We also review performance of our suppliers.

Quality Control During Production

Pursuant to our internal policy, we perform regular checks during our production process to monitor and adjust the process to ensure that products are in compliance with relevant quality criteria. We collect product samples and conduct sample trials to test pursuant to the quality standard. Quality issues are reported to and reviewed by our senior management.

Quality Control for Finished Products

We have formulated quality control procedures for products that will proceed to commercialization for future implantation. As planned, each batch of finished products will be subject to a final inspection by the quality control team before we deliver it to customers.

COMPETITION

The biopharmaceutical industry and the development of new drugs are highly competitive and subject to rapid and significant changes. While we believe that our full-spectrum platform, pipeline of drug candidates and our experienced leadership team provide us with significant competitive advantages, we face competition with respect to our current drug candidates, and will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future, from pharmaceutical and biotechnology companies worldwide. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

There are a number of large pharmaceutical and biotechnology companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of immunological diseases. Some of these competitive drugs are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and new drugs that may become available in the future.

Many of the companies against which we are competing or may compete in the future have significantly greater financial resources and expertise in R&D, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also become significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technology complementary to, or necessary for, our programs. We compete primarily based on our product pipeline, advanced full-spectrum platform, experienced and highly cohesive management team and responsive to unmet medical needs.

COMMERCIALIZATION

We believe the scale and sophistication of our commercial operation will be crucial to our business. We are in the process of formulating our sales and marketing plan, and building an in-house team to lead the commercialization of our drug candidates. Our senior management team in charge of commercialization will be in place by the end of 2019. We plan to build our commercialization team of about 100 employees by 2021. We anticipate to launch our product within the next two years. As planned, our commercialization team will cover a majority of provinces and municipalities in China and to support the future commercialization of our drug candidates. We will hire teams of sales and marketing and other supporting functions personnel, and begin implementing our sales and marketing strategy, with an initial focus on the commercialization of SM03.

Our commercialization team is expected to comprise the following teams:

- Our marketing team will be mainly responsible for product positioning, market strategy and marketing activity planning.

- Our sales team will be mainly responsible for selling our products pursuant to their respective approved indications. Our sales representatives will work in their respective regions to ensure adequate market coverage, enhance market penetration and meet the anticipated demand for our future approved drug candidates.

- Our government affairs team will be mainly responsible for the formulation and implementation of our product channel strategy and communication with regulatory authorities and hospitals including negotiation with the government agencies regarding medical insurance coverage.

- Our product medical team will be mainly responsible for the communication with, and training for, medical experts.

INTELLECTUAL PROPERTY

Intellectual property rights are important to our success. Our future commercial success depends, in part, on our ability to obtain and maintain patent and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

The proprietary nature and the protection of our drug candidates and their methods of use are important parts of our strategy to develop and commercialize novel medicines. We have obtained intellectual property in and outside of the PRC and may seek additional patents to safeguard our innovations in the future. We rely on a combination of patents, trademarks, trade secrets as well as employees and third-party confidentiality agreements to protect our intellectual property.

As of the Latest Practicable Date, we had been granted six invention patents in the PRC, five invention patents in the United States, one invention patent in Singapore, one invention patent in India, one invention patent in Japan and one invention patent in Europe. We have two pending patent applications in the United States. We also filed a PCT patent application in the PRC for SM03 in preparation for future international patent application.

Registered Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

No.	Patent Title	Place of registration	Patentee	Patent number	Application Date	Expiry Time
1.	Framework patched immunoglobulins	The United States	Skytech Technology[(1)]	US7321026B2	June 27, 2001	June 2021
2.	A type of genetically modified immunoglobulin with poor immunogenicity and uses thereof[#] (一種低免疫原性的基因改造免疫球蛋白及其應用)	The PRC	Dr. Leung[(1)]	ZL01144894.6	December 29, 2001	December 2021
3.	Reducing immunogenicities of immunoglobulins by framework-patching	The United States	Skytech Technology[(1)]	US7338659B2	June 10, 2002	June 2022
		Singapore	Dr. Leung[(1)]	101356 WO 03/02607	June 10, 2002	June 2022
		Japan	Dr. Leung[(1)]	4314404	June 10, 2002	June 2022
		Europe	Dr. Leung[(1)]	1442061	June 27, 2001	June 2022
		India	Dr. Leung[(1)]	208332	June 10, 2002	June 2022
4.	Anti-non Hodgkin lymphoma chimeric antibody and derivatives and uses thereof[#] (抗人非何傑金淋巴瘤嵌合抗體及其衍生物與應用)	The PRC	Our Company	ZL03123054.7	April 29, 2003	April 2023
5.	Functional humanized anti-CD20 antibodies and uses thereof[#] (功能人源化抗人CD20抗體及其應用)	The PRC	Our Company	ZL200610160713.X	November 29, 2006	November 2026

No.	Patent Title	Place of registration	Patentee	Patent number	Application Date	Expiry Time
6.	Reducing the immunogenicity of anti-CD20 antibodies by framework patching	The United States	Skytech Technology(1)	US7491514B2	December 5, 2007	June 2021
7.	Framework-patched anti-CD20 antibody	The United States	Skytech Technology(1)	US7495081B2	December 5, 2007	June 2021
8.	Functional humanization of complementarity determining regions# (互補決定區(CDRs)功能人源化)	The PRC	Our Company	ZL200880024788.2	May 16, 2008	May 2028
9.	Anti-CD22 anti-idiotypic antibodies and uses thereof# (針對人CD22抗體的抗獨特型抗體及其應用)	The PRC The United States	Our Company Our Company	ZL201210286457.4 US9371396B2	August 13, 2012 June 16, 2013	August 2032 June 2033
10.	A method of isolating and purifying antibodies from cultural supernatant# (一種從細胞培養上清中分離純化抗體的方法)	The PRC	Our Company	ZL201310433861.4	September 22, 2013	September 2033

For translation purpose only

Note:

(1) On February 12, 2019, our Company entered into an agreement in respect of the transfers of patents with SkyTech Technology, pursuant to which, among others, Skytech Technology transferred the patents in relevant jurisdictions to us at nil consideration.

Pending Patents

No.	Patent Title	Place of registration	Applicant	Application number	Application Date
1.	Methods of administering anti-CD22 antibodies	The United States	Our Company	62/747,581	October 18, 2018
2.	Methods of modulating autoimmunity by disrupting cis-ligand binding of siglec type antigens	The United States	Our Company	62/775,631	December 5, 2018
3.	Method of Modulating Autoimmunity by Disrupting Cis-Ligand Binding of Siglec Type Antigens (通過破壞SIGLEC型抗原的順式–配體結合來調節自身免疫的方法)	The PRC	Our Company	PCT/CN2019/111882	October 18, 2019

SM03. We hold two PRC invention patents which are valid until 2023 and 2033, respectively, and one U.S. invention patent for SM03 which is valid until 2033, respectively (patent No. 4 and No. 9 listed in the chart above). We do not believe the expiration of patent No. 4 titled Anti-non Hodgkin Lymphoma Chimeric Antibody and Derivatives and Uses Thereof will cause any material adverse effect or affect our ability to develop our flagship product. According to our PRC Legal Advisor, the expiration of this patent does not mean biosimilars will be able to compete with SM03. According to the Technical Guideline for the Research, Development and Evaluation of Biosimilars (Tentative) (《生物類似藥研發與評價技術指導原則(試行)》) issued by the CFDA in February 2015, the application and declaration procedures for biosimilars are the same as those for NDA. Therefore, our PRC Legal Advisor is of the view that even when such patent for SM03 expires in 2023, the application procedures for biosimilars are still complicated, which serve as high entry barriers for competitors. In addition to this particular patent, SM03 is protected by other patents for extended periods. Furthermore, the expiration of patent No. 4 does not imply that our competitors may utilize this proprietary information; this advanced technique in itself is a high barrier for our competitors to overcome. For example, the core amino acid sequence patent of Humira expired in 2016; however, it's patent for RA indication effectively delayed the launch of biosimilars. We also had two pending patent applications filed for SM03 in the United States, which, if granted, would be expected to expire in 2038. We also filed a PCT patent application in the PRC for SM03 in preparation for future international patent application (listed as pending patents in the chart above).

SM09. We hold one PRC invention patent which is valid until 2026 (patent No. 5 listed in the chart above). We also hold two U.S. invention patents for SM09, both of which are valid until 2021 (patent No. 6 and No. 7 in the chart above).

We conduct our business under the brand name of "SinoMab" ("中國抗體"). As of the Latest Practicable Date, we had been granted three trademarks in Hong Kong and were in the process of applying for three additional trademarks. We had been granted 15 trademarks in the PRC. We also have **sinomab.com** as a registered domain name.

For details of the patent portfolios for our drug candidates, please see "Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights of Our Group" in Appendix IV to this prospectus. For risks relating to the expiry of our patent rights, please see "Risk Factors – Risks Relating to Our IP Rights."

We also rely on trade secrets, proprietary know-how and continuing technological innovation to develop and maintain a competitive position for our products. We generally impose obligations on our key management and key technical staff to keep our trade secrets confidential. In general, relevant agreements we entered into with our key management and key technical staff provide that all of the technologies which are conceived by the individual during the course of employment are our exclusive intellectual property.

As of the Latest Practicable Date, we had not been involved in any significant intellectual property disputes or encountered major difficulties in enforcing our intellectual property rights in Hong Kong or the PRC.

AWARDS AND RECOGNITION

Our research projects were recognized by the PRC's Ministry of Science and Technology as one of the significant special projects of Significant New Drugs Development of the 12th and 13th Five-Year Plan Period for our development of SM03 and our accomplishments in the industry.

We were recognized as a "Principal Leading Project" of the 13th Suzhou Industrial Park Science and Technology Leading Talents Appraisal (蘇州工業園區第十三屆科技領軍人才重大領軍項目) in June 2019.

LAND AND PROPERTIES

Leased Properties

As of the Latest Practicable Date, we leased six properties in Shenzhen, Hong Kong, Haikou and Suzhou, with an aggregate gross floor area of approximately 7,694.3 sq.m. We believe our current facilities are sufficient to meet our near-term needs, and additional space can be obtained on commercially reasonable terms to meet our future needs. We do not anticipate undue difficulty in renewing our leases upon their expiration.

The following table sets forth a summary of the properties leased by us as of the Latest Practicable Date:

Location	Type of Property	Address	Gross Floor Area	Lease Term	Expiry Dates
			approximate (sq.m.)		
Hong Kong . .	Office and Laboratories	Units 303, 305, 306 and 307, Building 15W, Phase Three, Hong Kong Science Park, Pak Shek Kok, New Territories, Hong Kong	656.1	36 months	October 14, 2021
Hong Kong . .	Storage	14/F, Wah Wai Industrial Building, 1-7 Wo Heung Street, Unit B, Fo Tan, N.T., Hong Kong	4.3	13 months	April 30, 2020
Haikou	Dormitory	9B402, Block D, Ziyuan, Harmony Road, Xiuying District, Haikou, Hainan, the PRC	88.0	36 months	May 20, 2021
Haikou	Office, laboratories and factory	Haiyao Industrial Park, No. 192, Nanhai Avenue, Xiuying District, Haikou, Hainan, the PRC	4,526.4	84 months	December 31, 2025
Suzhou	Production	Unit 301, Building 23, No. 218, Sangtian Street, Suzhou Industrial Park, Suzhou, Jiangsu, the PRC	2,353.0	39 months	August 23, 2022
Shenzhen. . . .	Factory facility	Room 301, Building 1#, Shenzhen Biological Incubation Base, No. 10 Gaoxinzhongyi Avenue, Nanshan District, Shenzhen, Guangdong, the PRC	66.5	12 months	July 31, 2020

As of the Latest Practicable Date, the lease agreements had not completed lease registration with the relevant regulatory authorities. According to PRC law, the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. For details, please see "Risk Factors – Risks Relating to Our Operations – There are legal defects regarding some of our properties." As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements.

According to relevant PRC laws and regulations, the lessee has the right to claim compensation if the lease agreement is invalid due to the lessor's fault. In case where our ability to continue leasing such properties is affected by a third-party objection, we may seek indemnity from the lessor in accordance with relevant PRC laws and regulations.

As of April 30, 2019, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 38(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

EMPLOYEES

As of Latest Practicable Date, we had a total of 109 employees, of whom five were located in Shenzhen, 80 were located in Haikou, five were located in Suzhou and 19 were located in Hong Kong. Of our employees, 20 held master's or higher degrees. We primarily recruit our R&D personnel through on campus interviews, job fairs and recruitment websites. We also hire locally through recruitment websites and online postings for our operations in the PRC. The following table shows a breakdown of our employees by function as of the Latest Practicable Date:

Function	Number of employees	%
R&D	30	27.5
Manufacturing	37	33.9
Quality Assurance/Quality Control	20	18.3
Management & Administration	22	20.2
Total	109	100

Senior Management Team

Dr. Leung, our founder, also serves as our chief executive officer. He is a pragmatic entrepreneur with extensive knowledge of the entire industry chain that, we believe, cannot be emulated by many. Dr. Leung's vision of the industry drives the growth of our Company and his all-round experience and expertise enable him to oversee and guide every aspect of our development.

Mr. Jing Qiang, our president, is responsible for our strategic planning and investment. Mr. Qiang has over nine years of experience in the field of medicine and healthcare related research and investment.

Mr. Jianping Hua, our chief financial officer, is responsible for our overall financial management and operation, financing and investment activities. Mr. Hua has more than 14 years of experience in the financial and investment sector.

Mr. Gang Chen, our chief medical officer, is responsible for the overall management of our clinical R&D, including clinical development, operation and regulatory affairs. Mr. Chen has over 17 years of experience in the field of medical science and clinical research.

For biographical details of our Directors and senior management, please see "Directors and Senior Management" in this prospectus.

We believe our success depends heavily upon our employees' provision of consistent, quality and reliable services. For details, please see "Risk Factors – Risks Relating to Our Operations – Our future success depends on our ability to retain key executives and R&D experts, and to attract, train, retain and motivate qualified personnel." We recruit our employees based on a number of factors, including their work experience and educational background.

Employment Agreements with Key Management and Research Staff

We enter into standard confidentiality and employment agreements with our key management and research staff. The contracts with our key personnel typically include a standard non-compete agreement that prohibits the employee from competing with us, directly or indirectly, during his or her employment and during a period ranging from 12 to 36 months after the termination of his or her employment. Employees also acknowledge that assignment of inventions and discoveries made during the course of his or her employment as part of their employment contracts. For further details regarding the terms of confidentiality and employment agreements with our key management, see "Directors and Senior Management" in this prospectus.

Training and Development

In order to maintain the quality, knowledge and skill levels of our workforce, we offer annual training programs for our employees and provide induction for new employees and technical training, followed by on-the-job training. We also provide training and development programs to our employees from time-to-time to ensure their awareness and compliance with our various policies and procedures.

Employee Benefits

We enter into individual employment contracts with our employees to cover matters such as wages, benefits, and grounds for termination. We generally formulate our employees' remuneration package to include salary, bonus and allowance elements. Our compensation programs are designed to remunerate our employees based on their performance. We also provide our employees with welfare benefits in accordance with applicable regulations and our internal policies, including medical care, housing subsidies, pension, occupational injury insurance and other miscellaneous benefits.

In accordance with applicable PRC law, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. As of the Latest Practicable Date, we had complied with all statutory social security insurance fund and housing fund obligations applicable to us under PRC laws in all material respects.

We believe our remuneration and other incentives, working environment and employee development opportunities for our employees have contributed to good employee relations. As of the Latest Practicable Date, we did not have a labor union. We did not experience any strikes or significant labor disputes which have had or are likely to have a material and adverse effect on our business operation during the Track Record Period.

INSURANCE

We maintain certain employee accident insurance, health insurance and car insurance. Under PRC laws and regulations, we are not required to, and we do not, maintain any insurance in relation to our business operations, such as business interruption insurance, or product liability insurance against claims or liabilities that may arise from products that we have sold. Our directors consider our existing insurance coverage to be sufficient for our present operations and in line with the industry practice in the PRC. For further details of risks relating to our current insurance coverage, please see "Risk Factors – Risks Relating to Our Operations – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources." in this prospectus. We did not experience any material industrial accidents during the Track Record Period.

In line with industry practice, we also maintain certain types of insurances in Hong Kong, including employee accident insurance, health insurance and insurance for automotive.

LICENSES AND PERMITS

We are subject to regular inspections, examinations and audits, and are required to maintain or renew the necessary permits, licenses and certifications for our business operations in the PRC. Our PRC Legal Advisor has advised us that, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in the PRC. We had not experienced any material difficulty in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and we currently do not expect to have any material difficulty in renewing them when they expire, if applicable. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by the relevant government authorities for any non-compliance relating to maintenance and renewal of our material certificates, permits and licenses.

The following table sets forth details of our material license, permit and certificate relating to our business and operations (apart from those pertaining to general business requirements), including their respective purpose, issuing authority and expiry date:

License/Permit/ Certificate	Holder	Scope	Issuing Authority	Issue Date	Expiry Date
Drug Production License	Hainan SinoMab	Production of therapeutic biologics	Hainan CFDA	July 17, 2015	July 16, 2020

For further details of the licenses, permits and certificates required for our business, please see "Regulatory Overview" in this prospectus.

LEGAL PROCEEDINGS AND COMPLIANCE

We may from time to time become a party to various legal or administrative proceedings arising in the ordinary course of our business. We are not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceeding that, in the opinion of our directors, is likely to have a material and adverse effect on our business, financial condition or results of operations, nor have we experienced any incidence of non-compliance which, in the opinion of our directors, is likely to materially and adversely affect our business, financial condition or results of operations. As of the Latest Practicable Date, none of the Company, our directors or senior management was involved in any material litigation, arbitration or administrative proceeding.

As advised by our PRC Legal Advisor, during the Track Record Period and as of the Latest Practicable Date, we had complied with the relevant PRC laws and administrative regulations material to our business operations.

Historical legal proceedings

In 2006, we, Skytech Technology and Dr. Leung, together as plaintiffs (the "**Plaintiffs**"), initiated legal proceedings in the Court of Chancery of the State of Delaware (the "**Court**") against Immunomedics, Inc. ("**Immunomedics**") as defendant. The Plaintiffs in the proceedings sought an order (the "**Order**") that they were not obliged to assign a patent registered with the United States Patent and Trademark Office ("**USPTO**") concerning framework patching (the "**Relevant Patent**") to Immunomedics, a former employer of Dr. Leung. Immunomedics alleged that framework patching was developed by Dr. Leung while he was its employee.

The Plaintiffs were successful in their claims against Immunomedics except for one issue for which Immunomedics was awarded nominal damages in the amount of US$1 and certain legal fees. The Court concluded that: (i) Dr. Leung did not have an obligation to assign the Relevant Patent application to Immunomedics and granted the Plaintiffs an injunction requiring Immunomedics to withdraw its notices of obligation to assign from Dr. Leung's patents and not to prosecute any patent claims based upon its purported ownership of the Relevant Patent application or the claims therein; (ii) Dr. Leung did not misappropriate a trade secret or breach the implied covenant of good faith and fair dealing that attached to his stock options nor did Dr. Leung, Skytech Technology or our Company engage in unfair competition; (iii) Dr. Leung breached his non-competition agreement by filing a patent application that covered work that Dr. Leung did at Immunomedics and awarded Immunomedics nominal damages in the amount of US$1; (iv) Immunomedics is entitled to the attorneys' fees that related specifically to the breach of the non-competition agreement; and (v) in all other respects, each side shall bear its own costs. The Court issued a final order and judgment to that effect on July 14, 2009.

In the memorandum opinion issued by the Court (the "**Memorandum Opinion**"), whilst ruling in favour of the Plaintiffs on the points referred to above, it makes references to an incident where Dr. Leung included a series of figures that purported to show the results of experiments in the application of the Relevant Patent —"prophetic data" according to the Plaintiffs — and an incident in 2004 where he directed his subordinate to date the experimental results as of 2001 (the "**Incidents**"). The records of the Incidents were provided by Dr. Leung voluntarily. According to the Memorandum Opinion, due to the above, the Court had only given Dr. Leung's testimony weight where it was also convincingly corroborated by other record evidence, and the Court also made certain comments concerning the credibility of Dr. Leung, namely that the trial judge commented that Dr. Leung had been less than candid as the trial judge was of the opinion that Dr. Leung made up non-existent lab results in order to bolster his patent application, and directed his subordinate to backdate test results in support of his patent application. As advised by the United States patent

attorney engaged by Dr. Leung prior to the making of the application of the Relevant Patent, usage of prophetic data, as opposed to existing data, is permissible for patent applications with USPTO and does not affect its validity. Dr. Leung has confirmed that (1) he was aware of the aforesaid permission of using prophetic data before the Relevant Patent application was made. The prophetic data were wrongly presented in the application due to errors in the usage of verb tenses in the document as Dr. Leung was not highly experienced with the writing of patent applications in their entirety at such time. As confirmed by Dr. Leung, the application for the Relevant Patent was the first patent application Dr. Leung had ever written, and he had not been involved in writing up any patent applications jointly with any third parties prior to submitting the Relevant Patent application as he was merely employed by his previous employer in his capacity as a scientist and was not responsible for preparation of any patent applications. These errors were subsequently amended after Dr. Leung realised that the usage of verb tenses in the initial patent application might be a mistake after receiving the documents containing the allegations in relation to the usage of verb tenses in such application from Immunomedics before the trial in or around 2007, and the revised Relevant Patent was granted by the USPTO in March 2008; (2) the purpose of the relevant experiment was to test whether prophetic data that had been previously predicted and used in 2001 was supported by actual experiment. As the result of such experiment confirmed the prophetic data predicted in 2001, for convenience and to tie that with the corresponding prophetic data, the entry made into the log stated 2001, which was for internal reference and the log containing such matter was not used nor intended to be used externally or to support the application of the Relevant Patent. Furthermore, as the center of the proceeding was related to the rightful ownership of the Relevant Patent and the judgement of the Court was in favour of the Plaintiffs, and the comments made did not form part of rulings of the legal proceedings, Dr. Leung believed that it would be hard for the Plaintiffs to seek to appeal those comments and they decided that it was not in their commercial interests to appeal a winning judgement.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION

Health and Occupational Safety

We strive to provide a safe working environment for our employees. We are subject to various PRC laws and regulations with respect to health and occupational safety. We have adopted and maintain a series of rules, standard operating procedures and measures to maintain a healthy and safe environment for our employees, which includes management systems and procedures relating to emissions of air, water and other media; waste water generation and treatment; process safety management; handling, use, storage, treatment and disposal of hazardous substances; worker health and safety requirements; third party safety management; emergency planning and response; and product stewardship. Our employees with specified responsibilities, including handling certain equipment, are required to hold relevant qualifications, as well as wear proper safety gear when working. We conduct safety inspections of our manufacturing facility regularly.

As of the Latest Practicable Date, we had not experienced any material accidents in the course of our operation and our directors were not aware of any claims for personal or property damages in connection with health and occupational safety.

Environmental Protection

We strive to operate our facilities in a manner that protects the environment. We are subject to national and local environmental laws and regulations of the PRC. During our R&D and production processes, we must comply with PRC laws and regulations governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and waste. In addition, an environmental impact study report should be prepared by a qualified institution setting forth the impact the proposed construction project may have on the environment and the measures to prevent or mitigate the impact for approval by the government authority prior to commencement of construction of the relevant project. When a new construction project is proposed, we conduct comprehensive analysis and testing on the environmental issues involved in the production processes. For details on PRC environmental laws and regulations we are subject to, please see "Regulatory Overview – Other Laws and Regulations in Relation to Our Business – Environment Protection" in this prospectus.

Our operations involve the use of hazardous materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We contract with a third party for the disposal of these materials and wastes.

During the Track Record Period and as of the Latest Practicable Date, we complied with the relevant environmental laws and regulations in China and we had not been subject to any fines or other penalties due to material non-compliance with health, safety or environmental regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

We have adopted and implemented comprehensive risk management and internal control policies in various aspects to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. We believe the system we have in place is appropriate for our business operations.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Please see "Risk Factors – Risks Relating to Our Operations." for details. We are also exposed to credit, liquidity and currency risks that arise in the normal course of our business. See "Financial Information – Quantitative and Qualitative Disclosure about Market Risk" for a discussion of these market risks.

Our directors supervise the implementation of our risk management policies. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by us and reported to our directors.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will continue to adopt, among other things, the following risk management measures:

- Our directors will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our business strategies; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; (iv) reviewing our corporate risk in the light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management policies within our Company.

- Mr. Hua, our CFO, is responsible for (i) formulating and updating our risk management policy and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place in our Company; and (viii) reporting to directors on our material risks.

- We plan to adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure.

- The relevant departments in our Company, including the finance department, and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. In order to formalize risk management in our Company and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) prepare a risk management report annually for our chief executive officer's review; (iv) continuously monitor the key risks relating to their operation or function; (v) implement appropriate risk responses where necessary; and (vi) develop and maintain an appropriate mechanism to facilitate the application of our risk management policies.

We believe that our directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management.

Data Reliability Management

We adopted the "Regulations on Management of Data Reliability" in order to ensure the accuracy and reliability of the data recorded. It has put in place a computerized system which allows comprehensive data tracking, based on which all modifications to data, the persons making amendments, time and reasons for amendments are recorded. Our staff is required to directly and promptly create formal record of data when such data is collected, and ensure that such data is not amended or deleted before the next procedure is conducted. Our staff may not record any data informally at first and then formally record such data at a later time. In addition, data and record keeping should protect records from any amendments or loss (whether intentionally or unintentionally), through data encryption. Furthermore, to ensure the accuracy of data, the source of the data should be clearly stated, and such data should be verified. Various departments are required to review recorded data at regular intervals to ensure that any irregularity to the data has been reported, recorded and investigated.

Intellectual Property Rights Risk Management

Compliance with applicable PRC and overseas laws and regulations, especially laws and regulations governing the protection of our intellectual property rights, and the prevention of liabilities resulting from potential illegal content of publication and intellectual properties infringement, are major focus areas of our risk management.

The following sets forth our key intellectual property application and filing rules and procedures:

- all intellectual property for the purpose of IND filing generated from our R&D activities or from third parties engaged by us shall be owned by us, unless otherwise specified;
- our internal standardized form shall be completed for the application and filing of our intellectual property;
- relevant documents with respect to our intellectual property shall be kept and maintained at our premises;
- during the IP development phase, our R&D department shall prepare a feasibility study to assess the potential issues surrounding the IP under development, such as the commercial viability of the product and necessary approvals required;
- the feasibility study shall be reviewed and adopted by our chief executive officer;
- our chief executive officer shall also review the monthly R&D reports to monitor IP development progress;
- our drug registration department shall be responsible for the filing, maintenance and update for IND approvals; and
- our drug registration department shall oversee the execution process for obtaining the necessary filings, approvals or licenses.

We have implemented other measures, including the following:

- our chief executive officer shall engage qualified attorneys for patent application, and shall provide attorneys with relevant information relating to such patent application;
- our chief executive officer shall engage an intermediary to apply for trademark registration. The chief executive officer shall compile, and deliver to the intermediary, registration materials to be used to apply for trademark registration with competent government authorities;
- we have registered figurative trademarks, trademarks in Chinese and English, in the PRC and Hong Kong; the assistant to the chief executive officer is responsible for the application and maintenance of such trademarks; and
- we engage an intermediary to protect our trademarks from infringement, and the assistant to the chief executive officer communicates with the intermediary on a monthly basis to monitor the use of our trademarks.

Internal Control

It is the responsibility of the Board to ensure that the Company maintains a sound and effective internal control system. We have engaged an internal control consultant (the "**Internal Control Consultant**") to perform certain agreed-upon procedures (the "**Internal Control Review**") in connection with the internal control during the period from March 1, 2018 to February 28, 2019 of our Company and our major operating subsidiaries in certain aspects, including financial reporting and disclosure controls, corporate level controls, information system control management and other procedures for our operations. The Internal Control Consultant performed the Internal Control Review in April 2019 and a follow-up review in June 2019. As of the Latest Practicable Date, there were no material internal control findings. After considering the remedial actions we have taken, our Directors are of the view that our internal control system is adequate and effective for our current operations.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as protection of intellectual property, environmental protection and occupational health and safety. For more information, see "– Intellectual Property" and "– Health, Safety and Environmental Protection." We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures.

- Our directors (who are responsible for monitoring the corporate governance of our Company) with assistance from our legal advisors, will also periodically review our compliance status with all relevant laws and regulations after the Listing.

- We plan to establish an audit committee on or after the Listing, which will (i) make recommendations to our directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee internal control procedures of our Group.

- We plan to provide anti-corruption and anti-bribery compliance training periodically to our senior management and employees to enhance their knowledge and compliance with applicable laws and regulations.

- We plan to provide our directors, senior management and relevant employees with continuing training programs and updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

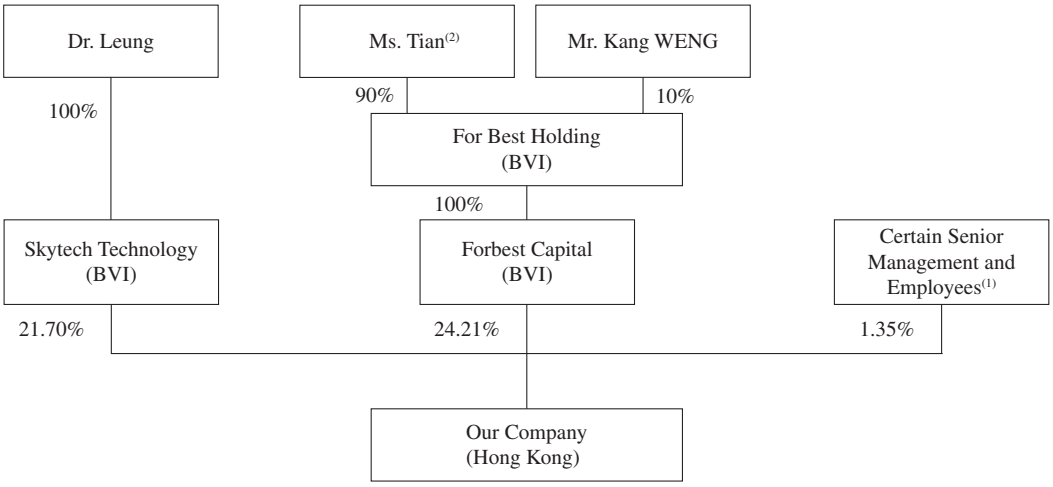
- We intend to maintain strict anti-corruption policies among our sales personnel and distributors in our sales and marketing activities after we obtain marketing approvals for our drug candidates. We will also ensure that our sales and marketing personnel comply with applicable promotion and advertising requirements, which include restrictions on promoting drugs for unapproved uses or patient populations, and limitations on industry-sponsored scientific and educational activities.

During the Track Record Period and up to the Latest Practicable Date, our directors, to their best knowledge, were not aware of any past incidents involving our employees engaging in corruption or other improper conduct that had a material impact on our Company, and believe that we were in compliance in all material respects with the laws and regulations disclosed under the "Regulatory Overview" section in this prospectus. We will also continue to implement and enforce the proper internal control procedures to ensure ongoing compliance with all applicable laws and regulations, including the prevention of our employees or affiliates engaging in any corruption, bribery, health fraud and abuse or improper conduct and other incidents of non-compliance.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised), our Controlling Shareholders will be collectively interested in and will control, by virtue of the Concert Party Agreement, an aggregate of 38.71% of our enlarged issued share capital and will remain as our Controlling Shareholders.

The following diagram illustrates the ultimate interest of our Controlling Shareholders' shareholdings immediately as of the Latest Practicable Date:



Notes:

(1) Certain senior management and employees refer to Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU.

(2) Ms. Tian is a Chinese businesswoman and has engaged or has investment in the biopharmaceutical industry. As confirmed by Ms. Tian, as of the Latest Practicable Date, she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

On October 30, 2017, Skytech Technology, Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI, Mr. Guolin XU, Zhengdong LI and Mr. Peng WAN entered into the Concert Party Agreement, pursuant to which the parties have undertaken to vote unanimously for any resolutions proposed at Board meetings and Shareholders meetings (as applicable) of our Company and confirmed that they had acted in concert in respect of their equity interests in our Company since the date they joined our Company as a shareholder or director (as applicable) and up until the end of three years after Listing. The duration arrangement under the Concert Party Agreement was based on arm's length negotiations after taking into account that certain senior management and employees of our Company held options under the Employee Stock Incentive Plan which were outstanding at the time of negotiating the Concert Party Agreement. They have made decisions jointly and consistently and have always voted unanimously at Board and Shareholders meetings (as applicable), with Dr. Leung exhibiting the greatest degree of control over the direction of their votes given his more active role in the day-to-day management of our Company as the chief executive officer. Mr. Zhengdong LI and Mr. Peng WAN have been accustomed to act in accordance with the instruction of Dr. Leung, and transferred their respective interests in our Company to Skytech Technology in June 2019 (Skytech Technology, together with Forbest Capital, Dr. Kwan Yin SIU, Dr. Ming Hon YAU, Dr. Ka Wa Benny CHEUNG, Mr. Kwan Yeung LEE, Ms. Chau Yin Janet TSUI and Mr. Guolin XU, the "**Concert Group**"). To the best knowledge of our Company, the members of the Concert Group

(other than Dr. Leung) deferred their voting power to Dr. Leung since their economic interests as shareholders are aligned with that of Dr. Leung. By entrusting their voting power to Dr. Leung, they believed that a unified application of voting rights by Dr. Leung, who understands our business and oversees our executive management, will benefit our growth and prospects, which will in turn lead to better investment return to them. While our Company is at the developmental stage aiming for commercialization and profitability, the members of the Concert Group (other than Dr. Leung) believed that consistent leadership and management, supported with stronger control will be beneficial to the overall strategic planning and decision-making process. The members of the Concert Group (other than Dr. Leung) have confidence and belief in Dr. Leung's ability to lead and manage our Company, and are willing to defer their voting power in the manner stipulated under the Concert Party Agreement for the future growth and prospects of our Company.

Under the Concert Party Agreement, if the Concert Group is unable to reach unanimous consensus at Board meetings and Shareholders meetings (as applicable) of our Company, Dr. Leung will determine how to vote for and on behalf of the Concert Group. As a result of the Concert Party Agreement, Dr. Leung effectively controls approximately 47.26% of the voting rights of our Company as of the date of this prospectus and approximately 38.71% of the voting right of our Company immediately after the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised), respectively. This is consistent with the manner in which the Concert Group has voted and made decisions since the date when they joined our Company as a shareholder or director (as applicable) and the Concert Group has confirmed and acknowledged that Dr. Leung was, and is, entitled to exercise all the voting power associated with the Shares on behalf of the Concert Group historically and in the future for the term of the Concert Party Agreement.

Each of the members of the Concert Group will be deemed to be a Controlling Shareholder. The Concert Group has always been our single largest Shareholder since October 2017. It is expected that the equity interest of the Concert Group in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised) will remain above 30%.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after Listing.

Operational Independence

We have full rights to make all decisions on, and to conduct, our own business operation independently of our Controlling Shareholders and their respective close associates and will continue to do so after Listing. Our Company (through our subsidiaries) holds all relevant technologies, knowhow, licenses and owns all relevant intellectual properties and research and development facilities necessary to carry on our business to research, develop and commercialize our drug portfolio. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders, We also have independent access to our potential customers and an independent management team to operate our business.

Based on the foregoing, our Directors believe that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises one executive Director, five non-executive Directors and three independent non-executive Directors. Save for Dr. Leung, none of our Directors is a Controlling Shareholder. For details of our Directors and our members of our senior management, see "Directors and Senior Management."

Immediately after the completion of the Global Offering, none of our Directors will hold directorships and/or senior management roles in our Controlling Shareholders and/or their respective close associates, except as set out below (the "**Common Management Member**"):

	Our Company		Our Controlling Shareholders and/or their respective close associates	
Name	**Position**	**Roles and responsibilities**	**Position**	**Roles and responsibilities**
Dr. Leung	Executive Director, Chairman of our Board and Chief Executive Officer	Formulating overall strategic directions, overseeing research and development activities and managing overall operations of our Group	Director of Skytech Technology	As confirmed by Dr. Leung, Skytech Technology is a special purpose vehicle for investment holding purpose

We believe our Board as a whole and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the Controlling Shareholders and their close associates. We consider that the roles of the Common Management Member in the Controlling Shareholders and/or their respective close associates will not materially impact the Common Management Member abilities to discharge their duties of skill, care and diligence to our Group for the following reasons:

(i) as confirmed by Dr. Leung, Skytech Technology, where Dr. Leung holds directorship, is merely an investment holding company and does not engage in other commercial activities. Dr. Leung has undertaken to devote most of his time and attention to the management of our Group. On this basis, Dr. Leung confirmed that his involvement in the aforementioned company will not affect the discharge of his duties to our Group;

(ii) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and must not allow any conflict between his/her duties as a director and his/her personal interests;

(iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting on any Board resolutions in respect of such transaction and shall not be counted in the quorum present at the relevant Board meeting;

(iv) our daily management and operations are carried out by an experienced management team, which has substantial experience in the industry in which our Group is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. We have the capabilities and personnel to perform all essential administrative functions, including finance, accounting, human resources, business management, quality control and design on a standalone basis;

(v) we have three independent non-executive Directors, who have been appointed to bring independent judgment to the decision-making process of our Board to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions; and

(vi) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their respective close associates which would support our independent management. See "– Measures to Address Potential Competition and Conflict of Interests" below.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have an independent internal control and accounting system and also have an independent financial department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

There are no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders and their respective associates as of the Latest Practicable Date.

Based on the foregoing, our Directors believe that we are financially independent of, and do no place undue reliance on, our Controlling Shareholders and their respective close associates after Listing.

RULE 8.10 OF THE LISTING RULES

Save and except for the equity interests of our Controlling Shareholders in our Company, our Controlling Shareholders confirmed that, as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules. For details of our Directors under Rule 8.10 of the Listing Rules, see "Directors and Senior Management – Board of Directors – General."

MEASURES TO ADDRESS POTENTIAL COMPETITION AND CONFLICT OF INTERESTS

In respect of our Controlling Shareholders and our Directors

Our Directors believe that there are also adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and/or our Directors and our Group and to safeguard the interests of our Company and our Shareholders taken as a whole for the following reasons:

(i) in preparation for the Listing, our Company has amended our Articles to comply with the Listing Rules. Under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholders or their associate will not vote on the relevant resolutions. In addition, pursuant to our Articles, except for certain exception permitted under the Articles, (i) a Director shall not vote on any board resolution approving any contract in relation to which he has a material interest; (ii) such Director who holds directorship and/or senior management positions in our Controlling Shareholders or any of its associates (other than our Company or its subsidiaries) shall not vote on any board resolution regarding any transactions proposed to be entered into between any members of our Group and our Controlling Shareholders or any of its associates (other than our Company or its subsidiaries); and (iii) such Director shall not be counted in the quorum present at such meeting;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(iii) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) our Controlling Shareholders will provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(v) we have appointed Orient Capital (Hong Kong) Limited as our compliance advisor, which will provide advice and guidance to us with respect to compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and internal controls;

(vi) the management structure of our Group, including our Audit Committee, Remuneration Committee and Nomination Committee, the terms of reference of each of which will require them to be alert to prospective conflict of interest and to formulate their proposals accordingly; and

(vii) pursuant to the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost. In addition, our Company will state in our interim and annual reports whether we have complied with such code, and provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

We set out below (i) our Group's one-off transactions with certain connected person on agreed terms before the Listing, and (ii) certain transactions with connected persons, if carried out, will constitute continuing connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

We have entered into transactions with the following parties which will become our connected persons upon Listing:

Connected Person	Connectedness
Haikou Pharmaceutical Factory Co., Ltd. ("**Haikou Pharma**," 海口市製藥廠有限公司)	As of the Latest Practicable Date, Haikou Pharma was owned by Hainan Haiyao, a substantial Shareholder of our Company, and an independent third party as to approximately 98.42% and 1.58%, respectively. Haikou Pharma is a close associate of Hainan Haiyao and therefore our connected person.
Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* ("**Suzhou Sinovent**," 蘇州信諾維醫藥科技有限公司)	As of the Latest Practicable Date, Mr. Jing QIANG ("**Mr. Qiang**"), our president and the spouse of Ms. Wenyi LIU ("**Ms. Liu**"), our non-executive Director, controlled over 30% of the voting power at the shareholders meeting of Suzhou Sinovent. Suzhou Sinovent is a close associate of Ms. Liu and therefore our connected person. Specifically, as of the Latest Practicable Date, Mr. Qiang directly held approximately 0.81% in Suzhou Sinovent; Mr. Qiang indirectly controlled in aggregate approximately 53.77% in Suzhou Sinovent, through Shanghai Lipan Enterprise Management Center (Limited Partnership)* (上海勵攀企業管理中心(有限合夥)), Ningbo Meishan Bonded Port Yinji Equity Investment Partnership (Limited Partnership)* (寧波梅山保税港區胤基股權投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Boyu Jian'an Equity Investment Partnership (Limited Partnership)* (寧波梅山保税港區博裕儉安股權投資合夥企業(有限合夥)) and Ningbo Meishan Bonded Port Baichuan Lecheng Equity Investment Partnership (Limited Partnership)* (寧波梅山保税港區百川樂成股權投資合夥企業(有限合夥)), each a limited partnership incorporated in the PRC, as Mr. Qiang beneficially owned more than 50% equity interest in each of them. In addition, as of the Latest Practicable Date, Suzhou Sinovent was held as to 7.37% by Xingze Xinghe, one of our Pre-IPO Investors, and as to 0.83% by Hangzhou Xingze Xingfu Investment Management Partnership (Limited Partnership)* (杭州杏澤興福投資管理合夥企業(有限合夥)), a limited partnership incorporated in the PRC with Apricot Capital (上海杏澤投資管理有限公司), which was ultimately controlled by Ms. Wenyi LIU, our non-executive Director, as its general partner, respectively. Save as disclosed above, Suzhou Sinovent was held by independent third parties as to 37.22% as of the Latest Practicable Date.

ONE-OFF TRANSACTIONS BEFORE LISTING

(1) Subject Transfer under the BTK Transfer and Collaboration Agreement

Principal Terms of the Transaction

On March 30, 2019, we entered into a technology transfer and collaboration agreement (the "**BTK Transfer and Collaboration Agreement**") with Suzhou Sinovent, pursuant to which we (as transferee) agreed to acquire, and Suzhou Sinovent (as transferor) agreed to transfer to us, on an exclusive basis, the techniques and applications of BTK inhibitor (which we subsequently named SN1011) in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it (the "**Subject**"), including but not limited to, (i) the Subject-related research

and development technologies (including chemical compound and synthetic techniques), (ii) experimental designs and data, (iii) rights to apply for patents (in the PRC and overseas), (iv) rights to continue clinical trials, (v) rights to manufacture the Subject after approval, (vi) rights to sell the Subject after approval (in the PRC and overseas) and (vii) rights to use the patented chemical compound of the Subject and all relevant technologies (including assays and constructions) free of charge within the scope of the treatment for immunological diseases related indications. In addition, Suzhou Sinovent undertook to continue all research works necessary to make pre-clinical filings of the Subject with relevant authorities and to cooperate with us to make clinical filings of the Subject with relevant authorities in an effort to commercialize this drug candidate. For details of BTK inhibitor, see "Business – Our Key Products – SN1011."

As of the Latest Practicable Date, Suzhou Sinovent delivered all research data of the Subject, in physical and electronic copy, to us according to the list of items set out under the BTK Transfer and Collaboration Agreement. As a result, the transfer of the Subject (the "**Subject Transfer**") under the BTK Transfer and Collaboration Agreement was completed, as confirmed by Suzhou Sinovent. The BTK inhibitor was at the IND application stage when it was transferred to our Group.

Pursuant to the BTK Transfer and Collaboration Agreement, any outstanding payment arising under the relevant existing contracts, where were entered between Suzhou Sinovent and any third parties in respect of the Subject after April 1, 2019, shall be borne by us, other than those caused by Suzhou Sinovent's default. As of the Latest Practicable Date, a payment of RMB20 million was made by our Company in this regard.

In addition to customary causes for termination, we are entitled to terminate the BTK Transfer and Collaboration Agreement from time to time at our absolute discretion. In such event, we shall not be liable for any outstanding payment in respect of the Transfer Consideration (as defined below) (other than the first instalment) and the Revenue Sharing Arrangements (as defined below) and we shall revert the Subject to Suzhou Sinovent.

Consideration (in respect of the Subject Transfer)

Assuming all milestones described below have materialized, the total consideration payable by us to Suzhou Sinovent for the Subject Transfer is RMB140 million in cash (the "**Transfer Consideration**") under the BTK Transfer and Collaboration Agreement, the details of which are set out as follows:

Installment	Amount	Payment terms
First installment	RMB40 million	RMB20 million payable within 10 days upon receipt of the invoice issued by Suzhou Sinovent after the signing of the BTK Transfer and Collaboration Agreement; and the remaining RMB20 million payable by January 31, 2020
Second installment	RMB20 million	Payable within 10 days upon receipt of the invoice issued by Suzhou Sinovent after the approval by the NMPA or equivalent authorities in other jurisdictions to commence the Phase II clinical trial of the Subject
Third installment	RMB20 million	Payable within 10 days upon receipt of the invoice issued by Suzhou Sinovent after the approval by the NMPA or equivalent authorities in other jurisdictions to commence the Phase III clinical trial of the Subject

Installment	Amount	Payment terms
Fourth installment	RMB20 million	Payable within 10 days upon receipt of the invoice issued by Suzhou Sinovent after the acceptance of the application for approval to launch product by the NMPA or equivalent authorities in other jurisdictions
Fifth installment	RMB40 million	Payable within 10 days upon receipt of the invoice issued by Suzhou Sinovent after the grant of marketing authorization of the Subject by the NMPA or equivalent authorities in other jurisdictions
Total.	**RMB140 million**	

The structure of the payment terms under the BTK Transfer and Collaboration Agreement enables us to manage potential risks in acquisition of the Subject, as the remaining payment of the Transfer Consideration (other than the first instalment) is contingent upon the approval to commence the relevant clinical trials for the Subject. If the project fails due to technical difficulties, we shall not be liable for any further payment of the Transfer Consideration, other than the payment already paid to Suzhou Sinovent.

The Transfer Consideration was determined after arm's length negotiations between us and Suzhou Sinovent, taking into account various factors including but not limited to (i) the status of the development of the Subject and its commercial feasibilities, (ii) the competitive landscape for acquiring potential biological and antibody drug candidates in the PRC market and (iii) the payment structure and payment terms of comparable transactions.

We have performed the following to form the basis of determining the Transfer Consideration: (i) we conducted a feasibility analysis with regard to the BTK Transfer and Collaboration Agreement; (ii) we utilized the discounted cash flow valuation method to measure the present value in relation to the transactions contemplated under the BTK Transfer and Collaboration Agreement, having considered the development successful rate of each indication, forecasted profit margin and profit, expected clinical research and development expenditure and estimated sales revenue in the PRC market; (iii) we took into account the pipeline and valuation of a NASDAQ-listed clinical-stage biopharmaceutical company as reference; and (iv) we considered the risks involved and, in particular, negotiated the payment schedule with these risks in mind, and strategically negotiated for the majority of the payment (apart from the first installment) to be payable after commencement of Phase III clinical trial of the Subject.

While our valuation in relation to the transactions contemplated under the BTK Transfer and Collaboration Agreement is approximately RMB140 million based on the above assumptions, the present value of the installment payment set out above in light of the clinical progress forecasts is approximately RMB103 million according to the payment schedule. In light of above, we took into account the various risk factors in connection with the entering into of the BTK Transfer and Collaboration Agreement, namely, (i) clinical research and development progress or expenditure that may exceed expectations; (ii) sales may not reach its targets; and (iii) poor management that may result in a decline in profit margins. In addition, we considered the prospect of the BTK inhibitor in light of our product development plan. As of the Latest Practicable Date, we have completed all non-clinical studies for SN1011 and have entered the clinical stage for SN1011 in Australia, with 16 subjects having completed dosing in two cohorts for Phase I clinical trials. We expect to initiate multinational Phase II POC study for autoimmune diseases patients in the second half of 2020. For details of our clinical development plan for SN1011, see "Business – Our Key Products – SN1011 – Next Steps for SN1011."

Having considered the above, we considered that the Transfer Consideration of RMB140 million is fair and reasonable.

In addition to the Transfer Consideration, we also agreed to pay Suzhou Sinovent the fee by way of the Revenue Sharing Arrangements (as defined below), according to the BTK Transfer and Collaboration Agreement. For further details, see "– Potential Non-exempt Continuing Connected Transactions – (3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement" below.

Reasons for and benefits of the Transaction

The BTK inhibitor was developed by Suzhou Sinovent itself. Suzhou Sinovent filed the IND application in respect of the BTK inhibitor with the NMPA in March 2019 and subsequently obtained the IND approval in June 2019. As of the Latest Practical Date, BTK inhibitor is currently at Phase I clinical trials, and was developed for the treatment of RA and SLE for long term administration. As a global biopharmaceutical company driven by innovation, Suzhou Sinovent is committed to bringing advanced drugs to the patients at a faster pace and meeting the growing medical needs. Suzhou Sinovent specializes in the research, development, manufacturing and commercialization of therapeutic products for the treatment of tumor, central nervous system and infection, which provides a strategic advantage for us to expand our drug portfolio covering immunological diseases. In addition, the Subject is a small molecule NCE, which supplements our drug product portfolio focusing monoclonal antibody.

Biopharmaceuticals have been considered as one of the most valuable areas of investment in the pharmaceutical sector. The global pharmaceutical industry has witnessed significant growth in the sales of biopharmaceuticals in recent decades, and this trend is expected to continue in the future. According to Frost & Sullivan, the number of RA patients increased from 37.2 million to 38.9 million from 2014 to 2018 in the global market; and the total number of global RA patients is forecasted to reach 41.2 million by 2023 and to 45.0 million by 2030. In addition, there has been a steady increase in RA diagnosis in the PRC. From 2014 to 2018, the number of RA patients increased from 5.7 million to 5.9 million, because of an aging population, environmental effects and obesity which drive the expansion of the RA patient pool. The number of RA patients in the PRC is forecasted to reach 6.1 million by 2023 and to 6.4 million by 2030, according to Frost & Sullivan. As to SLE, the number of SLE patients increased from 6.2 million to 6.6 million from 2014 to 2018 in the global market; and the total number of global SLE patients is forecasted to reach 7.1 million by 2023, and to 7.8 million by 2030, according to Frost & Sullivan. The number of patients diagnosed with SLE is gradually increasing in the PRC. From 2014 to 2018, the number of SLE patients increased from 987,000 to 1.02 million. The number of SLE patients in the PRC is forecasted to reach 1.06 million by 2023, and to 1.09 million by 2030, according to Frost & Sullivan. For details, please see "Industry Overview – Analysis of Immunological Diseases Market."

In recent years, a number of Chinese pharmaceutical companies have announced their development or investment in NCE products, including applications for marketing authorization and commencement of relevant clinical trials. It is believed that it is the trend of Chinese pharmaceutical companies to develop their NCE products to maintain their competitiveness. To ensure our sustainable development, our Board believes that it is important for us to continue to build up its biological antibodies in the pipeline in the fast-growing biological antibodies sector. Following our consistency strategy to diversify our product portfolio which traditionally focused on macromolecule drug candidates, the idea of collaboration with Suzhou Sinovent to tap into the field of small molecule NCEs was first contemplated by our Group. The collaboration with Suzhou Sinovent has not formed and will not form any part or parcel of the Pre-IPO Investments by Ms. Wenyi LIU, our non-executive Director, through the Apricot Entities ultimately controlled by her. In addition, BTK falls within our research strategy to discover and develop novel drugs for the treatment of immunological diseases by leveraging our R&D capabilities.

Based on the foregoing, our Directors (excluding Ms. Liu) are of the view that the terms (including consideration) under the BTK Transfer and Collaboration Agreement are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

Listing Rules Implications

As the BTK Transfer and Collaboration Agreement was entered into prior to the Listing and the transaction thereunder is one-off in nature, the transaction (in relation to the outstanding payments in respect of the Transfer Consideration pursuant to the BTK Transfer and Collaboration Agreement) contemplated thereunder will not be classified as a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transaction will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there are any material changes to the terms and conditions of the BTK Transfer and Collaboration Agreement, we shall comply with Chapter 14A of the Listing Rules in respect of such agreement as and when appropriate, including, where required, seeking independent shareholders' approval prior to effectuating such changes.

For the Listing Rules implications on the Revenue Sharing Arrangements (as defined below) pursuant to the BTK Transfer and Collaboration Agreement, see "– Potential Non-exempt Continuing Connected Transactions – (3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement – Annual Cap, Contractual Term and Listing Rules Implications."

(2) Lease Agreement (in respect of the Rental)

On January 23, 2019, Hainan SinoMab entered into a lease agreement with Haikou Pharma. Subsequently on June 27, 2019, Hainan SinoMab entered into a supplemental lease agreement (together with the original lease agreement, the "**Lease Agreement**"), pursuant to which Haikou Pharma agreed to lease the Property (as defined below) to Hainan SinoMab and Hainan SinoMab agreed to pay the rental and the Other Charges (as defined below) to Haikou Pharma.

The principal terms of the Lease Agreement are set out as follows:

Lessor	Lessee	Premises	Term	Use of premises	Premises size/GFA	Rental
Haikou Pharma	Hainan SinoMab (our wholly-owned subsidiary)	Haiyao Industry Park, 192 Nanhai Avenue, Xiuying District, Haikou, Hainan Province, the PRC (the "**Property**")	January 1, 2019 to December 31, 2025, subject to renewal	Office, laboratory and production center	4,526.40 square meters	RMB5.0 million annually, payable by January 31 of each year

Under the Lease Agreement, Hainan Pharma agreed to provide necessary ancillary facilities in the Property, such as public infrastructure system, quality inspection center, warehouse, research and development laboratory and administrative office.

Subject to compliance with the Listing Rules, we and Haikou Pharma will negotiate one month before the expiry of the Lease Agreement on whether to continue to lease the Property. Haikou Pharma agreed to give priority to us over other third parties for leasing the Property upon expiry of the Lease Agreement.

Pursuant to Rule 14A.52 of the Listing Rules, the period for the agreement for a continuing connected transaction must not exceed three years, except where the nature of the transaction requires the agreement to be of a duration longer than three years. Our Directors (excluding Mr. Chang LIU, "**Mr. Liu**") are of the view that such a longer lease term is necessary for our operations because it would enable us to secure a location for our business operations at a fair market price and to prevent unnecessary cost, time and interruption of business caused by relocation in case of a short-term lease. As such, entering into the Lease Agreement for a period of more than three years promote stability and continuity in operations and is beneficial to us and our Shareholders as a whole. The Joint Sponsors agree with our Directors' view and concur that the more than three years' term under the Lease Agreement is in line with normal business practice.

Consideration

The rental under the Lease Agreement was determined after arm's length negotiations between the parties thereto and with reference to (i) the historical rental of the Property; (ii) the prevailing market rents of similar properties in the same or nearby areas or similar locations in the PRC; (iii) the conditions of the Property, including but not limited to the location of the Property as well as the facilities associated with the Property; and (iv) the historical trend and the expected increase in the rents in the PRC property market. Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuer, has confirmed that the rental payable by us under the Least Agreement as at the current execution period in 2019 is no less favorable to our Company than that payable by an independent third party.

Historical transaction amounts

The total amount, comprising the rental during the Track Record Period is set out as follows:

	For the year ended December 31,		For four months ended April 30,
	2017	2018	2019
	(RMB in million)		
Rental	5.00	5.00	1.67

Annual caps

The maximum annual amount payable by us under the Lease Agreement for the financial years ending 31 December 2019, 2020, 2021, 2022, 2023, 2024 and 2025 is set out below:

	For the year ended December 31,						
	2019	2020	2021	2022	2023	2024	2025
	(RMB in million)						
Rental	5.00	5.00	5.00	5.00	5.00	5.00	5.00

In arriving the above proposed annual caps for the Lease Agreement, our Directors (excluding Mr. Liu) have taken into account the following factors: (i) the prevailing market rents of comparable properties in Haikou, Hainan Province, the PRC; and (ii) the agreed rental payable by us to Haikou Pharma under the Lease Agreement during the Track Record Period.

Reasons for and benefits of the Transaction

The purpose of entering into the Lease Agreement is to facilitate us to expand our current business operations in Haikou, Hainan Province, the PRC. We have historically leased the Property from Haikou Pharma for use as our Hainan production base. In light of the satisfactory building quality maintenance work and stable lease term provided by Haikou Pharma to us, we intend to continue to lease the Property following the Listing. In addition, termination of the Lease Agreement will incur unnecessary costs and cause unnecessary disruption to our operations.

The terms of the Lease Agreement were determined after arm's length negotiation between us and Haikou Pharma with reference to the prevailing market rents. Our Directors (excluding Mr. Liu) consider that the Lease Agreement was entered into in the ordinary and usual course of business of our Group on normal commercial terms or better. Our Directors (excluding Mr. Liu) are of the opinion that the terms of the Lease Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Listing Rules Implications

Upon application of *HKFRS 16* since January 1, 2017, we recognized right-of-use assets in relation to the fixed term leases in the form of an asset (representing the right to use the underlying assets during the lease term) and a liability (for the obligation to make lease payment). The Lease Agreement is subject to a fixed term and is regarded as a one-off connected acquisition of capital asset under the Listing Rules. As the Lease Agreement was entered into prior to the Listing and the transaction thereunder is one-off in nature, the payment of the rental contemplated thereunder will not be classified as a connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the transaction (in relation to the rental) under the Lease Agreement will not be subject to any of the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In the event that there is any material change to the terms and conditions of the Lease Agreement, we shall comply with Chapter 14A of the Listing Rules in respect of such agreement as and when appropriate, including, where required, seeking independent shareholders' approval prior to effectuating such changes.

POTENTIAL NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(3) Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement

As part of the arrangements under the BTK Transfer and Collaboration Agreement, we agreed to pay Suzhou Sinovent the following fees, which will be settled annually, under the revenue sharing arrangements (the "**Revenue Sharing Arrangements**"):

(i) In relation to any future sales of the product of the Subject in the PRC market

$$\text{Payment to Suzhou Sinovent} = \text{5\% x Proceeds (after relevant taxation) from any future sales of the product of the Subject in the PRC market}$$

(ii) In relation to any future sales of the product of the Subject in the overseas market

$$\text{Payment to Suzhou Sinovent} = \text{10\% x Proceeds (after relevant taxation) from any future sales of the product of the Subject in the overseas market}$$

(iii) In the event that we transfer any rights to sub-license in respect of the product of the Subject in the overseas markets (other than the PRC market)

Payment to Suzhou Sinovent	=	One-third (approximately 33%) x Proceeds (after relevant taxation) from transferring any rights to sub-license in respect of the product of the Subject in the overseas markets (other than the PRC market)

Annual Cap, Contractual Term and Listing Rules Implications

The Revenue Sharing Arrangements was determined after arm's length negotiations between us and Suzhou Sinovent, taking into account that it is common practice to share future sales revenue and proceeds from transfer of a sub-licensing rights under comparable drug candidate transfer agreements which in turn lowers the upfront fixed payment payable by the licensee in the Chinese biopharmaceutical market, according to Frost & Sullivan.

Under Rule 14A.53 of the Listing Rules, a listed issuer is required to set a monetary annual cap for the continuing connected transactions. It is impracticable and extremely difficult for us to set monetary annual caps for the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.53 of the Listing Rules from strict compliance with the momentary annual cap requirement.

In addition, the duration of the BTK Transfer and Collaboration Agreement is of an indefinite term. Under Rule 14A.52 of the Listing Rules, a listed issuer is required to set a contractual term not exceeding three years. It is impracticable and extremely difficult for us to set a contractual term not exceeding three years in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver under Rule 14A.52 of the Listing Rules from strict compliance with the momentary annual cap requirement. See "– Application for Waivers – (i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements" below, for details of the basis for not setting annual caps for the Revenue Sharing Arrangements and not setting a contractual term less than three years in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement.

As the highest applicable percentage ratio in respect of each of the caps as the Company currently expects is, on an annual basis, more than 5%, the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement will, upon the Listing, be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. See "– Application for Waivers – (ii) Waiver Application for Potential Non-Exempt Continuing Connected Transactions" below.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(4) Utility Charge Arrangements under the Lease Agreement

In addition to the rental under the Lease Agreement, Haikou Pharma agreed to procure supply of utility services (including water, electricity, gas, telecommunications) in respect of the Property for our operations. Other charges (the "**Other Charges**") for the aforesaid utility supply services in respect of the Property are payable by us to Haikou Pharma on a cost basis at the government-prescribed rates charged on the Property and the consumption amount will be confirmed by both parties by jointly inspecting the readings on the relevant meter(s) on a monthly basis. Haikou Pharma will subsequently settle the amount with relevant utility services providers. Other charges are determined by reference prices published from time to time by relevant authorities and Haikou Pharma will not charge additional cost.

The utility supply service is "consumer services" on the basis that such service is (i) of a type ordinarily supplied for our private use or consumption; (ii) for our own consumption or use and there is an open market and transparency in the pricing of the service; (iii) consumed or used by us in the same state as when they were bought; and (iv) of terms no less favorable to our Group than those terms available to independent third parties. On the basis of the above and given that our use of the utility supply service under the Lease Agreement is on normal commercial terms in its ordinary and usual course of business, the utility charge arrangements under the Lease Agreement are fully exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.97 of the Listing Rules.

APPLICATION FOR WAIVERS

(i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements

Rule 14A.52 of the Listing Rules provides that the period for the agreement must be fixed and reflect normal commercial terms or better. It must not exceed three years except in special circumstances where the nature of the transaction requires a longer period. In this case, the listed issuer must appoint an independent financial advisor to explain why the agreement requires a longer period and to confirm that it is normal business practice for agreement of this type to be of such duration.

Rule 14A.53 requires that the listed issuer must set an annual cap for the continuing connected transactions. The cap must be: (1) expressed in monetary terms; (2) determined by reference to previous transactions and figures in the published information of the listed issuer's group. If there were no previous transactions, the cap must be set based on reasonable assumptions; and (3) approved by shareholders if the transaction requires shareholders' approval.

We have applied for a waiver from strict compliance with the requirements to set a term of not exceeding three years and momentary annual caps under the BTK Transfer and Collaboration Agreement under Rule 14A.52 and Rule 14A.53 of the Listing Rules, respectively, based on the following grounds:

(a) It is impractical and extremely difficult to set a term of not exceeding three years and monetary annual caps in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement. The business of research, development, production and commercialization of drug candidates underlying the BTK Transfer and Collaboration Agreement is the nature of the transaction requiring a longer period. If the

renewal of the BTK Transfer and Collaboration Agreement is subject to the requirements of independent shareholders' approval every three years, even in the absence of any material amendment, change, rescission or re-signing of these agreements, we may face the unnecessary and substantial risks of failing to renew such agreement upon expiry and losing our competitive advantages. This may even prevent us from carrying on our businesses, bringing uncertainty to our continued operation. As of the Latest Practicable Date, we have not generated revenue from sales of any of our drug products developed by us. Therefore, our historical financial results are not an appropriate basis for estimating our future transaction volume, and so a reliable forecast of the monetary transaction amount is impossible. In addition, as at the Latest Practicable Date, we have not commenced commercialization of the Subject as it is currently under Phase I clinical trials in Australia and we can only expect to complete Phase I clinical trials by the end of 2019. We therefore do not have sufficient reference to enable us to estimate the future transaction volume and amount as there was no historical transaction amount. Accordingly, imposing an arbitrary monetary cap would be unduly burdensome and not in the interests of our Shareholders after the Listing.

(b) Maintaining a long-term, exclusive cooperative relationship with Suzhou Sinovent under the BTK Transfer and Collaboration Agreement is critical to our businesses and developments. The scale of the global and Chinese biopharmaceutical markets in China are huge. Suzhou Sinovent specializes in research, development, production and commercialization of therapeutic drugs in respect to tumor, central nervous system and infection. Our continuous business relationship with Suzhou Sinovent provides a strategic advantage for us to expand our drug portfolio covering treatment of immunological diseases to maintain our competitiveness. In addition, the exclusive term to cooperate with Suzhou Sinovent under the BTK Transfer and Collaboration Agreement safeguard the interests of our Company and our Shareholders as a whole by providing our Company with exclusivity in the relevant areas of business. Therefore, a contractual arrangement of indefinite term is necessary and critical to the sustainability of our business and to ensure our smooth and continued operations and also stable revenue and cash flows from the future commercialization of the BTK inhibitor in terms of indications related to immunological diseases. Subjecting the BTK Transfer and Collaboration Agreement to independent shareholders' approval will expose our Company to the risks of such agreements not being able to be renewed upon the expiry of a fixed term. This will give rise to unnecessary and substantial uncertainty to our business and therefore will not be in the best interests of our Company and our Shareholders as a whole.

(c) Setting a term of not exceeding three years and monetary annual caps in respect of the Revenue Sharing Arrangements under the BTK Transfer and Collaboration Agreement will unduly hinder our development and operation. We engage in the research, development, manufacturing and commercialization of mAb-based biologics for the treatment of immunological diseases. We rely on the revenue and profits derived from the commercialization of our drug candidates in the upcoming future. Imposing a monetary cap and a three-year term on the transaction amount under the BTK Transfer and Collaboration Agreement will place an arbitrary ceiling on our future revenue, hence effectively limiting the scale of our business to meet market demands, which will unduly hinder our development and our ability to grow and create value for all of our Shareholders.

Based on the foregoing, we believe that a waiver from strict compliance with Rule 14A.52 and Rule 14A.53 of the Listing Rules, under which transactions contemplated under the BTK Transfer and Collaboration Agreement would not be subject to any monetary cap and three-year contractual term, is the most consistent with the nature of its businesses and align with the best interests of our Company and our Shareholders as a whole. Based on the foregoing, the Joint Sponsors are of the view that it is normal business practice for the BTK Transfer and Collaboration Agreement including the Revenue Sharing Arrangements to have an indefinite term.

The Stock Exchange has granted us the waiver from strict compliance with the requirement under Rule 14A.52 and Rule 14A.53 of the Listing Rules in respect of the potential non-exempt continuing connected transactions under the BTK Transfer and Collaboration Agreement subject to the following conditions:

(1) our Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the BTK Transfer and Collaboration Agreement;

(2) our Company will designate a team to execute and ensure that the transactions contemplated under the BTK Transfer and Collaboration Agreement are undertaken in accordance with the terms of the BTK Transfer and Collaboration Agreement;

(3) the chief executive officer of our Company will use his best endeavours to supervise the compliance with the terms of the BTK Transfer and Collaboration Agreement and applicable Listing Rules requirements to the extent not waived by the Stock Exchange on a regular basis;

(4) the independent non-executive Directors and the auditors of our Company will review the transactions in relation to the cooperation agreements on an annual basis and confirm in our annual reports the matters set out in Rule 14A.55 and Rule 14A.56 of the Listing Rules, respectively;

(5) our Company will disclose in this prospectus the background for entering into the BTK Transfer and Collaboration Agreement, the terms of the BTK Transfer and Collaboration Agreement, the grounds for the waiver sought and our Directors' and the Joint Sponsors' views on the fairness and reasonableness of the transactions under the BTK Transfer and Collaboration Agreement;

(6) after three years from the commencement of the sales of the Subject, our Company will set monetary caps by then by way of entering into separate agreement(s) and making announcement(s) (where appropriate) for the purpose of Rule 14A.53 of the Listing Rules; and such transaction will be subject to, among others, circular and independent shareholders' approval requirements if the highest applicable percentage ratio is more than 5%. In addition, our Company will disclose in its annual report a clear description of the basis for calculating the fees payable to Suzhou Sinovent under the Revenue Sharing Arrangement and any changes to such basis would be subject to independent shareholders' approval;

(7) in the event of any future amendments to the Listing Rules imposing more stringent requirements than those as at the date of this prospectus on the above continuing connected transactions, our Company will take immediate steps to ensure compliance with such new requirements; and

(8) apart from setting a term of not exceeding three years and setting fixed monetary annual caps for which the waivers are sought, our Company will comply with other requirements under Chapter 14A of the Listing Rules.

(ii) Waiver Application for Potential Non-Exempt Continuing Connected Transactions

As the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement will be carried out on a continuing basis and will extend over a period of time, our Directors consider that strict compliance with the announcement and/or independent shareholders' approval requirements under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company. Accordingly, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the announcement and/or independent shareholders' approval requirements for three years in respect of such potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement.

For reasons set out in "– Application for Waivers – (i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements" above, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 14A.52 and Rule 14A.53 of the Listing Rules.

Apart from the requirements for three-year contractual term, setting annual cap, announcement, and/or independent Shareholders' approval, of which waivers are sought as set out in "– Application For Waivers – (i) Waiver from Strict Compliance with the Three-Year Contractual Term and Annual Caps Requirements" and "-Application For Waivers – (ii) Waiver Application for Potential Non-Exempt Continuing Connected Transactions" above, we will comply at all times with the other applicable provisions under Chapter 14A of the Listing Rules in respect of the potential non-exempt continuing connected transactions contemplated under the BTK Transfer and Collaboration Agreement.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors but excluding relevant Directors abstained from voting) consider that the potential continuing connected transactions described under "– Potential Non-exempt Continuing Connected Transactions" above have been entered into, and will be carried out, (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the potential continuing connected transactions described under "– Potential Non-exempt Continuing Connected Transactions" above have been entered into, and will be carried out (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising one executive Director, five non-executive Directors and three independent non-executive Directors. The following sets forth certain information regarding our Directors.

Name	Age	Time of Joining our Group	Date of Appointment as a Director	Position	Roles and Responsibilities	Relationship with other Directors and Senior management
Dr. Shui On LEUNG (梁瑞安) . .	60	April 2001	April 27, 2001	Executive Director, Chairman of our Board and Chief Executive Officer	Formulating overall strategic direction, overseeing scientific and clinical R&D activities and managing overall operations of our Group; chairman of our Nomination Committee and member of our Remuneration Committee	None
Ms. Wenyi LIU (劉文溢) . .	33	August 2017	August 31, 2017	Non-executive Director	Providing overall guidance on business and strategic development of our Group based on the work experience, professional background and expertise	The spouse of Mr. Jing QIANG, our president
Dr. Haigang CHEN (陳海剛) . .	37	August 2017	August 31, 2017	Non-executive Director	Providing overall guidance on business and strategic development of our Group based on the work experience, professional background and expertise	None
Mr. Senlin LIU (劉森林) . .	34	February 2019	February 15, 2019	Non-executive Director	Providing overall guidance on business and strategic development of our Group based on the work experience, professional background and expertise	None
Mr. Chang LIU (劉暢). . . .	29	April 2019	April 29, 2019	Non-executive Director	Providing overall guidance on business and strategic development of our Group based on the work experience, professional background and expertise	None
Mr. Huiyuan MA (馬慧淵) . .	56	April 2019	April 29, 2019	Non-executive Director	Providing overall guidance on business and strategic development of our Group based on the work experience, professional background and expertise	None
Mr. Dylan Carlo TINKER . .	50	The date of this prospectus	October 18, 2019 (effective from the date of this prospectus)	Independent non-executive Director	Supervising and providing independent judgment to our Board; member of our Audit Committee and Nomination Committee	None

Name	Age	Time of Joining our Group	Date of Appointment as a Director	Position	Roles and Responsibilities	Relationship with other Directors and Senior management
Mr. Michael James Connolly HOGAN (何灝勤) . .	54	The date of this prospectus	October 18, 2019 (effective from the date of this prospectus)	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairman of our Remuneration Committee and member of our Audit Committee	None
Mr. Ping Cho Terence HON (韓炳祖)	60	The date of this prospectus	October 18, 2019 (effective from the date of this prospectus)	Independent non-executive Director	Supervising and providing independent judgment to our Board; chairman of our Audit Committee and member of our Remuneration Committee and our Nomination Committee	None

Executive Director

Dr. Shui On LEUNG (梁瑞安), aged 60, was appointed as a Director and the chairman of our Board in April 2001 and subsequently appointed as our chief executive officer in January 2003 and subsequently designated as an executive Director in June 2019. Dr. Leung is primarily responsible for formulating overall strategic directions, overseeing scientific and clinical R&D activities and managing overall operations of our Group.

Dr. Leung has nearly 30 years of experience in the field of molecular immunology and therapeutic monoclonal antibodies. Dr. Leung has been a member of the first session of Biotech Advisory Panel of the Stock Exchange since April 2018. He has also been an adjunct professor of the Hong Kong University of Science and Technology since September 2018. From 2011 to 2014, Dr. Leung was an adjunct professor of Fudan University, China (復旦大學). Dr. Leung was also an adjunct professor of the Army Medical University (中國人民解放軍陸軍軍醫大學, formerly the Third Military Medical University (中國人民解放軍第三軍醫大學)), China and the Air Force Medical University (中國人民解放軍空軍軍醫大學), formerly known as the Fourth Military Medical University (中國人民解放軍第四軍醫大學)). Prior to joining our Company, Dr. Leung served as the managing director of the Hong Kong Institute of Biotechnology Limited, which is currently a biotechnology R&D arm of the Chinese University of Hong Kong, from September 2000 to August 2003. Dr. Leung was an adjunct professor of the Chinese University of Hong Kong from February 2001 to January 2004. From May 1991 to in or around August 2000, he held several positions in Immunomedics, Inc. ("**Immunomedics**"), a U.S. leading antibody-drug conjugate company, including an associate director of the molecular biology department and an executive director of the biology research department. During his term with Immunomedics, Dr. Leung was awarded grants by the U.S. Department of Health and Human Services multiple times for his research programs, including "Engineering a Unique Conjugation Site on AB Light Chain" and "A Humanized Antibody for Breast Cancer Treatment." In October 1996, Dr. Leung was appointed as an adjunct assistant member of the Center for Molecular Medicine & Immunology at Garden State Cancer Center. Dr. Leung was also engaged in postdoctoral research at Yale University, U.S.A. from July 1990 to June 1992.

Dr. Leung was a director of Novelmab from September 2011 to July 2018, our then subsidiary in Hong Kong, which was dissolved by deregistration on May 8, 2019 under section 751 of the Companies Ordinance. As confirmed by Dr. Leung, Novelmab was solvent at the time when it was dissolved and he was not aware of any actual or potential claim that has been or will be made against him or Novelmab as of the Latest Practicable Date. For details, please see "History, Development and Group Structure – Our Subsidiaries – Dissolution of Novelmab."

Dr. Leung obtained his bachelor's and master's degrees in biochemistry from the Chinese University of Hong Kong in December 1984 and October 1986, respectively. He earned his Ph.D. in molecular biology from the University of Oxford in Oxford, England in May 1990.

Non-executive Directors

Ms. Wenyi LIU (劉文溢), aged 33, was appointed as a Director in August 2017 and subsequently designated as a non-executive Director in June 2019. Ms. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on her work experience, professional background and expertise.

Ms. Liu has years of experience in investment and operational management in the pharmaceutical industry. She has served as a general manager at Apricot Capital (上海杏澤投資管理有限公司), the co-general partner of Shanghai Xingze and the sole general partner of Xingze Xingzhan, each being our Pre-IPO Investor and our Shareholder, since October 2015. Prior to that, Ms. Liu worked as Deputy General Manager at Jumeirah Himalayas Hotel Shanghai* (上海證大喜瑪拉雅有限公司卓美亞喜瑪拉雅酒店) from September 2013 to December 2015. From March 2011 to September 2013, she served as Equity Analyst at Guotai Asset Management Co., Ltd.* (國泰基金管理有限公司).

Ms. Liu received her bachelor's degree in economics from the University of Southampton in Southampton, England in June 2009 and master's degree in economics from the University of Warwick in Coventry, England in November 2010. Ms. Liu is currently pursuing her Ph.D in healthcare management in a cohort-based program in collaboration between Johns Hopkins Bloomberg School of Public Health and the Institute for Hospital Management of Tsinghua University (清華大學). Ms. Liu obtained the securities qualification certificate issued by the Securities Association of China in November 2011.

Ms. Liu is the spouse of Mr. Jing QIANG, our president.

Dr. Haigang CHEN (陳海剛), aged 37, was appointed as a Director in August 2017 and subsequently designated as a non-executive Director in June 2019. Dr. Chen is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Dr. Chen has nearly 10 years of investment experience in the pharmaceutical industry. He has served as an investment director of Shanghai Yueyi Investment Center (Limited Partnership)* ("**Shanghai Yueyi**," 上海月溢投資中心(有限合夥)), the co-general partner of Xingze Xinghe, one of our Pre-IPO Investors and our Shareholders, since September 2016. Prior to that, Dr. Chen served as an analyst at Beijing Shennong Investment Management Co., Ltd.* (北京神農投資管理股份有限公司) from December 2015 to August 2016. In September 2013, Dr. Chen started working at China International Capital Corporation Limited (中國國際金融股份有限公司, Stock Exchange: 3908), and was holding the position of vice president of its research department when he left such employment in December 2015. From April 2011 to August 2013, Dr. Chen served as a senior manager at CITIC Securities Company Limited (中信證券股份有限公司, Stock Exchange: 6030). From May 2010 to April 2011, Dr. Chen served as an analyst at Guizhou Huachuang Securities Broker Co., Ltd.* (華創證券有限責任公司).

Dr. Chen earned his Medical Doctor degree in clinical medicine from Peking Union Medical College (北京協和醫學院) in July 2009. He obtained the securities qualification certificate issued by the Securities Association of China in June 2015.

Mr. Senlin LIU (劉森林), aged 34, was appointed as a Director in February 2019 and subsequently designated as a non-executive Director in June 2019. Mr. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Mr. Liu has over 10 years of experience in corporate finance and investment. Mr. Liu has served at China International Capital Corporation Limited (Stock Exchange: 3908) since December 2011. Mr. Liu currently serves as an executive director of CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a subsidiary of China International Capital Corporation Limited.

Mr. Liu obtained a bachelor's degree in biomedical engineering and a master's degree in management science and engineering from Tsinghua University, China in July 2006 and July 2008, respectively.

Mr. Chang LIU (劉暢), aged 29, was appointed as a Director in April 2019 and subsequently designated as a non-executive Director in June 2019. Mr. Liu is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Mr. Liu has years of experience in investment. Mr. Liu has served as a director of and an assistant to the chairman of the board of Hainan Haiyao (Shenzhen Stock Exchange: 000566), one of our Pre-IPO Investors and our Shareholders, since May 2019 and March 2019, respectively. Prior to that, Mr. Liu worked as an assistant to the general manager of Shenzhen South Tongzheng Investment Co., Ltd.* (深圳市南方同正投資有限公司) from January 2016 to March 2019.

Mr. Liu obtained his bachelor's degree in business administration and master's degree in finance from Suffolk University in the United States in January 2015 and January 2016, respectively.

Mr. Huiyuan MA (馬慧淵), aged 56, was appointed as a Director in April 2019 and subsequently designated as a non-executive Director in June 2019. Mr. Ma is primarily responsible for providing overall guidance on business and strategic development of our Group based on his work experience, professional background and expertise.

Mr. Ma has more than 20 years of experience in investment. He has served as a general manager at Bonaze (Beijing) Investment Co., Ltd.* (博納澤(北京)投資有限公司) since January 2006. From July 1986 to August 1996, Mr. Ma worked at the then Department of Policy and Regulation of the Ministry of Machinery and Electronic Industry of the PRC (中華人民共和國機械電子工業部政策法規司).

Mr. Ma obtained his bachelor's degree in flight vehicle engineering from Nanjing University of Science and Technology, China (南京理工大學) (formerly known as East China Institute of Technology (華東工學院)) in July 1986.

Mr. Ma is the spouse of Ms. Tian, one of our Controlling Shareholders.

Independent Non-executive Directors

Mr. Dylan Carlo TINKER, aged 50, has been appointed as an independent non-executive Director in October 2019 with effect from the date of this prospectus. Mr. Tinker is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Tinker has over 25 years of experience in investment banking and capital raising transactions in the field of telecommunications, media, technology ("**TMT**") in Asia and has held senior positions in equity research, corporate finance and fund management. Mr. Tinker is currently the Chief Executive Officer of AsiaTech Capital Advisors Pte Ltd in Singapore. Previously, Mr. Tinker served as a Managing Director in Technology Banking and the head of TMT, at Avista Advisory Partners Pte Ltd in Singapore from 2017 to 2018. From 2012 to 2015, Mr. Tinker served as a Portfolio Manager at OCP Asia Capital in Singapore. Between 2000 to 2005, Mr. Tinker served as the Head of Asian Telecom equity research at UBS Investment Bank in Hong Kong. From 1993 to 1999, Mr. Tinker served as the Head of Asian Telecom equity research at Jardine Fleming (currently known as JP Morgan).

Mr. Tinker obtained a B.A. from American University, School of International Service in 1991, with a joint degree in Economics and International Relations. Mr. Tinker attended graduate school at the Paul H. Nitze School of Advanced International Studies (SAIS) of Johns Hopkins University in Washington, D.C., the United States from 1991 to 1993.

Mr. Michael James Connolly HOGAN (何灝勤), aged 54, has been appointed as an independent non-executive Director in October 2019 with effect from the date of this prospectus. Mr. Hogan is primarily responsible for providing independent judgment to our Board and ensuring a high standard of overall governance.

Mr. Hogan has over 30 years of experience in international banking with a particular bias towards wholesale banking, corporate banking, credit and lending, transaction banking, and debt capital markets. Mr. Hogan joined HSBC in the 1980s and, after having lived and worked in Asia Pacific, the Middle East, Europe and the U.S. during the course of his career, retired from the bank in July 2019. Having been based in Sydney, Australia, from 2011 where he served as the country head of commercial banking for HSBC Australia, he transferred to Hong Kong in August 2016 as the regional chief operating officer for commercial banking Asia-Pacific. His final role with HSBC was the regional head of strategic growth for commercial banking Asia-Pacific which he carried out on an interim basis from October 2018.

Mr. Hogan obtained a bachelor of commerce degree from National University of Ireland in 1987.

Mr. Ping Cho Terence HON (韓炳祖), aged 60, has been appointed as an independent non-executive Director in October 2019 with effect from the date of this prospectus. Mr. Hon is primarily responsible for supervising and providing independent judgment to our Board.

Mr. Hon has over 34 years of experience in accounting, treasury and financial management. Mr. Hon has served as an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (Stock Exchange: 520), a company listed on the Main Board of the Stock Exchange, Jimu Group Limited (Stock Exchange: 8187), a company listed on the Growth Enterprise Market of the Stock Exchange, 361 Degrees International Limited (Stock Exchange: 1361), a company listed on the Main Board of the Stock Exchange and Daphne International Holdings Limited (Stock Exchange: 210), a company listed on the Main Board of the Stock Exchange, since November 2014, December 2017, May 2019 and September 2019, respectively. He was previously

the chief financial officer and company secretary of DTXS Silk Road Investment Holdings Company Limited (Stock Exchange: 620), a company listed on the Main Board of the Stock Exchange, from June 2016 (as chief financial officer) and November 2016 (as company secretary) until September 2018. Prior to that, Mr. Hon worked at a number of companies, including at Auto Italia Holdings Limited (Stock Exchange: 720) as chief financial officer and company secretary between December 2013 and April 2016, China Dongxiang (Group) Co., Ltd. (Stock Exchange: 3818) as chief financial officer between December 2010 and October 2012, Ka Wah Construction Materials (Hong Kong) Limited as chief financial officer between September 2008 to December 2010, TOM Group Limited (Stock Exchange: 2383) between June 2001 and February 2008 with his last position as the group finance director, and Ng Fung Hong Limited as a company secretary of the group between 1996 and 2001. Before moving to the commercial section, Mr. Hon worked in an international accounting firm.

Mr. Hon is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. He obtained a master's degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2004.

General

Save as disclosed above (and their respective interests or short positions (if any) as set out in "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders" in Appendix IV), each of our Directors confirmed that (i) he/she does not and has not held any other positions in listed companies during the three years immediately prior to the date of this prospectus; (ii) he/she had no other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date; (iii) there is no other information in respect of such Director to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules; (iv) there is no other matter that needs to be brought to the attention to our Shareholders.

As of the Latest Practicable Date, each of our Directors confirmed that he/she did not have 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.

From time to time, our non-executive Directors may serve on the board of both private and public companies within the broader healthcare and biotechnology industries, including companies whose products may directly or indirectly compete with ours. However, as these non-executive Directors are neither our Controlling Shareholders nor members of our senior management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from other companies in which they may hold directorships from time to time.

SENIOR MANAGEMENT

Our executive Director and members of our senior management are responsible for the day-to-day management of our operations. The following table sets out certain information regarding our senior management team.

Name	Age	Time of joining our Group	Date of appointment as a senior management member	Position	Responsibilities	Relationship with our Directors and other Senior management
Mr. Jing QIANG (強靜). . . .	37	March 2018	March 27, 2018	President	Strategic planning and investments	The spouse of Ms. Wengyi LIU, our non-executive Director
Mr. Jianping HUA (華劍平) . .	37	January 2019	January 21, 2019	Chief Financial Officer	Overall financial operations, financing and investment activities of our Group	None
Mr. Gang CHEN (陳剛). . . .	49	July 2018	July 1, 2018	Chief Medical Officer	Overall management of our clinical trials and drug-related regulatory affairs	None
Dr. Ming Hon YAU (游明翰) . .	41	January 2012	January 1, 2015	Managing Director (Downstream process)	Supervising downstream purification process development, overseeing manufacturing operations of antibody products, establishing associated good manufacturing practice (GMP) system, and supervising operation compliance and planning of Suzhou production base	None
Dr. Kwan Yin SIU (蕭君言) . .	40	November 2011	January 1, 2015	Associate Director (Manufacturing/ upstream processing group)	Supervising upstream production and research process for culture media preparation, cell culture and bioreactor operations	None
Dr. Ka Wa Benny CHEUNG (張嘉華) . .	39	January 2010	January 1, 2015	Principal Senior Scientist	Managing R&D laboratory in Hong Kong	None

Mr. Jing QIANG (強靜), aged 37, has served as the president of our Company since March 2018 and is primarily responsible for strategic planning and investments.

Mr. Qiang has over nine years of experience in the field of medicine and healthcare related research and investment. Mr. Qiang has served as the chairman of Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* (蘇州信諾維醫藥科技有限公司), our connected person. Prior to that, Mr. Qiang worked at China International Capital Corporation Limited (Stock Exchange: 3908) from July 2010 to March 2018, where he held the position of managing director when he left. During his term with China International Capital Corporation Limited, Mr. Qiang won Asiamoney's best research coverage in healthcare in 2014 to 2017 and was ranked top three in healthcare by the 2015-2017 China Research Team of Institutional Investor.

Mr. Qiang obtained his bachelor's degree in pharmacy from Shanghai Jiao Tong University, China (上海交通大學) in July 2005 and his master's degree in finance from Fudan University, China (復旦大學) in June 2010. Mr. Qiang completed the High Impact Cancer Research (HI-CR) Program of Harvard Medical School in the United States in 2019.

Mr. Qiang was qualified as a Chartered Financial Analyst (CFA) by the CFA Institute in September 2011 and as a Financial Risk Manager (FRM) by the Global Association of Risk Professionals in April 2009, respectively.

Mr. Qiang is the spouse of Ms. Wenyi LIU, our non-executive Director.

Mr. Jianping HUA (華劍平), aged 37, has served as the chief financial officer of our Company since January 2019 and is primarily responsible for overall financial operations, financing and investment activities of our Group.

Mr. Hua has more than 14 years of experience in financial and investment matters. Prior to joining our Group, Mr. Hua served as a vice chief financial officer, member of the executive board of the president, vice president of medical technology management committee and held a number of positions comprising vice director of financial audit, director of financial audit and deputy general manager of the finance department of Shanghai Fosun Pharmaceutical (Group) Co., Ltd.* (上海復星醫藥(集團)股份有限公司, Shanghai Stock Exchange: 600196 and Stock Exchange: 2196) from February 2011 to January 2019. He also served as an executive director of Sisram Medical Ltd (Stock Exchange: 1696), from March 2018 to January 2019, and as the chief financial officer from February 2014 to January 2019. From August 2005 to February 2011, Mr. Hua served as a manager in the assurance department at PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd. (普華永道中天會計師事務所有限公司).

Mr. Hua obtained his bachelor's degree in English from Shanghai University, China (上海大學) in July 2005.

Mr. Gang CHEN (陳剛), aged 49, has served as the chief medical officer of our Company since July 2018 and is primarily responsible for overall management of our clinical trials and drug-related regulatory affairs.

Mr. Chen has approximately 20 years of experience in the fields of clinical development and medical science in various multinational pharmaceutical companies and leading domestic innovative pharmaceutical companies. Prior to joining our Group, Mr. Chen served as a senior medical director of Shanghai Hengrui Pharmaceutical Co., Ltd. (上海恒瑞醫藥有限公司), a subsidiary of Jiangsu Hengrui Medicine Co., Ltd. (江蘇恒瑞醫藥股份有限公司, Shanghai Stock Exchange: 600276), in charge of overseeing clinical development program of innovative oncology drugs (including part of overseas clinical studies), from February 2017 to June 2018. From October 2014 to February 2017, Mr. Chen served as Senior Medical Director of Eddingpharm Co., Ltd., Shanghai Branch* (億騰藥業有限公司上海分公司), responsible for clinical development of innovative oncology medicines for the company. From June 2007 to October 2014, Mr. Chen held several key positions, including principal physician, deputy director of medical science and head of the medical science team, at AstraZeneca Investment (China) Co., Ltd. (阿斯利康投資(中國)有限公司), a subsidiary of AstraZeneca plc (London Stock Exchange: AZN), in charge of clinical research, clinical development and medical affairs of innovative drugs and prescription drugs. From June 2002 to June 2007, Mr. Chen served as Senior Medical Manager at Xi'an Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司), a subsidiary of Johnson & Johnson (New York Stock Exchange: JNJ), in charge of clinical research, medical support of innovative drugs and prescription drugs.

Mr. Chen obtained his bachelor's degree of clinical medicine from the School of Medicine of Shanghai Jiao Tong University (上海交通大學醫學院) (formerly known as Shanghai Second Medical University (上海第二醫科大學)) in July 1993. He received his master's degree in business administration (MBA) from the John Molson School of Business, Concordia University in Montreal, Canada in May 2000.

Dr. Ming Hon YAU (游明翰), aged 41, joined our Company in January 2012 as a research project manager (research and development), subsequently as an associate director (research and development) of our Company from January 2015 to March 2019 and has served as a managing director (downstream process) of our Company since April 2019. Dr. Yau is primarily responsible for supervising downstream purification process development, overseeing manufacturing operations of antibody products, establishing associated good manufacturing practice (GMP) system, and supervising operation compliance and planning of Suzhou production base.

Dr. Yau has over 13 years of experience in the fields of research, development and manufacturing of biological products. From July 2011 to December 2011, he served as an assistant manager of Nano and Advanced Materials Institute Limited (納米及先進材料研發院有限公司). From February 2008 to June 2011, Dr. Yau worked as an R&D assistant manager and subsequently as a manufacturing project manager at New A Innovation Limited (新意康生物科技有限公司), a company in Hong Kong focusing on life science and animal health, responsible for overseeing all upstream process development, establishing pilot production sites in different locations in China, establishing and operating a GMP-compliance manufacturing facility at New Zealand and technology transfer. From April 2006 to April 2008, Dr. Yau served as a full-time postdoctoral fellow in the Li Ka Shing Faculty of Medicine of the University of Hong Kong, focusing on monoclonal antibody production and immunoassay development to provide tools for the early diagnosis of diabetes and cardiovascular diseases.

Dr. Yau received his bachelor's degree, master's degree and Ph.D. in biochemistry from the Chinese University of Hong Kong in December 2000, December 2002 and December 2005, respectively. Dr. Yau was registered as a registered quality manager (RQM) with the Hong Kong Quality Management Association in September 2012.

Dr. Kwan Yin SIU (蕭君言), aged 40, joined our Company in November 2011 as a research scientist, subsequently as principal senior scientist (bioprocess) from January 2015 to March 2019, and has served as an associate director (manufacturing/upstream processing group) of our Company since April 2019. Dr. Siu is primarily responsible for supervising upstream production and research process for culture media preparation, cell culture and bioreactor operations.

Dr. Siu has over 10 years of experience in the area of R&D of cell culture and related process. Prior to joining our Group, Dr. Siu served as a stem cell scientist at Asia Pacific Stem Cell Science Limited (亞太幹細胞科研中心有限公司), a cord blood storage services company in Hong Kong, from June 2009 to September 2011, responsible for stem cell research. From January 2009 to May 2009, Dr. Siu served as an assistant engineer at Sundart (M&E) Limited (承達機電工程有限公司).

Dr. Siu received his bachelor's degree in science, master's degree and Ph.D. in molecular genetics from the University of Hong Kong in November 2001, December 2004 and November 2008, respectively.

Dr. Ka Wa Benny CHEUNG (張嘉華), aged 39, joined our Company in January 2010 as a research scientist and has served as a principal senior scientist of our Company since January 2015. Dr. Cheung is primarily responsible for managing R&D laboratory in Hong Kong.

Dr. Cheung has over 12 years of experience in the area of R&D of drugs. Prior to joining our Group, Dr. Cheung served as a technical officer and subsequently as a senior technical officer at the Department of Paediatrics and Adolescent Medicine at the University of Hong Kong from September 2007 to January 2010, respectively, in charge of overseeing R&D projects.

Dr. Cheung obtained his bachelor's degree in biochemistry, master's degree in immunology and Ph.D. in immunology from the University of Hong Kong in November 2001, December 2004 and November 2008, respectively.

General

Save as disclosed above, none of our senior management team has been a director of any listed companies during the three years immediately prior to the date of this prospectus.

COMPANY SECRETARY

Ms. Mei Chun CHENG (鄭美珍) has been appointed as our company secretary on October 18, 2019. Ms. Cheng is a Director of Corporate Services of Tricor Services Limited, a professional corporate services provider.

Ms. Cheng has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Cheng is currently the company secretary of two listed companies on the Stock Exchange, Grand Baoxin Auto Group Limited (Stock Exchange: 1293) and Sino Gas Holdings Group Limited (Stock Exchange: 1759).

Ms. Cheng obtained her Honors Diploma in Company Secretaryship and Administration from Lingnan University (formerly known as Lingnan College) in November 1989. Ms. Cheng is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

We have established three special committees under our Board, comprising the Audit Committee, the Nomination Committee and the Remuneration Committee. These committees operate in accordance with their respective terms of reference adopted by our Board.

Audit Committee

We have established the Audit Committee (effective from the Listing Date) 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 Directors, being Mr. Ping Cho Terence HON, Mr. Michael James Connolly HOGAN and Mr. Dylan Carlo TINKER. The chairperson of the Audit Committee is Mr. Ping Cho Terence HON, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, among others, the following:

- conducting inspections on our compliance, accounting policies, financial reporting procedures, as well as our financial wellbeing;

- organizing and leading our annual audit work;
- advising on the engagement or change of external auditors;
- ensuring the truthfulness, accuracy and completeness of the financial reports during the audit process and submitting them to our Board for review;
- conducting inspections on our internal control system;
- performing other responsibilities in accordance with applicable laws and regulations; and
- performing other responsibilities as authorized by our Board.

Remuneration Committee

We have established the Remuneration Committee (effective from the Listing Date) with written terms of reference in compliance with the Corporate Governance Code, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, being Dr. Leung, Mr. Michael James Connolly HOGAN and Mr. Ping Cho Terence HON. The chairperson of the Remuneration Committee is Mr. Michael James Connolly HOGAN. The primary duties of the Remuneration Committee include, among others, the following:

- contemplating the criteria for appraising our Directors and senior management members, conducting the appraisal, and submitting the appraisal reports to the Board;
- reviewing the system and policy of our remuneration management, contemplating and reviewing the policy and plan for all Directors' and senior management's remuneration and contemplating the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board;
- reviewing and approving compensation payable to our Directors and senior management members for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; and
- reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate.

Nomination Committee

We have established the Nomination Committee (effective from the Listing Date) 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 Nomination Committee consists of three Directors, being Dr. Leung, Mr. Ping Cho Terence HON and Mr. Dylan Carlo TINKER. The chairperson of the Nomination Committee is Dr. Leung. The primary duties of the Nomination Committee include, among others, the following:

- reviewing periodically the structure, size and composition of our Board at least annually, and advising on any changes of our Board proposed in accordance with the corporate strategies of our Company;
- formulating the criteria and procedures for selecting Directors and senior management members, and making recommendations to the Board;

- extensively identifying qualified candidates for Directors and senior management members, and making recommendations to the Board;

- conducting the preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to our Board on the selection; and

- assessing the independence of independent non-executive Directors.

DEVIATION FROM CORPORATE GOVERNANCE CODE

Pursuant to code provision A.2.1 in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the responsibilities between the chairman and chief executive of companies listed on the Stock Exchange should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer. Dr. Leung currently performs these two roles. Our Board believes that Dr. Leung is the Director best suited to identify strategic opportunities and focus of our Board due to his extensive understanding of our business as a founder and our chief executive officer. Our Board further believes that the combined role of chairman and chief executive will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Dr. Leung and our other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among others, that he/she acts for the benefit and in the best interests of our Company as a whole and will make decisions for our Company accordingly; (iii) the balance of power and authority is ensured by the operations of the Board, which consists of one executive Director (Dr. Leung), five non-executive Directors and three independent non-executive Directors, and has a fairly strong independence element; and (iv) the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels.

We will continue to review our corporate governance policies and compliance with the Listing Rules, and will adhere to the relevant principles as set out in the Corporate Governance Code after the Listing. Saved as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive and independent non-executive Directors receive compensation in the form of fees, salaries, bonuses, other allowances and benefits in kind, including our Company's contribution to the pension scheme on their behalf. We determine the salaries of our Directors based on each Director's responsibilities, qualification, position and seniority.

The aggregate amount of remuneration paid by us to our Directors for the two years ended December 31, 2017 and 2018 and four months ended April 30, 2019 were approximately RMB1.98 million, RMB2.15 million and RMB0.88 million, respectively.

It is estimated that remuneration and benefit in kind (excluding any possible payment of discretionary bonus) equivalent to approximately RMB3 million in aggregate will be paid and granted to our Directors by us for the year ending December 31, 2019, based on the arrangements in force as of the date of this prospectus.

The aggregate amount of remuneration paid by us to our five highest paid individuals (including our Directors, senior management members and employees) for the two years ended December 31, 2017 and 2018 and four months ended April 30, 2019 were approximately RMB8.32 million, RMB4.26 million and RMB1.87 million, respectively.

No compensation was paid by us to our Directors and our five highest paid individuals as an inducement to join, or upon joining, our Group during the Track Record Period. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors had waived or agreed to waive any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on our highest paid individuals, please see Note 9 of the Accountants' Report set out in Appendix I to this prospectus.

EMPLOYEE INCENTIVE SCHEMES

For details of our Employee Stock Incentive Plan and our Scheme, see "Statutory and General Information – D. Employee Stock Incentive Plan" and "Statutory and General Information – E. Scheme" in Appendix IV to this prospectus.

COMPLIANCE ADVISOR

We have appointed Orient Capital as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will advise our Company in the following circumstances, including:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor will commence on the Listing Date and is expected to end on the date of distribution of the annual report of the financial results of our Company for the first full financial year commencing after the Listing Date or on the date of the termination of the contract, whichever is earlier.

DIVERSITY

We are committed to promote diversity in our Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure.

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, nationality, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotech, clinical research, life science, finance, investment, auditing and accounting. They obtained degrees in various areas including molecular biology, clinical medicine, biomedical engineering, biochemistry, flight vehicle engineering, economics, finance, management science and engineering and business administration. Furthermore, our Directors range from 29 years old to 60 years old. We have one female member on our Board.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Subsequent to the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report the implementation of the board diversity policy on an annual basis.

KEY TERMS OF EMPLOYMENT CONTRACTS

The key terms of the employment contracts which are entered into between our Group and our senior management and other key personnel are set out below:

- *Confidentiality*. An employee shall keep confidential the Confidential Information (as defined below) during the term of employment or at any time after the termination of employment (until such information becoming generally available to the public other than as a result of a breach by such employee) and shall not directly or indirectly use or disclose it to other personnel or institutions for any reason whatsoever without our prior written authorization or consent. The confidential information includes any form of proprietary information, technical data, know-how, business information and other information and information obtained or known by the employee during the term of employment, including but not limited to (i) all information concerning the products, research and development, discoveries and inventions, scientific conceptions, and all research information, such as studies, test results, reports, surveys, records, data, statistics, assessments, formulations; (ii) all information concerning the business, affairs, finance, personnel, corporate and organization structure, clients, associates, and any information about such clients and associates; (iii) trade secrets, proprietary information, and any other information identified or treated as confidential by the employer or any of its clients, customers, consultants, licensees or affiliates (the "**Confidential Information**").

- *Work Products*. During the term of the employment with our Group, an employee acknowledges and agrees that our Group shall have a complete, absolute and exclusive interest in the Work Products (as define below) that such employee produces, solely or jointly with others. "**Work Products**" refers to any and all discoveries, inventions, ideas, concepts, researches, information, processes, products, techniques, methods and improvements, documents and materials, conceived, developed, or otherwise made or procured by such employee alone or jointly with others during the period of the employment and in any way relating to the present or prospective products or services of our Group, or to the tasks assigned to such employee during the course of the employment, whether or not patentable or subject to copyright, whether or not reduced to tangible form or reduced to practice, whether or not made during an employee's regular working hours, whether or not made on our premises.

- *Non-competition*. During the term of the employment with our Group and within 12 to 36 months after the termination of employment with our Group, an employee shall not serve in any capacity at any company, or have any interest in a business, which may directly or indirectly compete with us.

- *Non-solicitation*. Within 12 months after the termination of employment with our Group, an employee shall not directly or indirectly, (i) solicit, induce, recruit or encourage any of our senior management or employees to leave their employment; or (ii) solicit or otherwise induce or influence our clients to restrict or cancel their business relationship with us.

INFORMATION OF A COMPANY IN WHICH OUR SENIOR MANAGEMENT IS INTERESTED

Mr. Jing QIANG ("**Mr. Qiang**"), the president of our Company, controlled the majority of voting power as a shareholder in and is a chairman and the legal representative of Suzhou Sinovent Pharmaceutical Technology Co., Ltd.* ("**Suzhou Sinovent**," 蘇州信諾維醫藥科技有限公司) as of the Latest Practicable Date. Our Company entered into a technology transfer and collaboration agreement (the "**BTK Transfer and Collaboration Agreement**") with Suzhou Sinovent in March 2019, the details of which, see " Connected Transactions – One-Off Transactions Before Listing – 1) Subject Transfer under the BTK Transfer and Collaboration Agreement." Mr. Qiang is the spouse of Ms. Wenyi LIU ("**Ms. Liu**"), our non-executive Director. Mr. Qiang has confirmed that he holds his interest in Suzhou Sinovent for his own benefit and not on behalf of or jointly with Ms. Liu. In addition, Ms. Liu has confirmed that she has no interest in any competing business for the purpose of Rule 8.10(2) of the Listing Rules.

Dr. Haigang CHEN ("**Dr. Chen**"), our non-executive Director, is the supervisor of Suzhou Sinovent. Xingze Xinghe, one of our Pre-IPO Investors, appointed Dr. Chen and Ms. Liu as directors of our Company in connection with its investment in our Company. As of the Latest Practicable Date, Xingze Xinghe held approximately 7.37% equity interests in Suzhou Sinovent and 11.30% equity interests in our Company (through Apricot Oversea), respectively.

Taking into account the terms of the BTK Transfer and Collaboration Agreement, our Directors consider that there is no competition between Suzhou Sinovent and our Group based on the following grounds:

(i) BTK inhibitor – The subject under the BTK Transfer and Collaboration Agreement is the techniques and applications of BTK inhibitor, a small molecule NCE (which we subsequently named SN1011 in terms of indications related to immunological diseases and all proprietary rights and interests attaching to it (the "**Subject**"). On the other hand, Suzhou Sinovent continues the development of the techniques and applications of BTK inhibitor in terms of indications related to oncology diseases and will refrain from engaging in the field of immunological diseases. Based on the above, our Directors are of the view that the drug products, as a result of applying BTK inhibitor in terms of indications related to treating immunological diseases and oncology diseases, are not substitutable.

(ii) Expertise requirement – There is a clear business delineation between Suzhou Sinovent and us because Suzhou Sinovent's business concentrates on the research, development, manufacturing and commercialization of therapeutic products for the treatment of tumor, central nervous system and infection. On the other hand, our business focuses on the research, development, manufacturing and commercialization of mAb-based biologics for the treatment of immunological diseases. The expertise required by our Group and Suzhou Sinovent for R&D and sales of drugs of respective drug products is different.

(iii) Operations and management – Despite being a director of Suzhou Sinovent, Mr. Qiang has confirmed that he does not involve in the day-to-day operations of Suzhou Sinovent. Mr. Qiang's principal responsibilities in Suzhou Sinovent are strategic planning and investments. In addition, despite being a supervisor of Suzhou Sinovent, Dr. Cheng has confirmed that he does not involve in the day-to-day operations of Suzhou Sinovent. Dr. Chen's principal responsibilities in Suzhou Sinovent are supervising Suzhou Sinovent to prevent abuse of power and infringing interests of its shareholders. Our Directors confirmed that none of our current Directors and our senior management, except for Mr. Qiang and Dr. Chen, holds any equity interest, has any positions or assumes any role Suzhou Sinovent. Dr. Leung our executive Director, the Chairman of our Board and our chief executive officer, will be in charge of the matters under the BTK Transfer and Collaboration Agreement. Accordingly, the operations of our Group are independently of and separate from Suzhou Sinovent.

In the event the BTK Transfer and Collaboration Agreement is terminated, we will be required to revert the Subject to Suzhou Sinovent and there may be certain potential competition between Suzhou Sinovent and our Group to the limited extent of the techniques and applications of BTK inhibitor in terms of indications related to immunological diseases (the "**Discontinued Business**"). Our Directors believe that there are also adequate corporate governance measures in place to manage the potential conflict of interests between our Suzhou Sinovent and our Group in respect of the Discontinued Business and to safeguard the interests of our Company and our Shareholders taken as a whole for the following reasons:

(i) Mr. Qiang has undertaken to our Company that, for so long as he remains a senior management of our Group and in the event the BTK Transfer and Collaboration Agreement is terminated, he will restrict himself from participating in the development, management and operation of the Discontinued Business and from receiving any information relating to the Discontinued Business in our Company;

(ii) in addition, Mr. Qiang has undertaken to our Company that, for so long as he remains a shareholder or director of Suzhou Sinovent, he will refrain himself from receiving any information in relation to the Subject or being involved in any decision making in respect of the Subject;

(iii) our independent non-executive Directors, who have requisite knowledge, industry experience and expertise, will advise on the transactions and business decisions in respect of the Discontinued Business and the overlapping Directors would abstain from voting; and

(iv) we will engage additional independent consultants to provide advice to our independent non-executive directors where needed.

So far as our Directors are aware, immediately following the completion of the Bonus Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have or be deemed or taken to have an interest and/or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Name	Nature of Interest[1]	Shares held as of the Latest Practicable Date (assuming the Series A Preference Shares, Series B Preference Shares and Series C Preference Shares are converted into Shares)		Shares held immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is fully exercised)	
		Number	Percentage	Number	Percentage[2]	Number	Percentage
Skytech Technology[3][4]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Dr. Leung[4]	Interest in a controlled corporation	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Forbest Capital[3][5]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
For Best Holding[3][5]	Interest in a controlled corporation	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Ms. Tian[5]	Interest in a controlled corporation	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Mr. Kang WENG[5]	Interest in a controlled corporation	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Dr. Kwan Yin SIU	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Dr. Ming Hon YAU[3]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Dr. Ka Wa Benny CHEUNG[3]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Mr. Kwan Yeung LEE[3]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Ms. Chau Yin Janet TSUI[3]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Mr. Guolin XU[3]	Interest of a party to an agreement regarding interest in our Company	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Mr. Huiyuan MA[6]	Interest of spouse	1,947,346	47.26%	389,469,200	38.71%	389,469,200	37.68%
Hainan Haiyao	Beneficial interest	760,201	18.45%	152,040,200	15.11%	152,040,200	14.71%
Apricot Oversea[7]	Beneficial interest	541,583	13.14%	108,316,600	10.76%	108,316,600	10.48%

Name	Nature of Interest[1]	Shares held as of the Latest Practicable Date (assuming the Series A Preference Shares, Series B Preference Shares and Series C Preference Shares are converted into Shares)		Shares held immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is fully exercised)	
		Number	Percentage	Number	Percentage[2]	Number	Percentage
West Biolake[8]	Beneficial interest	361,745	8.78%	72,349,000	7.19%	72,349,000	7.00%
Shanghai Yueyi Investment Center (Limited Partnership)* (上海月溢投資中心(有限合夥))[7][9] . . .	Interest in a controlled corporation	1,064,447	25.83%	212,889,400	21.16%	212,889,400	20.60%
Apricot Capital (上海杏澤投資管理有限公司)[7][8][9]. . .	Interest in a controlled corporation	1,064,447	25.83%	212,889,400	21.16%	212,889,400	20.60%
Ms. Wenyi LIU[7][8][9].	Interest in a controlled corporation	1,064,447	25.83%	212,889,400	21.16%	212,889,400	20.60%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,006,240,400 Shares in issue after the completion of the Bonus Issue and immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(3) Pursuant to the Concert Party Agreement, for details of which, please see "Relationship With Our Controlling Shareholders – Our Controlling Shareholders."

(4) As of the Latest Practicable Date, Skytech Technology was wholly-owned by Dr. Leung. Under the SFO and pursuant to the Concert Party Agreement, Dr. Leung is deemed to be interested in the 894,218 Shares held by Skytech Technology.

(5) As of the Latest Practicable Date, Forbest Capital was wholly held by For Best Holding which was held by Ms. Tian and Mr. Kang Weng as to 90% and 10%, respectively. Under the SFO and pursuant to the Concert Party Agreement, each of Ms. Tian and Mr. Weng is deemed to be interested in the 997,382 Shares held by Forbest Capital.

(6) Mr. Huiyuan MA, our non-executive Director, is the spouse of Ms. Tian. Therefore, Mr. Ma is deemed to be, or taken to be, interested in Ms. Tian's interest in our Company by virtue of the SFO.

(7) Apricot Oversea is the overseas holding platform of Xingze Xinghe and Jianyi Xinghe, holding as to approximately 11.30% and 1.84% of our issued share capital as of the Latest Practicable Date, respectively. Apricot Capital (上海杏澤投資管理有限公司) is the general partner of Jianyi Xinghe. Apricot Capital and Shanghai Yueyi Investment Center (Limited Partnership)* ("**Yueyi Investment**," 上海月溢投資中心(有限合夥)) are the co-general partners of Xingze Xinghe. For the purpose of the SFO, Apricot Capital and Yueyi Investment are deemed to have an interest in the Shares held by Apricot Oversea.

(8) West Biolake is the overseas holding platform of Xingze Xingzhan. Apricot Capital is the general partner of Xingze Xingzhan. For the purpose of the SFO, Apricot Capital is deemed to have an interest in the Shares held by West Biolake.

(9) Save as Apricot Capital's deemed interest in West Biolake and Apricot Oversea under the purpose of the SFO, Apricot Capital is the general partner of Xingze Xingzhan. Apricot BioScience held approximately 1.60% of our issued share capital as of the Latest Practicable Date. Le Rong Limited and Zliverland Holdings Limited are the overseas holding platforms of Xingze Xingzhan, holding as to approximately 1.33% and 0.98% of our issued share capital as of the Latest Practicable Date, respectively.

Apricot Capital was owned by Ms. Liu, our non-executive Director, and Shanghai Zuohe Investment Management Co., Ltd.* ("**Zuohe Investment**," 上海佐禾投資管理有限公司) as to 40% and 60%, respectively as of the Latest Practicable Date. Zuohe Investment was owned by Ms. Liu and an independent third party as to 51% and 49% as of the Latest Practicable Date, respectively. For the purpose of the SFO, Ms. Liu is deemed to have an interest in the Shares held by Apricot Capital and Zuohe Investment for the purpose of the SFO.

Save as disclosed above and in the section "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 2. Substantial Shareholders" in Appendix IV to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Bonus Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will 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 any other members of our Group.

SHARE CAPITAL

As of the Latest Practicable Date, the issued shares in our Company comprised fully-paid 2,334,310 Ordinary Shares, 608,383 Series A Preference Shares, 855,624 Series B Preference Shares and 322,238 Series C Preference Shares. Pursuant to the Companies Ordinance, with effect from March 3, 2014, companies incorporated in Hong Kong no longer have an authorized share capital and there is no longer the concept of par value in respect of issued shares. Accordingly, our Company does not have authorised share capital and our Shares have no par value.

Details of the issued share capital of our Company immediately following the Bonus Issue and immediately following the completion of the Global Offering are set out below:

Issued and to be issued, fully paid or credited as fully paid:	**Number of Shares**
Shares in issue as of the date of this prospectus	4,120,555
Shares to be issued pursuant to the Bonus Issue	819,990,445
Shares to be issued pursuant to the Global Offering (assuming the Over-allotment Option is not exercised)	182,129,400
Total	1,006,240,400

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. It takes no account of any Shares (i) which may be issued pursuant to the exercise of the Over-allotment Option; or (ii) which may be allotted and repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below or otherwise.

RANKING

The Offer Shares and the Shares which may be issued under the Global Offering will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus (save for entitlements to the Bonus Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares, particulars of which are set out in "Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 3. Resolutions in Writing of all our Shareholders passed on October 18, 2019" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to repurchase Shares, particulars of which are set out in "Statutory and General Information – A. Further Information about our Company and our Subsidiaries – 3. Resolutions in Writing of all our Shareholders passed on October 18, 2019" in Appendix IV to this prospectus.

EMPLOYEE STOCK INCENTIVE PLAN

The Employee Stock Incentive Plan was adopted by our Board in March 2016 and subsequently amended in May 2017. For a summary of the principal terms of the Employee Stock Incentive Plan, see "Statutory and General Information – D. Employee Stock Incentive Plan" in Appendix IV to this prospectus.

SCHEME

The Scheme was conditionally adopted by our Shareholders on October 18, 2019 with the effect from the Listing Date. For a summary of the principal terms of the Scheme, see "Statutory and General Information – E. Scheme" in Appendix IV to this prospectus.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. Our audited consolidated financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance 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 events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this prospectus, including those set forth in "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a Hong Kong-based biopharmaceutical company dedicated to the research, development, manufacturing and commercialization of therapeutics for the treatment of immunological diseases, primarily mAb-based biologics. With Hong Kong-based R&D and PRC-based manufacturing capabilities, we have built a pipeline of complementary mAb-based biologics and new chemical entities that address indications against a plethora of immunological diseases. Our flagship product, SM03, is a potential global first-in-target mAb for the treatment of rheumatoid arthritis ("**RA**") that is currently in Phase III clinical trial for RA in China, with patient enrollment targeted for completion by the end of 2019. SM03 has also completed Phase I clinical trial for non-Hodgkin's lymphoma ("**NHL**") and systemic lupus erythematosus ("**SLE**") with Phase II clinical trial for SLE planned to begin in 2020. SN1011, our third-generation covalent reversible Bruton's tyrosine kinase ("**BTK**") inhibitor designed for the treatment of RA, SLE and pemphigus for long term administration, is currently under Phase I clinical trials in Australia. As of the Latest Practicable Date, we had four other drug candidates in the IND-enabling stage. Our products are strategically tailored to provide patients with multiple treatment options, and are complementary for the purpose of chronic disease management. Our vision is to become a global leader in the innovation of therapeutics for immunological diseases. During the Track Record Period, we did not commercialize any products and therefore did not generate any revenue from sale of products.

BASIS OF PRESENTATION

Our Company was incorporated as a limited liability in the Hong Kong on April 27, 2001. Our Company, as the holding company of our business, owns subsidiaries in China that are principally engaged in the research and development of biological products and the production of clinical products. See "History, Development and Group Structure" in this prospectus for more details. Our consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss ("**FVTPL**") which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. 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.

We elected to early adopt HKFRS 9 (financial instruments), HKFRS 15 (revenue from contracts with customers) and HKFRS 16 (leases), which were applied in the preparation of our financial information throughout the Track Record Period. The adoption of HKFRS 9 and HKFRS 15 has no significant impact on our financial position and performance when compared to HKAS 39 and HKAS 18. The adoption of HKFRS 16 has no material impact on our financial position and performance compared to HKAS 17. For more information on our early adoption of certain Hong Kong Financial Reporting Standards, see notes 2.2 and 2.3 to the Accountants' Report set out in Appendix I.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations, financial condition and the period-to-period comparability of our financial results are principally affected by the following factors:

Regulatory Approval and Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates. We have a pipeline of six drug candidates that target immunological diseases with largely unmet medical needs and large total addressable market, including SM03, the only anti-CD22 therapeutic mAb used in its naked form to have entered Phase III clinical studies. While we currently have no products approved for commercial sales and have not generated any revenue from product sales, we expect to commercialize one or more of our drug candidates over the coming years as they move toward the final stages of development and if they receive the requisite regulatory approvals. See "Business – Our Product Pipeline" for more information on the development status of our various drug candidates.

The gateway to the commercialization of our drug candidates in various markets is regulatory approval. The time required to obtain approval by the NMPA, FDA, EMA or other comparable regulatory authorities is unpredictable but typically takes several years following the commencement of clinical trials. SM03, our flagship product, and some of our other product candidates are novel therapeutics for the treatment of immunological diseases. Any modification to the protocols related to the demonstration of safety or efficacy of our drug candidates may delay regulatory approval. Any delays in the regulatory approval of any of our drug candidates in major markets will delay our ability to generate product sales revenues from those drug candidates in those markets and adversely affect our results of operations. For more information about the regulatory approval process and potential for delay, see "Regulatory Overview" and "Risk Factors — Risks Relating to Our Drug Candidates."

Operating Costs

Our results of operations are significantly affected by our cost operating structure, which during the Track Record Period, comprised primarily research and development costs and administrative expenses.

Our research and development costs consisted mainly of laboratory consumable and experiment costs (including contracting costs for outsourced research and development activities); employment costs (including salaries, retirement benefits and share-based compensation expenses for research and development personnel); depreciation of right-of-use assets and repair and maintenance costs of laboratory equipment; and Co-Development Fees. Our current research and development activities mainly related to the preclinical and clinical advancements of our drug candidates, in particular SM03, our Core Product undergoing Phase III clinical trials. For details of research and development costs during the Track Record Period, see "— Discussion of Certain Key

Statement of Profit or Loss and Other Comprehensive Income Items — Research and Development Costs." For details of Co-Development Fees paid to our strategic partner LifeArc, see "Business — Collaboration with Third Parties — Collaboration with LifeArc — Payment and Fees."

Our administrative expenses consisted mainly of employee costs (including salaries, retirement benefits and share-based compensation expenses for administrative personnel); depreciation of right-of-use assets; consulting and auditing fees; rental and property management fees, and depreciation and amortization. For details of administrative expenses during the Track Record Period, see "— Discussion of Certain Key Statement of Profit or Loss and Other Comprehensive Income Items — Administrative Expenses." We anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

During the Track Record Period, we did not incur any sales and marketing expenses or production costs, but we expect to incur such expenses and costs once our products enter the commercialization phase.

Milestone Payments and Revenue Sharing

Pursuant to our agreements with co-development partners, we have agreed to make certain payments such as Co-Development Fees when the co-developed product candidates reach different milestones during the drug development process. In addition, we have agreed to share revenue from our future drug sales contemplated under collaboration agreements. The timing of these payments, the mix of future products sold (which may be subject to different revenue sharing percentages), and the markets in which they are sold will have an effect on our profitability. For details, see "Business — Collaboration with Third Parties."

Financing for Our Operations

During the Track Record Period, we funded our operations primarily through equity and debt financing. Upon the successful commercialization of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our commercialized drug products. In the continuing expansion of our business we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources. Any fluctuation in the funding for our operations will impact our cash flows and our results of operations. For details of our equity financing, see "History, Development and Group Structure — Pre-IPO Investments."

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles that conform with HKFRSs issued by the HKICPA and accounting principles generally accepted in Hong Kong. The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances. 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.

Our most significant accounting policies and estimates are summarized below. See note 2.4 and note 3 to the Accountants' Report set out in Appendix I for a detailed description of our significant accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations.

Research and development costs

All of our research and development 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 we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred. The determination of the amounts of research and development costs to be capitalized requires judgement and estimation.

Leases

We account for our long-term leases in accordance with HKFRS 16, which requires all long-term leases, including future operating lease commitments, to be recognized in the form of an asset (representing the right-of-use) during the lease term and a financial liability (representing the discounted payment obligation). Leases of low-value assets and short-term leases are exempt from HKFRS 16. The amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the term of the lease using the straight-line method.

Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants acting in their best economic interest would use when pricing the asset or liability. Our 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 that is accessible by us. 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. For more information about our valuation techniques used in the measurement of fair value in our financial statements, see note 2.4 of the Accountants' Report set out in Appendix I.

Share-based payment arrangements

We operate a share award for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Employees receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model. The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each recording period until the vesting date reflects the extent to which the vesting period has expired and our best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of the reporting period.

Foreign currencies

Our historical financial information is presented in Renminbi. The Company and each of our subsidiaries determine its own functional currency, and items included in their stand-alone accounts are measured using their respective functional currency. Foreign currency transactions are initially recorded by each subsidiary in their respective functional currency at exchange 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 prevailing at the end of each reporting period. The differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

The functional currency of the Company is HKD. As of the end of each record period, the assets and liabilities of the Company are translated into RMB at the exchange rates prevailing at the end of the record period and the Company's statement of profit or loss is translated into RMB at the weighted average exchange rates for the year or period. The resulting exchange differences are recognized in other comprehensive income.

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, we 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 our experience 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 reporting period based on changes in circumstances.

DISCUSSION OF CERTAIN KEY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

The following table summarizes our consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2017 and 2018 and the four months ended April 30, 2018 and 2019, respectively:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Other income and gains	3,411	8,666	125	50
Research and development costs	(32,603)	(47,283)	(13,371)	(20,209)
Administrative expenses	(6,992)	(8,996)	(2,579)	(6,870)
Finance costs	(2,961)	(3,030)	(999)	(959)
Other expenses	(12,756)	(32,967)	(6,971)	(410)
LOSS BEFORE TAX	(51,901)	(83,610)	(23,795)	(28,398)
LOSS FOR THE YEAR/PERIOD	(51,901)	(83,610)	(23,795)	(28,398)
Attributable to:				
Owners of the parent	(47,974)	(83,610)	(23,795)	(28,398)
Non-controlling interests	(3,927)	–	–	–
	(51,901)	(83,610)	(23,795)	(28,398)

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
LOSS FOR THE YEAR/PERIOD	(51,901)	(83,610)	(23,795)	(28,398)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the Company	(1,654)	4,331	(120)	(1,037)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD	(53,555)	(79,279)	(23,915)	(29,435)
Attributable to:				
Owners of the parent	(49,628)	(79,279)	(23,915)	(29,435)
Non-controlling interests	(3,927)	–	–	–
	(53,555)	(79,279)	(23,915)	(29,435)

Revenue

We did not generate any revenue for the years ended December 31, 2017 and 2018 and the four months ended April 30, 2018 and 2019.

Other Income and Gains

Our other income and gains consisted of bank interest income, dividend income from equity investments at FVTPL, net gain in the changes of fair value of equity investments at FVTPL, governmental subsidy, and net foreign exchange gain. Net foreign exchange gain accounts for the differences between the recording and settlement of foreign currency transactions arising from changes in exchange rates.

The following table summarizes a breakdown of our other income and gains for the years ended December 31, 2017 and 2018 and for the four months ended April 30, 2018 and 2019:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income and gains				
Bank interest income	39	116	41	50
Dividend income from equity investments at FVTPL	2,097	1,855	–	–
Governmental subsidy	–	1,480	–	–
Net gain in the changes of fair value of equity investments at FVTPL	–	5,211	–	–
Foreign exchange gain, net	1,275	–	84	–
Others	–	4	–	–
	3,411	8,666	125	50

Research and Development Costs

Our research and development costs mainly consisted of laboratory consumables and experiment costs, which included raw materials and CRO service costs; employment costs of employees engaged in research and development, including salaries, retirement benefits, share-based compensation; depreciation of right-of-use assets relating to leases of research facilities; depreciation of research and testing equipment; consulting fees for research experts and scientific conferences; travel expenses; repair and maintenance costs of research and testing equipment; shipping costs; Co-Development Fees relating to milestone payments under collaboration agreement and patent costs.

The table below summarizes a breakdown of our research and development costs for years ended December 31, 2017 and 2018 and for the four months ended April 30, 2018 and 2019:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Laboratory consumables and experiment costs[(1)]	15,069	32,160	9,136	12,923
Employment costs	13,313	8,683	2,778	3,601
Depreciation of right-of-use assets	2,752	2,752	917	917
Depreciation of research and test equipment	914	876	277	309
Consulting fees	111	1,082	9	237
Travel expenses	292	800	135	306
Repair and maintenance costs	117	743	87	158
Co-Development Fees	–	–	–	1,689
Patent fees	26	57	22	62
Shipping costs	9	130	10	7
	32,603	47,283	13,371	20,209

Note:

(1) Laboratory consumables and experiment costs include CRO service costs, which were approximately nil, RMB14.6 million, nil and RMB7.2 million, for the years ended December 31, 2017 and 2018 and the four months ended April 30, 2018 and 2019, respectively.

During the Track Record Period, research and development costs attributable to our Core Product were approximately RMB32.6 million, RMB47.1 million, RMB13.4 million and RMB18.2 million, for the years ended December 31, 2017 and 2018 and the four months ended April 30, 2018 and 2019, respectively.

Administrative Expenses

Our administrative expenses consisted of employee costs of administrative personnel, including salaries, retirement benefits and share-based compensation; depreciation of right-of-use assets relating to leases of office space; rental and property management fees; depreciation and amortization; consulting and audit fees for consulting, auditing, legal and other professional advisory services; listing expenses; office expenses; transportation costs; and others. The table below summarizes a breakdown of our administrative expenses for years ended December 31, 2017 and 2018 and for the four months ended April 30, 2018 and 2019:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Employment costs	3,956	4,509	1,067	2,267
Depreciation of right-of-use assets	1,063	1,515	354	1,053
Consulting and audit fees	213	701	207	83
Listing expenses	–	410	410	2,436
Rental and property management fees	793	759	271	251
Depreciation and amortization	189	199	106	185
Transportation costs	150	117	30	41
Office expenses	112	156	37	288
Others	516	630	97	266
	6,992	8,996	2,579	6,870

Finance Costs

Our finance costs consisted primarily of the interest portion of lease liabilities and interest on other borrowings. The table below summarizes a breakdown of our finance costs for years ended December 31, 2017 and 2018 and for the four months ended April 30, 2018 and 2019:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest portion of lease liabilities	1,961	2,121	665	792
Interest on other borrowings	1,000	909	334	167
	2,961	3,030	999	959

Other Expenses

Our other expenses consisted primarily of net loss in the changes of fair value of equity investments at FVTPL, loss on derecognition of equity investments at FVTPL and net foreign exchange loss. The table below summarizes a breakdown of our finance costs for years ended December 31, 2017 and 2018 and for the four months ended April 30, 2018 and 2019:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net loss in the changes of fair value of equity investments at FVTPL	12,617	–	6,965	–
Loss on derecognition of equity investment at fair value	123	29,694	–	–
Foreign exchange loss, net	–	2,652	–	395
Others	16	621	6	15
	12,756	32,967	6,971	410

Exchange Differences Arising from Translation of Foreign Operations

Exchange gains or losses arising from the translation of HKD, the functional currency of our Company, to RMB, the presentation currency of our Group, are recognized in our other comprehensive income. For the years ended December 31, 2017 and 2018, and the four months ended April 30, 2018 and 2019, the exchange differences arising from translation were loss of RMB1.7 million, gain of RMB4.3 million, loss of RMB0.1 million and loss of RMB1.0 million, respectively. The foreign exchange gain in 2018 was attributable to the weakening of the RMB to HKD in 2018. The foreign exchange losses were due to the strengthening of the RMB to HKD in the other periods.

TAXATION

Hong Kong

We are incorporated in Hong Kong and is subject to Hong Kong profits tax at the rate of 16.5% on assessable profits earned in Hong Kong. No provision for taxation in Hong Kong has been made as we do not have income either arises in, or is derived from, Hong Kong during the Track Record Period.

China

Our subsidiaries in China are subject to Enterprise Income Tax (the "**EIT**") on the taxable income, and pursuant to the EIT laws and regulations, the basic tax rate of our subsidiaries in China is 25%.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2019 Compared with Four Months Ended April 30, 2018

Other Income and Gains. Our other income and gains were largely stable, at about RMB0.1 million, for the four months ended April 30, 2018 and 2019, respectively.

Research and Development Costs. Our research and development costs increased by RMB6.8 million from RMB13.4 million for the four months ended April 30, 2018 to RMB20.2 million for the four months ended April 30, 2019. This increase was primarily attributable to increases in laboratory consumables and experiment costs, employment costs and Co-Development Fees in the four months ended April 30, 2019 with the advancement in the research and development of our drug candidates.

Administrative Expenses. Our administrative expenses increased by RMB4.3 million from RMB2.6 million for the four months ended April 31, 2018 to RMB6.9 million for the four months ended April 30, 2019. This increase was primarily attributable to increases in the four months ended April 30, 2019 of (i) listing expenses, (ii) depreciation of right of use assets from additional leased properties and (iii) employment costs from additional hiring and salary increase for existing employees.

Finance Costs. Our finance costs remained largely stable, at about RMB1.0 million for the four months ended April 30, 2018 and 2019, respectively.

Other Expenses. Our other expenses decreased by RMB6.6 million from RMB7.0 million for the four months ended April 30, 2018 to RMB0.4 million for the four months ended April 30, 2019. This decrease was primarily attributable to the absence of any loss from equity investments at FVTPL in the four months ended April 30, 2019, after all such investments had been disposed and derecognized in 2018.

Year Ended December 31, 2017 Compared with Year Ended December 31, 2018

Other Income and Gains. Our other income and gains increased by RMB5.3 million from RMB3.4 million for the year ended December 31, 2017 to RMB8.7 million for the year ended December 31, 2018. This increase in other income and gains was primarily attributable to an increase in net gain in the changes of fair value of equity investments at FVTPL and governmental subsidy received in the year ended December 31, 2018 from the Development Center for Medical Science & Technology of the PRC National Health Commission in support of clinical testing of monoclonal antibodies.

Research and Development Costs. Our research and development costs increased by RMB14.7 million from RMB32.6 million for the year ended December 31, 2017 to RMB47.3 million for the year ended December 31, 2018. This increase was primarily attributable to the advancement of SM03 clinical testing, which increased laboratory consumables and experiment costs and consulting costs.

Administrative Expenses. Our administrative expenses increased by RMB2.0 million from RMB7.0 million for the year ended December 31, 2017 to RMB9.0 million for the year ended December 31, 2018. This increase was primarily attributable to increases in 2018 of (i) employment costs from additional hiring and salary increase for existing employees, and (ii) audit and professional fees mainly related to the Series E Investment.

Finance Costs. Our finance costs remained largely stable, at about RMB3.0 million for the years ended December 31, 2017 and 2018, respectively.

Other Expenses. Our other expenses increased by RMB20.2 million, from RMB12.8 million for the year ended December 31, 2017 to RMB33.0 million for the year ended December 31, 2018. This increase was attributable to the loss on derecognition of equity investments at FVTPL from our disposal of the listed shares of HPGC Renmintongtai Pharmaceutical Corp in 2018.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which, except as otherwise indicated, have been extracted from the Accountants' Report set out in Appendix I:

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Total non-current assets	34,810	38,549	46,131
Total current assets	126,826	50,270	200,754
Total assets	161,636	88,819	246,885
Total current liabilities	184,907	28,419	21,206
Total non-current liabilities	27,681	32,994	28,286
Total liabilities	212,588	61,413	49,492
Equity attributable to owners of the parent			
Share capital	152,532	301,532	500,954
Reserves	(203,484)	(274,126)	(303,561)
Total equity	(50,952)	27,406	197,393

Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of April 30,	As of August 31,
	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
CURRENT ASSETS				
Prepayments, deposits and other receivables	13,890	8,758	4,309	10,912
Financial assets at FVTPL	46,840	–	–	–
Cash and cash equivalents	66,096	41,512	196,445	135,872
Total current assets	126,826	50,270	200,754	146,784
CURRENT LIABILITIES				
Other payables and accruals	608	1,146	4,102	5,896
Lease liabilities (current portion)	14,299	17,273	7,104	8,140
Other borrowings	170,000	10,000	10,000	–
Total current liabilities	184,907	28,419	21,206	14,036
Total Net Current Assets/(Liabilities)	(58,081)	21,851	179,548	132,748

The net current liabilities of RMB58.1 million recorded as of December 31, 2017 were mainly due to RMB170 million from two shareholder loans then outstanding, one of which was repaid in full in 2018 and the other was paid down to RMB10 million in 2018 and fully repaid as of August 31, 2019. The net current assets of RMB21.9 million as of December 31, 2018 and RMB179.5 million of April 30, 2019 reflects the proceeds received from the Series D and Series E Investments from Pre-IPO Investors. The net current assets decreased to RMB132.7 million as of August 31, 2019 primarily due to cash spent on research and development activities and investments in non-current assets such as R&D equipment.

Prepayments, Deposits and Other Receivables

Prepayments, deposits and other receivables consisted primarily of prepayments for the purchase of CRO services in connection with clinical studies. Other receivables include deposits for rental property and utilities, and capitalized listing expenses. The following table sets forth the prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments	13,631	7,655	2,878
Other receivables	259	1,103	1,431
	13,890	8,758	4,309

Our prepayments, deposits and other receivables decreased from RMB13.9 million as of December 31, 2017 to RMB8.8 million as of December 31, 2018 to RMB4.3 million as of April 30, 2019. The decreases were mainly due to the prepayment in 2017 for CRO services in connection with clinical studies for SM03, which has been gradually expensed with the advancement of clinical studies in subsequent periods.

Financial Assets at FVTPL

During the Track Record Period, our financial assets at FVTPL consisted entirely of listed equity investments at fair value. Our financial assets at FVTPL decreased from RMB46.8 million as of December 31, 2017 to nil as of December 31, 2018 after we disposed and derecognized our investment in the listed shares of HPGC Renmintongtai Pharmaceutical Corp in 2018. The investments in financial assets at FVTPL during the Track Record Period were made in accordance with guidelines set by our Board of Directors.

Cash and Cash Equivalents

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and bank balances	66,096	41,512	196,445
Denominated in:			
RMB	62,126	8,096	103,057
United States dollars	3,329	28,442	89,785
Hong Kong dollars	641	4,974	3,603
Cash and cash equivalents	66,096	41,512	196,445

Our cash and cash equivalents decreased from RMB66.1 million as of December 31, 2017 to RMB41.5 million as of December 31, 2018, and increased to RMB196.4 million as of April 30, 2019. The decrease in 2018 was mainly due to repayment of other borrowings and cash used in operations, which offset proceeds of Series D Investment from Pre-IPO Investors. The increase in the four months ended April 30, 2019 is mainly attributable to proceeds of Series E Investment from Pre-IPO Investors.

Other Payables and Accruals

Our other payables and accruals consist of amounts due to a related party, accrued expenses, payroll payable, tax other than income tax and other payables. The following table sets forth a breakdown of our other payables and accruals.

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due to a related party[(1)]	–	268	650
Accrued expenses	38	113	46
Payroll payable	475	660	385
Taxes other than income tax	21	19	97
Other payables	74	86	2,924
	608	1,146	4,102

Note:

(1) The amounts due to a related party were non-trade in nature and fully repaid as of the Latest Practical Date.

Our other payables and accruals increased from RMB0.6 million as of December 31, 2017 to RMB1.1 million as of December 31, 2018 to RMB4.1 million as of April 30, 2019. The increase in the year ended December 31, 2018 was primarily attributable to increases in payroll payables due to higher employment costs and accrued expenses relating to research and development costs. The increase in the first four months ended April 30, 2019 was primarily due to the increase of other payables for CRO services for clinical trial studies.

Non-Current Assets and Liabilities

The following table sets forth our non-current assets and non-current liabilities as of the dates indicated:

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	4,185	5,808	10,665
Right-of-use assets	30,520	32,601	30,517
Other non-current assets	105	140	4,949
Total non-current assets	34,810	38,549	46,131
NON-CURRENT LIABILITIES			
Lease liabilities	27,681	32,994	28,286
Total non-current liabilities	27,681	32,994	28,286
Total net non-current assets	7,129	5,555	17,845

Property, Plant and Equipment

Property, plant and equipment primarily consists of production and R&D equipment, office equipment, motor vehicles, leasehold improvements and construction in progress. The following table sets forth the book values of our property, plant and equipment as of the dates indicated:

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Production and R&D equipment	7,994	8,883	9,339
Office equipment	599	661	1,042
Motor vehicles	273	273	273
Leasehold improvements	708	836	6,426
Construction in progress	–	1,826	–
Less: accumulated depreciation at end of the year/period	(5,389)	(6,671)	(6,415)
Net book value of property, plant and equipment	4,185	5,808	10,665

Our property, plant and equipment increased from RMB4.2 million as of December 31, 2017 to RMB5.8 million as of December 31, 2018 primarily due to increase in construction in progress of our leased Hong Kong office and research facilities. Our property, plant and equipment increased to RMB10.7 million as of April 30, 2019, primarily due to the increase in leasehold improvements at our Hong Kong office and research facilities.

Right-of-Use Assets and Non-Current Lease Liabilities

Our right-of-use assets and non-current lease liabilities primarily relate to office leases. Right-of-use assets increased from RMB30.5 million as of December 31, 2017 to RMB32.6 million as of December 31, 2018, and decreased to RMB30.5 million as of April 30, 2019. Non-current lease liabilities increased from RMB27.7 million as of December 31, 2017 to RMB33.0 million as of December 31, 2018, and decreased to RMB28.3 million as of April 30, 2019. The increases in both right-of-use assets and non-current lease liabilities in 2018 were primarily attributable to the leases we signed for our office in Hong Kong, and the decreases in both right-of-use assets and non-current lease liabilities in 2019 were primarily attributable to depreciation and lease payments.

Other Non-Current Assets

Our other non-current assets represent prepayments for purchases of long-term assets including prepayments for equipment and construction. Our other non-current assets were RMB0.1 million, RMB0.1 million, and RMB4.9 million as of December 31, 2017 and 2018, and April 30, 2019, respectively. The increase in the first four months of 2019 was primarily due to prepayments for equipment that are long-term assets at our Suzhou subsidiary.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratio for the periods indicated:

	As of December 31,		As of April 30,
	2017	2018	2019
Current Ratio[(1)]	0.7	1.8	9.5
Quick Ratio[(2)]	0.7	1.8	9.5
Gearing Ratio[(3)]	N/M[(4)]	36%	5%

Notes:

(1) Current ratio equals current assets as a percentage of current liabilities as of the end of the period.

(2) Quick ratio equals current assets less any inventory stock as a percentage of current liabilities. As the Group did not commercialize any products during the Track Record Period and had no inventory stock, quick ratio equals current ratio.

(3) Gearing ratio equals total debt as a percentage of total equity as of the end of the period.

(4) As of December 31, 2017, the Group had negative total equity, so the gearing ratio as of that date is not meaningful.

Current Ratio and Quick Ratio

Our current ratio increased from 0.7 as of December 31, 2017 to 1.8 as of December 31, 2018, mainly due to the repayment of other borrowings with proceeds from the Series D Investment, which lowered current liabilities. The impact of this development was partially offset by a decrease in current assets, primarily as a result of cash used in operations in 2018, mainly to fund research and development. Our current ratio increased to 9.5 as of April 30, 2019 mainly due to the proceeds from the Series E Investment, which increased cash and cash equivalents and current assets.

During the Track Record Period, our quick ratio was equal to our current ratio as we had not commercialized any products, and we had no inventory stock to deduct from current assets for purpose of calculating the quick ratio.

Gearing Ratio

Our gearing ratio as of December 31, 2017 was not meaningful due to negative equity of the Group as of that date. Our gearing ratio decreased from 36% as of December 31, 2018 to 5% as of April 30, 2019 primarily due to the increase in total equity as a result of Series E Investment, while other borrowings remained constant.

LIQUIDITY AND CAPITAL RESOURCES

We use our cash primarily in relation to our research and development activities, purchase of raw materials, consumables and property, plant and equipment, rental expenses, and other recurring expenses. Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our working capitals and mitigate the effects of fluctuations in cash flows. During the Track Record Period, we mainly relied on a combination of equity and debt financing to fund our operations.

As at December 31, 2017 and 2018, and April 30, 2019, we had cash and cash equivalents of approximately RMB66.1 million, RMB41.5 million and RMB196.4 million, respectively.

During the Track Record Period, we have incurred negative cash flows from our operations. Our operating activities used cash of RMB40.2 million, RMB46.8 million, RMB16.3 million and RMB17.2 million for the years ended December 31, 2017 and 2018 and the four months ended April 30, 2018 and 2019, respectively.

The following table provides information regarding our cash flows for the periods indicated:

	Year ended December 31,		Four months ended April 30,	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating cash flows before movements in working capital[(1)]	(26,082)	(52,726)	(14,262)	(25,019)
Net cash flows used in operating activities	(40,200)	(46,829)	(16,267)	(17,193)
Net cash flows generated from/(used in) investing activities	10,315	21,466	(192)	(10,231)
Net cash flows from/(used in) financing activities	89,035	(3,555)	(91)	183,338
Net Increase/(Decrease) in Cash and Cash Equivalents	59,150	(28,918)	(16,550)	155,914

Note:

(1) Movements in working capital consisted mainly of movements in prepayments, deposits and other receivables and other payables and accruals.

Operating Activities

Net cash used in operating activities represents our loss before tax for the period as adjusted by non-cash or non-operating items such as finance costs, bank interest income, dividend income and net fair value gains from equity investments at FVTPL, loss on disposal of financial assets at FVTPL, depreciation, equity-settled share option expenses, as well as movements in working capital including prepayments, deposits and other receivables and other payables and accruals.

For the four months ended April 30, 2019, our net cash used in operating activities was RMB17.2 million. This net outflow from operating activities was primarily based on loss before tax for the period of RMB28.4 million as positively adjusted by a decrease in prepayments, deposits and other receivables of RMB5.0 million, an increase in other payables and accruals of RMB2.8 million, and depreciation in right-of-use assets of RMB2.0 million.

For the year ended December 31, 2018, our net cash used in operating activities was RMB46.8 million. This net outflow from operating activities was primarily based on loss before tax for the year of RMB83.6 million as positively adjusted by a loss on disposal of financial assets at FVTPL of RMB29.7 million, a decrease in prepayments, deposits and other receivables of RMB5.2 million, and depreciation in right-of-use assets of RMB4.3 million; and negatively adjusted by fair value gains in equity investments at FVTPL of RMB5.2 million.

For the year ended December 31, 2017, our net cash used in operating activities was RMB40.2 million. This net outflow from operating activities was primarily based on loss before tax for the year of RMB52.0 million as positive adjusted by fair value loss of equity investments at FVTPL of RMB12.6 million, equity-settled share option expenses of RMB7.3 million and depreciation in right-of-use assets of RMB3.8 million; and negatively adjusted by an increase in prepayments, deposits and other receivables of RMB12.1 million.

Investing Activities

Our cash flow used in investing activities was primarily for purchase of items of property, plant and equipment and purchase of equity investment. We also generated inflows from proceeds from disposal of equity investments at FVTPL and dividend income from listed investments.

For the four months ended April 30, 2019, our net cash outflow from investing activities was RMB10.2 million, which was entirely attributable to purchases of property, plant and equipment.

For the year ended December 31, 2018, our net cash inflow from investing activities was RMB21.5 million, which was primarily attributable to RMB22.4 million in proceeds from disposals of equity investments at FVTPL and RMB1.9 million in dividends received from listed investments, and partially offset by RMB2.7 million in purchases of property, plant and equipment.

For the year ended December 31, 2017, our net cash inflow from investing activities was RMB10.3 million, which was primarily attributable to RMB9.5 million in proceeds from disposals of equity investments at FVTPL and RMB2.1 million in dividends received from equity investments at FVTPL.

Financing Activities

Our cash outflow from financing activities was primarily for repayment of lease liability, repayment of other borrowings, acquisition of non-controlling interests of a subsidiary and interest paid. We generated cash inflow from the proceeds from the issuance of shares, proceeds from a non-controlling shareholder and other borrowings.

For the four months ended April 30, 2019, our net cash from financing activities was RMB183.3 million, which was primarily attributable to proceeds from issuance of shares in Series E financing of RMB200.0 million and partially offset by repayment of lease liabilities of RMB13.5 million, interest paid of RMB2.0 million and share issue expenses paid of RMB1.1 million.

For the year ended December 31, 2018, our net cash used in financing activities was RMB3.6 million, which was attributable to repayment of borrowings of RMB160.0 million, repayment of lease liability of RMB0.2 million, interest paid of RMB0.9 million and share issue expenses paid of RMB1.1 million and partially offset by proceeds from issue of shares of RMB150.0 million and proceeds from a non-controlling shareholder of RMB8.6 million.

For the year ended December 31, 2017, our net cash from financing activities was RMB89.0 million, which was primarily attributable to other borrowings of RMB150.0 million and partially offset by the acquisition of additional interest of a subsidiary of RMB60.0 million and interest paid of RMB1.0 million.

Cash Operating Costs

The following table provides information regarding our cash operating costs relating to research, development and clinical trial of our Core Product for the periods indicated:

	Year ended December 31,		Four months ended April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Clinical trial expenses	10,000	5,000	–
Laboratory consumables and experiment costs	15,069	22,467	5,163
Employment costs	6,880	8,565	3,761
Others	553	2,887	2,480
Total:			
Research and development	32,502	38,919	11,404
Total workforce employment	9,822	13,007	6,143
Direct production	–	–	–
Commercialization	–	–	–
Contingency allowance	–	–	–

CAPITAL EXPENDITURES

The following table sets forth our capital expenditures during the Track Record Period:

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Production and R&D equipment	2,096	714	538
Office equipment.	15	40	684
Leasehold improvements	42	111	4,200
Construction in progress	–	1,826	–
Total	2,153	2,691	5,422

Our capital expenditures during the Track Record Period primarily included expenditure for production and R&D equipment, office equipment, leasehold improvements and construction in progress. We funded our capital expenditure requirements during the Track Record Period mainly from equity and debt financing.

We expect that our capital expenditures in 2019 and 2020 may amount to RMB53.9 million and RMB307.7 million, respectively, and be primarily used for the construction of our production base in Suzhou and expansion of clinical research centers. See "Future Plans and Use of Proceeds" in this prospectus for more details. We may reallocate the fund to be utilized on capital expenditure based on our ongoing business needs.

INDEBTEDNESS

The following table sets forth our indebtedness as of December 31, 2017 and 2018, April 30 and August 31, 2019, respectively.

	As of December 31,		As of April 30,	As of August 31,
	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Other borrowings repayable (current)	170,000	10,000	10,000	–
Lease liabilities (current)	14,299	17,273	7,104	8,140
Lease liabilities (non-current)	27,681	32,994	28,286	29,409
Bank borrowings (non-current)	–	–	–	17,000
	211,980	60,267	45,390	54,549

During the Track Record Period, our other borrowings consisted of (i) RMB150 million loan from Jianyi Xinghe and Xingze Xinghe that was unsecured, non-interest-bearing, not guaranteed, repayable within one year and repaid in 2018; and (ii) RMB20 million loan from Hainan Haiyao with annual interest rate of 5% that was unsecured and guaranteed by our shareholder Forbest Capital, which had been fully repaid as of August 31, 2019.

On July 17, 2019, our wholly-owned subsidiary SinoLink Pharma entered into a project finance loan agreement with China Construction Bank, which agreed to provide a credit facility of RMB200 million for a term of nine years at a variable rate of interest equal to the PBOC RMB base lending rate, which was 4.9% as of August 31, 2019. As of August 31, 2019, the amount of unutilized facilities available was RMB183 million. The loan agreement requires SinoLink to obtain the lender's written consent prior to engaging in major transactions such as mergers, equity transfer, and material increase in indebtedness or using assets generated from the loan proceeds to provide a guarantee to a third party.

As of August 31, 2019, except as disclosed above, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are guaranteed, unguaranteed, secured or unsecured, any guarantees or other material contingent liabilities.

Our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of our other borrowings and lease liabilities.

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including cash and cash equivalents, and the estimated net proceeds from the Listing, we have sufficient working capital to cover at least 125% of our costs, including research and development, business development and marketing expenses, and administrative and operating costs for at least the next 12 months from the date of this prospectus.

CONTRACTUAL COMMITMENTS

We had the following capital commitments for construction of facilities and equipment purchase under contracts as of the dates indicated.

Capital Commitments

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Plant and machinery	2,945	4,272	72,471

We intend to fund our capital commitments with cash and cash equivalents, capital contribution from our shareholders, borrowings and net proceeds from the Global Offering.

Operating Lease Commitments under Short-Term and Low-Value Leases

We lease certain office premises and equipment under short-term (i.e., within 12 months) or low-value lease arrangements. Such leases are not recognized on our balance sheet as right-of-use assets and lease liabilities. There is no restrictions or covenants imposed and no sale and leaseback transactions.

The following table sets forth our commitments under non-cancellable short-term and low-value leases contracted for as of the dates indicated but not recognized as liabilities.

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within one year	543	195	49
In the second to fifth years, inclusive	17	27	25
	560	222	74

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to various types of market risks, including foreign currency risk, liquidity risk, and credit risk.

Foreign Currency Risk

Certain of our cash and cash equivalents are denominated in foreign currencies including HKD and USD, and exposed to foreign currency risk. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For further details, see note 29 to the Accountants' Report set out in Appendix I.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. During the Track Record Period, we raised funds by issuing shares to equity investors, borrowing from Hainan Haiyao and from Xingze Xinghe and Jianxi Xinghe. The Directors of the Company are satisfied that we will have sufficient financial resource to meet financial obligations as they fall due for the foreseeable future. For further details, see note 29 to the Accountants' Report set out in Appendix I.

Credit Risk

Our credit risk is primarily attributable to bank balances. The expected credit loss rate on bank balances is insignificant because the counterparties are banks with good reputation.

TRANSACTIONS WITH RELATED PARTIES

We had the following transactions during the Track Record Period with certain related parties:

	As of December 31,		As of April 30,
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other borrowings:			
Hainan Haiyao	20,000	10,000	10,000
Other payables:			
Haikou Pharma	–	268	650
Leased liabilities:			
Haikou Pharma	41,980	44,037	29,735

As of December 31, 2017 and 2018, and April 30, 2019, we had balances of RMB20.0 million, RMB10.0 million and RMB10.0 million, respectively, on our loan with Hainan Haiyao; balances of RMB42.0 million, RMB44.0 million and RMB29.7 million from lease liabilities with Haikou Pharma. and balances of nil, RMB0.3 million and RMB0.7 million from other payables with Haikou Pharma. As of the Latest Practicable Date, our loan with Hainan Haiyao was fully repaid. For more information about our related party transactions, see "Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders."

It is the view of our directors that each of the above transactions (i) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, and (ii) does not distort our Track Record Period results or make our historical results not reflective of future performance.

DIVIDENDS

We declared no dividend to our shareholders in years ended December 31, 2017 and 2018, and the four months ended April 30, 2019. We currently expect to retain all future earnings for use in the operation and expansion of our business and currently have no intent to pay cash dividends. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion, and will depend on factors such as our earnings, capital requirements, overall financial condition and contractual restrictions. If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we may rely to some extent on any dividends distributed by our PRC subsidiaries. Any dividend distributions from our PRC subsidiaries to us will be subject to PRC withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See "Risk Factors – Risks Relating to Doing Business in the PRC" in this prospectus. In the future, we may rely to some extent on dividends and other distributions on equity from our principal operating subsidiaries to fund offshore cash and financing requirements.

DISTRIBUTABLE RESERVES

As of April 30, 2019, we did not have any distributable reserves.

LISTING EXPENSES

We incurred RMB3.5 million of listing expenses and issue costs during the Track Record Period, of which RMB2.9 million was recognized as expenses and RMB0.6 million was deferred. We expect to incur approximately RMB91.2 million of listing expenses (including underwriting commissions) after the Track Record Period, of which approximately RMB62.2 million will be capitalized and RMB29.0 million will be recognized as expenses. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group Attributable to Ordinary Shareholders of the Company

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the proposed Hong Kong public offering and international offering of the shares of the Company (the "**Global Offering**") on the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at April 30, 2019 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to ordinary shareholders of the Company as at April 30, 2019 or at any further dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at April 30, 2019 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited Consolidated Net Tangible Liabilities of the Group Attributable to Owners of the Company as of April 30, 2019[1]	Estimated Net Proceeds from the Global Offering[2]	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share	
	RMB'000	RMB'000	RMB'000	RMB[3]	HK$[4]
Based on an Offer Price of HK$7.60 per Share. .	197,393	1,162,060	1,359,453	1.35	1.50
Based on an Offer Price of HK$9.60 per Share. .	197,393	1,477,139	1,674,532	1.66	1.84

Notes:

(1) The audited consolidated net tangible liabilities attributable to the owners of the Company as of April 30, 2019 is extracted from the Accountants' Report set out in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$7.60 or HK$9.60 per Share after deduction of the underwriting fees and other related expenses payable by our Company 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 182,129,400 Shares are in issue assuming that the Global Offering has been completed on 30 April 2019.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9011 to HK$1.0000. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial or trading position since April 30, 2019 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since April 30, 2019 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

THE CORNERSTONE PLACING

The Company has entered into cornerstone investment agreements with certain investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which the Cornerstone Investors have agreed to subscribe for such number of our Shares (rounded down to the nearest whole board lot of 300 Shares) that may be purchased for in an aggregate amount of approximately US$60 million[(1)] (approximately HK$470.59 million) at the Offer Price (the "**Cornerstone Placing**").

Based on the Offer Price of HK$7.60 (being the low-end of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 61,919,400, representing approximately (i) 37.77% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 32.38% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 34.00% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 29.56% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 6.15% of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 5.99% of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering, assuming the Over-allotment Option is fully exercised.

Based on the Offer Price of HK$8.60 (being the mid-point of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 54,719,400, representing approximately (i) 33.38% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 28.61% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 30.04% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 26.13% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 5.44% of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 5.29% of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering, assuming the Over-allotment Option is fully exercised.

Based on the Offer Price of HK$9.60 (being the high-end of the indicative Offer Price range), the total number of Shares to be subscribed by the Cornerstone Investors would be 49,019,400, representing approximately (i) 29.91% of the International Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 25.63% of the International Offer Shares, assuming that the Over-allotment Option is fully exercised; (iii) 26.91% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (iv) 23.40% of the Offer Shares, assuming that the Over-allotment Option is fully exercised; (v) 4.87% of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering, assuming that the Over-allotment Option is not exercised; or (vi) 4.74% of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering, assuming the Over-allotment Option is fully exercised.

To the best knowledge of the Company, each of the Cornerstone Investors and their respective ultimate beneficial owners is independent of each other, independent of the Company, its connected persons and their respective associates, and not an existing shareholder or close associates of the Company. Each of the Cornerstone Investors has confirmed that: (i) there was no side agreement or arrangement between such Cornerstone Investor and the Company or any core connected person of the Company or any benefit, direct or indirect, conferred on such Cornerstone Investor by virtue of or in relation to the Cornerstone Placing; (ii) the Cornerstone Placing was not directly or indirectly financed by the Company or any core connected person of the Company; and (iii) such Cornerstone Investor was not accustomed to take any instructions from our Company or any core connected person of the Company in relation to the acquisition, disposal, voting or any other disposition of securities of the Company. To the best knowledge of the Company and as confirmed by each of the Cornerstone Investors, the source of funding for the Cornerstone Placing was from its internal resources.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around Monday, November 11, 2019.

The Cornerstone Placing forms 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 Offer Shares in issue and will be counted towards the public float of the Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following completion of the Bonus Issue and the Global Offering, none of the Cornerstone Investors will have any Board representation in the Company, nor will any of the Cornerstone Investors become a substantial Shareholder (as defined in the Listing Rules). The Offer Shares to be subscribed for by the Cornerstone Investors may be adjusted by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the events as described in "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation."

CORNERSTONE INVESTORS

The Company has entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount[1]	Indicative Offer Price[2]	Number of Shares to be subscribed for[3]	Approximate percentage of the International Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentage of the International Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentages of the Offer Shares (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Offer Shares (assuming that Over-allotment Option is exercised in full)	Approximate percentages of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering (assuming that Over-allotment Option is not exercised)	Approximate percentages of the Shares in issue immediately upon completion of the Bonus Issue and the Global Offering (assuming that the Over-allotment Option is exercised in full)
Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司) . . .	US$50 million	High-end: HK$9.60	40,849,500	24.92%	21.36%	22.43%	19.50%	4.06%	3.95%
		Mid-point: HK$8.60	45,599,400	27.82%	23.84%	25.04%	21.77%	4.53%	4.41%
		Low-end: HK$7.60	51,599,400	31.48%	26.98%	28.33%	24.64%	5.13%	4.99%
Reach Software (Hongkong) Limited (瑞捷軟件科技(香港)有限公司) . . .	US$10 million	High-end: HK$9.60	8,169,900	4.98%	4.27%	4.49%	3.90%	0.81%	0.79%
		Mid-point: HK$8.60	9,119,700	5.56%	4.77%	5.01%	4.35%	0.91%	0.88%
		Low-end: HK$7.60	10,319,700	6.30%	5.40%	5.67%	4.93%	1.03%	1.00%

Notes:

(1) Calculated based on the exchange rate of HK$1.00:US$0.1275 as described in "Information about this Prospectus and the Global Offering – Exchange Rate Conversion."

(2) Being the low-end, mid-point and high-end of the proposed Offer Price range set out in this prospectus respectively.

(3) Based on the total subscription price payable by each investor and subject to the rounding down to the nearest whole board lot of 300 Shares.

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司)

Yunnan Baiyao Group Co., Ltd ("**Baiyao Group**") was established in 1993, with its shares listed on the Shenzhen Stock Exchange (stock code: 000538) in 1993. Baiyao Group is one of the 10 Key Large Enterprises in Yunnan Province (雲南省十戶重點大型企業), one of Top 100 Enterprises in Yunnan Province (雲南省百強企業) and one of the first national innovative enterprise. Baiyao Group operates through four segments, namely pharmaceuticals, health products, Chinese medicine resources and pharmaceutical logistics, and is principally engaged in chemical raw material, chemico-pharmaceutical preparations, proprietary Chinese medicines, Chinese medicinal material and biologic products.

Baiyao Group became acquainted with our Company through the introduction of the opportunity to participate in the Cornerstone Placing by us. As confirmed by Baiyao Group, it is not required to obtain any approval from the Shenzhen Stock Exchange nor its shareholders to invest in the Company.

According to the cornerstone investment agreement, Baiyao Group agrees and undertakes that the subscription of the Offer Shares will be conducted through a qualified domestic institutional investor, CICC QIRUI No. 1 QDII Specific Asset Management Plan ("**CICC QIRUI**"), and that it will procure the due and punctual performance and observance by CICC QIRUI of all of the obligations, undertakings, representations, warranties, indemnities and liabilities of Baiyao Group arising out of, under or in connection with the agreement.

CICC QIRUI is a connected client (as defined under the Listing Rules) of CICC and a close associate of an existing Shareholder under the Listing Rules. An application has been made to the Stock Exchange for, and the Stock Exchange has granted us, a consent under Rule 10.04 of, and paragraphs 5(1) and 5(2) of Appendix 6 to, the Listing Rules for CICC QIRUI to participate as a Cornerstone Investor in the Global Offering. For details of the waiver, please see "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance."

Reach Software (Hongkong) Limited (瑞捷軟件科技(香港)有限公司)

Reach Software (Hongkong) Limited ("**Reach Software**") was established in 2005 in Hong Kong, which is wholly owned by Shenzhen GTJA Investment Group Co., Ltd (深圳市高特佳投資集團有限公司) ("**Shenzhen GTJA**"). Reach Software is principally engaged in the development, manufacturing and sale of enterprise management system (ERP) and eBusiness application system. Shenzhen GTJA is a PRC company primarily focuses on investment in healthcare industry with Mr. Dajian CAI as its ultimate beneficial owner.

Reach Software became acquainted with our Company through the introduction of the opportunity to participate in the Cornerstone Placing by us.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent: (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) and not having been terminated; and (ii) the Listing Committee of the Stock Exchange having granted the Listing of, and permission to deal in, the Shares and that such approval or permission not having been revoked.

OTHER CIRCUMSTANCES

Reach Software has agreed that CICC may, in its sole and absolute discretion, defer the delivery of all or any part of the Offer Shares it has subscribed for to a date later than the Listing Date. Regardless of the above arrangement of the deferred delivery of such Shares, Reach Software is nevertheless under an obligation to pay for the number of the Offer Shares to be subscribed for by it in the International Offering as set out in "– Cornerstone Investors" above in accordance with the cornerstone investment agreement at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

RESTRICTIONS ON THE CORNERSTONE INVESTORS' INVESTMENT

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and the relevant underwriter(s), it will not, whether directly or indirectly, at any time during the period of six (6) months starting from and inclusive of the Listing Date, (a) dispose of (as defined in the relevant cornerstone investment agreement), in any way, any of the relevant Offer Shares or any interest in any company or entity holding any of the relevant Offer Shares, other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that, amongst other requirements, such wholly-owned subsidiary undertakes to, and the Cornerstone Investor undertakes to procure that such subsidiary will, abide by such restrictions imposed on the Cornerstone Investor, (b) allow itself to undergo a change of statutory control (which has the meaning ascribed to it under the Takeovers Code) at the level of its ultimate beneficial owner, or (c) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

FUTURE PLANS

Please see the section headed "Business – Overview, Strengths and Strategies – Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,461.27 million after deducting the underwriting fees and expenses payable by us in the Global Offering and taking into account any additional incentive fee (assuming full payment of the discretionary incentive fee), assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$8.60 per Offer Share, being the mid-point of the indicative Offer Price range of HK$7.60 to HK$9.60 per Offer Share in this prospectus. If the Offer Price is set at HK$9.60 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$174.83 million. If the Offer Price is set at HK$7.60 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$174.83 million.

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

- Approximately 50.00% of the net proceeds, or HK$730.64 million, will be allocated to the R&D and commercialization of our drug candidates as follows:
    - Approximately 15.00% of the net proceeds, or HK$219.19 million, will be used for the R&D and commercialization of our Core Product, SM03, to fund clinical trials for SM03 including (i) ongoing and planned clinical trials in the PRC; (ii) additional clinical trials to be initiated in the PRC for additional indications; (iii) clinical trials in Australia and the United States; and (iv) NDA registration filings and the commercial launch of SM03;
    - Approximately 25.00% of the net proceeds, or HK$365.32 million, will be used to fund pre-clinical research, clinical trials, production, preparation for registration filings and potential commercial launches of the other drug candidates in our pipeline;
    - Approximately 3.33% of the net proceeds, or HK$48.66 million, will be used to further advance our R&D programs, expand our R&D team, build our commercialization team, develop our proprietary technology and enhance our full-spectrum platform;
    - Approximately 6.67% of the net proceeds, or HK$97.47 million, will be used for the discovery and development of new drug candidates not currently in our pipeline to diversify our product portfolio;
- Approximately 40.00% of the net proceeds, or HK$584.51 million, will be used for the construction of our Suzhou production base primarily for the commercial scale production of our Core Product SM03;
    - Approximately 11.43% of the net proceeds, or HK$167.02 million, will be used for the purchase of equipment for the Suzhou production base;
        - Approximately 6.74% of the net proceeds, or HK$98.49 million, will be used for the purchase of laboratory equipment, primarily for the R&D of SM03 and potentially for the R&D of other products in our pipeline;

- Approximately 4.69% of the net proceeds, or HK$68.53 million, will be used for the purchase of manufacturing equipment, primarily for the production of SM03;

- Approximately 15.38% of the net proceeds, or HK$224.74 million, will be used for the construction of the Suzhou production base as described in "Business – Full-Spectrum Platform – Production System – Suzhou Production Base;"

  - Approximately 8.45% of the net proceeds, or HK$123.48 million, will be used for the construction of additional R&D facilities and purchase of laboratory equipment to aid the ongoing R&D of SM03 for the treatment of RA, SLE, NHL and other potential indications, R&D of SM03 at commercialization to enhance craftsmanship for large-scale production, as well as the development of other products in our pipeline;

  - Approximately 6.93% of the net proceeds, or HK$101.27 million, will be used for the construction of an upstream production facility and downstream purification facility;

- Approximately 13.19% of the net proceeds, or HK$192.74 million, will be used for the purchase of land from the Suzhou Dushu Lake Higher Education Town and other expenses related to the expansion of our Suzhou production base;

- Approximately 10.00% of the net proceeds, or HK$146.13 million, will be used for our working capital, expanding internal capabilities and other general corporate purposes.

Based on the above, approximately 30.19% of the net proceeds, or HK$441.16 million, will be allocated to R&D related activities for SM03.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the midpoint of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK$1,686.80 million (assuming an Offer Price of HK$8.60 per Share, the midpoint of our indicative 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 or money market instruments with licensed banks or financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
Orient Securities (Hong Kong) Limited
China Everbright Securities (HK) Limited
Guotai Junan Securities (Hong Kong) Limited
CMB International Capital Limited
Haitong International Securities Company Limited
Fosun Hani Securities Limited
Victory Securities Company Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering 18,213,000 Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong at the Offer Price on the terms and subject to the conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein (including any additional Shares which may be made available pursuant to the exercise of the Over-Allotment Option), and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally, but not jointly, to subscribe for or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, labour disputes, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalation of infectious disease including but not limited to SARS, swine or avian flu, H5N1, H1N1, H7N9 and such related/mutated forms, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, rebellion,

riots, political instability, severe transport disruption, aircraft collision, destruction of power plant and/or other supply facilities, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed)), severe damage(s) to properties (whether public or private), disruption of the operation of the Hong Kong International Airport, in or affecting Hong Kong, the PRC, Australia, the United Kingdom, the United States, the European Union (or any member thereof) or any other jurisdictions relevant to any member of the Group or the Global Offering (each a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) the imposition on or after the date of the Hong Kong Underwriting Agreement of any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the 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

(iv) any moratorium, suspension or material restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or

(v) any general moratorium on commercial banking activities declared by a competent authority (as defined in the Hong Kong Underwriting Agreement) in 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 new law (as defined in the Hong Kong Underwriting Agreement) (including but not limited to the enactment of the Hong Kong Human Rights and Democracy Act of 2019), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority (as defined in the Hong Kong Underwriting Agreement) of) existing laws (as defined in the Hong Kong Underwriting Agreement) (including but not limited to the United States-Hong Kong Policy Act of 1992), in each case, in or affecting any Relevant Jurisdiction; or

(vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or

(viii) a change or development involving a prospective change in or affecting taxation (as defined in the Hong Kong Underwriting Agreement) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollars or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdiction; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer or any of the Directors of the Company vacating his or her office; or

(xii) an authority (as defined in the Hong Kong Underwriting Agreement) or a political body or organisation in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a contravention by any member of the Group of the Listing Rules or applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xiv) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the shares to be issued under the Over-Allotment Option) pursuant to the terms of the Global Offering; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws (as defined in the Hong Kong Underwriting Agreement); or

(xvi) other than with the prior written consent of the Joint Sponsors, the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xviii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the Joint Bookrunners) (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors or any of the Hong Kong Underwriters:

(i) that any statement contained in this prospectus, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in all material respect or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in this prospectus, the Application Forms or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus, the Application Forms or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the material obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the indemnifying parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnification provisions under the Hong Kong Underwriting Agreement; or

(v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenues, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole; or

(vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading any of the warranties stated in the Hong Kong Underwriting Agreement; or

(vii) the materialisation of any of the risks set out in the section headed "Risk Factors" in each of this prospectus, the preliminary offering circular (as defined in the Hong Kong Underwriting Agreement) and the post hearing information pack (as defined in the Hong Kong Underwriting Agreement); or

(viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) the Company withdraws this prospectus, the Application Forms, the formal notice issued in connection with the Hong Kong Public Offering pursuant to the Listing Rules and/or any other documents issued or used in connection with the Global Offering; or

(x) any expert (other than the Joint Sponsors), whose consent is required for the issue of this prospectus with (a) the inclusion of its reports, letters or opinions; and (b) references to its name included in the form and context in which they respectively appear, has withdrawn or is subject to withdraw its consent to being named in this prospectus or to the issue of this prospectus.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

By our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by our Company or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealings) except pursuant to the Global Offering (including the Over-allotment Option), or in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and us that, except pursuant to the Stock Borrowing Agreement and the transfer of Shares to the trustee for the purpose of the adoption of the Scheme as described in "Statutory and General Information – E. Scheme" in Appendix IV, he/she/it shall not and shall procure that the relevant registered holder(s) of Shares shall not:

(a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**"); and

(b) in the period of the following six months commencing from the expiry of the First Six-Month Period, dispose of, enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company and/or a group of controlling shareholders (as defined in the Listing Rules) of our Company, as the case may be.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

(a) when he/she/it pledges or charges any Shares or other securities of our Company beneficially owned by him/her/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) when he/she/it receives any indications, either verbal or written, from the pledgee or chargee 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 above matters (if any) by the Controlling Shareholders and disclose such matters in accordance with the publication requirement under the Listing Rules.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

By our Company

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-Month Period**"), the Company undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors not to, and to procure each other member of the Group not to, 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 requirements of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any interest in any of the foregoing), or deposit any Shares or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company, 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 other securities of the Company, or any interest in any of the foregoing); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, the Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company. Each of the warranting shareholders (as defined in the Hong Kong Underwriting Agreement) undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors to procure the Company to comply with the undertakings in (a), (b), (c) and (d) above.

By the warranting shareholders (as defined in the Hong Kong Underwriting Agreement)

Each of the warranting shareholders (as defined in the Hong Kong Underwriting Agreement) undertakes to each of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Joint Sponsors 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 requirements of the Listing Rules (including pursuant to Note (2) to Rule 10.07 of the Listing Rules), or pursuant to the Stock Borrowing Agreement and the transfer of Shares to the trustee for the purpose of the adoption of the Scheme as described in "Statutory and General Information – E. Scheme" in Appendix IV to this prospectus:

(a) it/he will not, at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an encumbrance (as defined in the Hong Kong Underwriting Agreement) over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any interest in any of the foregoing) directly or indirectly held by it/him as of the Listing Date, or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or

other rights to purchase, any Shares or any other securities of the Company or any interest in any of the foregoing) directly or indirectly held by it/him as of the Listing Date; or (iii) enter into any transaction with the same economic effect as any transaction specified in (a)(i) or (a)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph, in each case, whether any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) of this paragraph is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period); and

(b) until the expiry of the Second Six-Month Period, in the event that it/he enters into any of the transactions specified in (a)(i), (a)(ii) or (a)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it/he will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Indemnity

Each of the indemnifying parties (as defined under the Hong Kong Underwriting Agreement) jointly and severally undertakes to indemnify, hold harmless and keep fully indemnified the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and each of them for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Commission and Expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all of the Offer Shares, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, the International Underwriters will be paid an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters, but not the Hong Kong Underwriters. In addition, any or all of the Underwriters may receive a discretionary incentive fee of up to 1.5% of the aggregate Offer Price of all of the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option).

Assuming an Offer Price of HK$8.60 per Share (being the mid-point of the indicative Offer Price range) and assuming that the Over-Allotment Option is not exercised at all, the aggregate commissions and fees, together with listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, and printing and other expenses relating to the Global Offering are estimated to be approximately HK$105.04 million in total and are payable by our Company.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and as disclosed in this prospectus, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested directly or indirectly in any Shares or securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or securities in our Company or any other member of the Group.

Following completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

In connection with the International Offering, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally but not jointly agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-Allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Joint Global Coordinators on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to allot and issue up to an aggregate of 27,319,200 additional Shares, representing approximately 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price to, amongst other things, cover over-allocations in the International Offering, if any.

The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that undertakings similar to those given to the Hong Kong Underwriters will be given by our Company to the International Underwriters under the International Underwriting Agreement.

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**," may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for CICC and its affiliates as the stabilizing manager) 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, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over-the-counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange)

which have the Shares as their or part of their 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 under the section headed "Structure of the Global Offering – Stabilizing Action" in this prospectus. 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.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 18,213,000 Offer Shares (subject to adjustment) in Hong Kong as described in the paragraph headed "– The Hong Kong Public Offering" in this section; and

(b) the International Offering of an aggregate of 163,916,400 Offer Shares (subject to reallocation and the Over-Allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for the International Offering Shares under the International Offering, but may not do both.

The number of Hong Kong Offer Shares and International Offering Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the paragraph headed "– Pricing and Allocation" in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 18,213,000 Hong Kong Offer Shares at the Offer Price, representing approximately 10.0% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.8% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "– Conditions of the Global Offering" in this section.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes, with any odd board lots being allocated to pool A.

- ***Pool A***: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

- ***Pool B***: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the "subscription price" for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 9,106,500 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the discretion of the Joint Global Coordinators, subject to the following:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 54,639,000 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 72,852,000 Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 91,065,000 Shares, representing approximately 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate 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, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

In the event of reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering in the circumstances where (a) the International Offering shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed by less than 15 times, or (b) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed, then up to 18,213,000 Offer Shares may be reallocated from the International Offering to the Hong Kong Public Offering, so that the total number of Offer Shares available for subscription under the Hong Kong Public Offering will increase up to 36,426,000 Shares, representing approximately 20.0% of the number of the Offer shares initially available under the Global Offering (before any exercise of the Over-allotment Option), and the Offer Price shall be fixed at HK$7.60 per Offer Share (being the low-end of the indicative Offer Price range) in accordance with Guidance Letter HKEx-GL91-18.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offering 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 International Offering Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$9.60 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK$2,909.02 for one board lot of 300 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "– Pricing and Allocation" in this section, is less than the maximum price of HK$9.60 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 163,916,400 Shares (subject to reallocation and the Over-Allotment Option), representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering.

Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 16.3% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-Allotment Option is not exercised.

Allocation

Pursuant to the International Offering, the International Offering Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. The International Offering will include selective marketing of Offer Shares to certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

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 and Allocation" in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "– The Hong Kong Public Offering – Allocation" in this section, the exercise of the Over-Allotment Option in whole or in part described in the paragraph headed "– Over-Allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Global Coordinators.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-Allotment Option to the International Underwriters, which will be exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-Allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 27,319,200 Shares, representing approximately 15.0% of the maximum number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-Allotment Option is exercised in full, the additional International Offering Shares to be issued pursuant thereto will represent approximately 2.6% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, a public announcement will be made.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the Offer Price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the last day of the lodging of applications under the Hong Kong Public Offering. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-Allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-Allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market

as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-Allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares will be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws, rules and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of Offer Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-Allotment Option, namely, 27,319,200 Offer Shares, which is approximately 15.0% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-Allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price of our Shares;

(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 reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-Allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling or agreeing to sell any of our Shares in order to liquidate any position held as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

As a result of effecting transactions to stabilize or maintain the market price of the 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 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Thursday, December 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. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International 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 Tuesday, November 5, 2019 and in any event no later than Wednesday, November 6, 2019 by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Global Coordinators, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK$9.60 per Offer Share and is expected to be not less than HK$7.60 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

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 and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company at **www.sinomab.com**, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any such notice so published, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of the Offer Shares available under the Global Offering (assuming the Over-Allotment Option is not exercised).

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on Monday, November 11, 2019 on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.sinomab.com**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Purchase Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Purchase Agreement, are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares pursuant to the Global Offering will be conditional on:

(a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Bonus Issue and the Global Offering (including the additional Shares which may be available pursuant to the exercise of the Over-Allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

(c) the execution and delivery of the International Purchase Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times as specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than Saturday, November 30, 2019 (i.e., the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Wednesday, November 6, 2019, the Global Offering will not proceed and will lapse immediately.

The completion 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 their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.sinomab.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares – 14. Dispatch/Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

Application for Listing on the 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 Bonus Issue and the Global Offering (including any Shares which may be issued under the exercise of the Over-Allotment Option) on the Main Board of the Stock Exchange.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Stock Exchange grants the listing of, and permission to deal in, the 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.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, November 12, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, November 12, 2019.

The Shares will be traded in board lots of 300 Shares each and the stock code of the Shares will be 3681.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** service and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** 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 their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International 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.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Thursday, October 31, 2019, until 12:00 noon on Tuesday, November 5, 2019, from:

(i) the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited	29/F One International Finance Centre 1 Harbor View Street Central Hong Kong
Orient Securities (Hong Kong) Limited	Rooms 2803-2807, 28/F Wing On House 71 Des Voeux Road Central Central Hong Kong

China Everbright Securities (HK) Limited	24/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Guotai Junan Securities (Hong Kong) Limited	27/F, Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central Hong Kong
Haitong International Securities Company Limited	22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
Fosun Hani Securities Limited	Unit 2101-2105 21/F, Champion Tower 3 Garden Road Central Hong Kong
Victory Securities Company Limited	Room 1101-03, 11/F Yardley Commercial Building 3 Connaught Road West Sheung Wan Hong Kong

(ii) any of the branches of the following receiving bank:

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon	Tsim Sha Tsui Branch	4 Carnavon Road
	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Thursday, October 31, 2019, until 12:00 noon on Tuesday, November 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 "CMB Wing Lung (Nominees) Limited–SinoMab Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Thursday, October 31, 2019	–	9:00 a.m. to 5:00 p.m.
Friday, November 1, 2019	–	9:00 a.m. to 5:00 p.m.
Saturday, November 2, 2019	–	9:00 a.m. to 1:00 p.m.
Monday, November 4, 2019	–	9:00 a.m. to 5:00 p.m.
Tuesday, November 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 Tuesday, November 5, 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** 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 (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, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-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 are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company, the Joint Sponsors 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 **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, October 31, 2019, until 11:30 a.m. on Tuesday, November 5, 2019, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, November 5, 2019, or such later time under the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" below in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "SinoMab BioScience Limited" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service 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, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors, the Joint Sponsors 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, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum number of 300 Hong Kong Offer Shares. Instructions for more than 300 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:

Thursday, October 31, 2019	–	9:00 a.m. to 8:30 p.m.
Friday, November 1, 2019	–	8:00 a.m. to 8:30 p.m.
Saturday, November 2, 2019	–	8:00 a.m. to 1:00 p.m.
Monday, November 4, 2019	–	8:00 a.m. to 8:30 p.m.
Tuesday, November 5, 2019	–	8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, October 31, 2019 until 12:00 noon on Tuesday, November 5, 2019 (24 hours daily, except on November 5, 2019, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, November 5, 2019, the last application day or such later time as described in the paragraph headed "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

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.

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 bank, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, November 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 the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum number of 300 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 300 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please see the section headed "Structure of the Global Offering – Pricing and Allocation" in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, November 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 Tuesday, November 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 the section headed "Expected Timetable," an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on or before Monday, November 11, 2019 on the Company's website at **www.sinomab.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.sinomab.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, November 11, 2019;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, November 11, 2019, to 12:00 midnight on Sunday, November 17, 2019;

- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, November 11, 2019 to Thursday, November 14, 2019;

- in the special allocation results booklets which will be available for inspection during opening hours on Monday, November 11, 2019 to Wednesday, November 13, 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 the section headed "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

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 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 **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the 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 **White Form eIPO** 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 dishonoured 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 or they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$9.60 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Global Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the 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 Monday, November 11, 2019.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all 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 favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price 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 before Monday, November 11, 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 November 12, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 11, 2019, or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

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 Monday, November 11, 2019 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, November 11, 2019 by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, November 11, 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 the section headed "11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 11, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, November 11, 2019, or such other date as notified by the Company in the announcement published by the Company as the date of dispatch/collection of share certificates/e-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 Monday, November 11, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, November 11, 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 "Publication of Results" above on Monday, November 11, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, November 11, 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 Monday, November 11, 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 Monday, November 11, 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 adviser 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 received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this documents.

Ernst & Young
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Central, Hong Kong

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ey.com

The Directors
SinoMab BioScience Limited
China International Capital Corporation Hong Kong Securities Limited
Orient Capital (Hong Kong) Limited

Dear Sirs,

We report on the historical financial information of SinoMab BioScience Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-46, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2017 and 2018, and the four months ended 30 April 2019 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2017 and 2018 and 30 April 2019 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-46 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 October 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 notes 2.1 and 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 notes 2.1 and 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 2017 and 2018 and 30 April 2019 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 notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 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 states that no dividends have been paid by the Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
31 October 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		Four months ended 30 April	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income and gains	5	3,411	8,666	125	50
Research and development costs		(32,603)	(47,283)	(13,371)	(20,209)
Administrative expenses		(6,992)	(8,996)	(2,579)	(6,870)
Finance costs	6	(2,961)	(3,030)	(999)	(959)
Other expenses		(12,756)	(32,967)	(6,971)	(410)
LOSS BEFORE TAX	7	(51,901)	(83,610)	(23,795)	(28,398)
Income tax expenses	10	–	–	–	–
LOSS FOR THE YEAR/PERIOD		(51,901)	(83,610)	(23,795)	(28,398)
Attributable to:					
Owners of the parent		(47,974)	(83,610)	(23,795)	(28,398)
Non-controlling interests		(3,927)	–	–	–
		(51,901)	(83,610)	(23,795)	(28,398)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted (RMB)	12	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
LOSS FOR THE YEAR/PERIOD	(51,901)	(83,610)	(23,795)	(28,398)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(1,654)	4,331	(120)	(1,037)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	(1,654)	4,331	(120)	(1,037)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	(1,654)	4,331	(120)	(1,037)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(53,555)	(79,279)	(23,915)	(29,435)
Attributable to:				
Owners of the parent	(49,628)	(79,279)	(23,915)	(29,435)
Non-controlling interests	(3,927)	–	–	–
	(53,555)	(79,279)	(23,915)	(29,435)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	As at 31 December 2018	As at 30 April 2019
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	4,185	5,808	10,665
Right-of-use assets	*14*	30,520	32,601	30,517
Other non-current assets	*15*	105	140	4,949
Total non-current assets		34,810	38,549	46,131
CURRENT ASSETS				
Prepayments, deposits and other receivables	*16*	13,890	8,758	4,309
Financial assets at fair value through profit or loss	*17*	46,840	–	–
Cash and cash equivalents	*18*	66,096	41,512	196,445
Total current assets		126,826	50,270	200,754
CURRENT LIABILITIES				
Other payables and accruals	*19*	608	1,146	4,102
Lease liabilities (current)		14,299	17,273	7,104
Other borrowings	*20*	170,000	10,000	10,000
Total current liabilities		184,907	28,419	21,206
NET CURRENT (LIABILITIES)/ASSETS		(58,081)	21,851	179,548
TOTAL ASSETS LESS CURRENT LIABILITIES		(23,271)	60,400	225,679
NON-CURRENT LIABILITIES				
Lease liabilities		27,681	32,994	28,286
Total non-current liabilities		27,681	32,994	28,286
Net (liabilities)/assets		(50,952)	27,406	197,393
EQUITY				
Equity attributable to owners of the parent				
Share capital	*21*	152,532	301,532	500,954
Reserves	*22*	(203,484)	(274,126)	(303,561)
Total equity		(50,952)	27,406	197,393

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent							
	Share capital	Share option reserve*	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	144,990	–	38,080	(9,555)	(131,504)	42,011	13,050	55,061
Loss for the year	–	–	–	–	(47,974)	(47,974)	(3,927)	(51,901)
Other comprehensive loss for the year:								
Exchange differences on translation of foreign operations	–	–	–	(1,654)	–	(1,654)	–	(1,654)
Total comprehensive loss for the year	–	–	–	(1,654)	(47,974)	(49,628)	(3,927)	(53,555)
Equity-settled share option arrangements	–	7,507	–	–	–	7,507	–	7,507
Issue of shares	7,542	(7,507)	–	–	–	35	–	35
Changes in ownership interests in a subsidiary without change of control *(note a)*	–	–	(38,080)	–	(12,797)	(50,877)	(9,123)	(60,000)
At 31 December 2017	152,532	–	–	(11,209)	(192,275)	(50,952)	–	(50,952)

Note:

(a) On 26 July 2017, SinoMab BioScience (Shenzhen) Limited purchased 25% interests in Hainan SinoMab Biotech Co., Ltd. from a non-controlling shareholder at cash consideration of RMB60,000,000.

Year ended 31 December 2018

	Attributable to owners of the parent							
	Share capital	Share option reserve*	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	152,532	–	–	(11,209)	(192,275)	(50,952)	–	(50,952)
Loss for the year	–	–	–	–	(83,610)	(83,610)	–	(83,610)
Other comprehensive income for the year:								
Exchange differences on translation of foreign operations	–	–	–	4,331	–	4,331	–	4,331
Total comprehensive loss for the year	–	–	–	4,331	(83,610)	(79,279)	–	(79,279)
Contribution by a non-controlling shareholder *(note a)*	–	–	8,637	–	–	8,637	–	8,637
Issue of shares	150,000	–	–	–	–	150,000	–	150,000
Share issue expenses	(1,000)	–	–	–	–	(1,000)	–	(1,000)
At 31 December 2018	301,532	–	8,637	(6,878)	(275,885)	27,406	–	27,406

Note:

(a) In 2018, a non-controlling shareholder contributed RMB8,637,146 in SinoMab BioScience Limited.

Four months ended 30 April 2018

	Attributable to owners of the parent							
	Share capital	Share option reserve	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	152,532	–	–	(11,209)	(192,275)	(50,952)	–	(50,952)
Loss for the period (unaudited)	–	–	–	–	(23,795)	(23,795)	–	(23,795)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations (unaudited)	–	–	–	(120)	–	(120)	–	(120)
Total comprehensive loss for the period (unaudited)	–	–	–	(120)	(23,795)	(23,915)	–	(23,915)
Issue of shares	150,000	–	–	–	–	150,000	–	150,000
Share issue expenses	(1,000)	–	–	–	–	(1,000)	–	(1,000)
At 30 April 2018 (unaudited)	301,532	–	–	(11,329)	(216,070)	74,133	–	74,133

Four months ended 30 April 2019

	Attributable to owners of the parent							
	Share capital	Share option reserve*	Capital reserve*	Exchange fluctuation reserve*	Accumulated losses*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	301,532	–	8,637	(6,878)	(275,885)	27,406	–	27,406
Loss for the period	–	–	–	–	(28,398)	(28,398)	–	(28,398)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	(1,037)	–	(1,037)	–	(1,037)
Total comprehensive loss for the period	–	–	–	(1,037)	(28,398)	(29,435)	–	(29,435)
Issue of shares	200,000	–	–	–	–	200,000	–	200,000
Share issue expenses	(578)	–	–	–	–	(578)	–	(578)
At 30 April 2019	500,954	–	8,637	(7,915)	(304,283)	197,393	–	197,393

* These reserve accounts comprise the consolidated reserves of RMB203,484,449, RMB274,125,640 and RMB303,560,878 in the consolidated statements of financial position as at 31 December 2017 and 2018 and 30 April 2019, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Four months ended 30 April	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(51,901)	(83,610)	(23,795)	(28,398)
Adjustments for:					
Finance costs	*6*	2,961	3,030	999	959
Bank interest income	*5*	(39)	(116)	(41)	(50)
Dividend income from equity investments at fair value through profit or loss	*5*	(2,097)	(1,855)	–	–
Loss on disposal of items of property, plant and equipment		–	–	–	7
Loss on disposal of financial assets at fair value through profit or loss	*7*	123	29,694	–	–
Fair value loss/(gains), net:					
Equity investments at fair value through profit or loss	*5/7*	12,617	(5,211)	6,965	–
Depreciation of property, plant and equipment	*13*	1,103	1,075	338	493
Depreciation of right-of-use assets	*14*	3,815	4,267	1,272	1,970
Equity-settled share option expenses		7,336	–	–	–
(Increase)/decrease in prepayments, deposits and other receivables		(12,081)	5,223	(2,277)	4,987
(Decrease)/increase in other payables and accruals		(2,076)	558	231	2,789
Cash used in operations		(40,239)	(46,945)	(16,308)	(17,243)
Interest received	*5*	39	116	41	50
Net cash flows used in operating activities		(40,200)	(46,829)	(16,267)	(17,193)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income from equity investments at fair value through profit or loss	*5*	2,097	1,855	–	–
Purchases of items of property, plant and equipment		(823)	(2,746)	(192)	(10,231)
Purchase of equity investments at fair value through profit or loss		(446)	–	–	–
Proceeds from disposal of equity investments at fair value through profit or loss		9,487	22,357	–	–
Net cash flows from/(used in) investing activities		10,315	21,466	(192)	(10,231)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		35	150,000	40,000	200,000
Share issue expenses		–	(1,091)	(91)	(1,116)
New other borrowings		150,000	–	–	–
Repayment of lease liabilities		–	(184)	–	(13,532)
Proceeds from a non-controlling shareholder		–	8,637	–	–
Repayment of other borrowings		–	(160,000)	(40,000)	–
Acquisition of non-controlling interests		(60,000)	–	–	–
Interest paid		(1,000)	(917)	–	(2,014)
Net cash flows from/(used in) financing activities		89,035	(3,555)	(91)	183,338
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		59,150	(28,918)	(16,550)	155,914
Cash and cash equivalents at beginning of year/period		8,408	66,096	66,096	41,512
Effect of foreign exchange rate changes, net		(1,462)	4,334	(114)	(981)
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		66,096	41,512	49,432	196,445
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and cash equivalents as stated in the consolidated statements of financial position	*18*	66,096	41,512	49,432	196,445
Cash and cash equivalents as stated in the consolidated statements of cash flows		66,096	41,512	49,432	196,445

STATEMENTS OF FINANCIAL POSITION

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment and construction in progress	172	1,964	5,960
Right-of-use assets	–	5,896	5,084
Investments in subsidiaries	836	112,985	140,449
Total non-current assets	1,008	120,845	151,493
CURRENT ASSETS			
Prepayments, deposits and other receivables	14,699	14,235	114,202
Cash and cash equivalents	4,005	32,096	87,917
Total current assets	18,704	46,331	202,119
CURRENT LIABILITIES			
Other payables and accruals	599	772	1,172
Lease liabilities (current)	–	2,273	2,261
Total current liabilities	599	3,045	3,433
NET CURRENT ASSETS	18,105	43,286	198,686
TOTAL ASSETS LESS CURRENT LIABILITIES	19,113	164,131	350,179
NON-CURRENT LIABILITIES			
Lease liabilities	–	3,956	3,393
Total non-current liabilities	–	3,956	3,393
Net assets	19,113	160,175	346,786
EQUITY			
Equity attributable to owners of the parent			
Share capital	152,532	301,532	500,954
Reserves	(133,419)	(141,357)	(154,168)
Total equity	19,113	160,175	346,786

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Hong Kong. The registered office of the Company is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

During the Relevant Periods, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the research and development of pharmaceutical products.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
SinoMab BioScience (Shenzhen) Limited (深圳賽樂敏生物科技有限公司) *(note (a))* .	People's Republic of China/Mainland China 10 August 2010	HKD96,428,600	100%	–	Clinical center
Hainan SinoMab Biotech Co., Ltd. (海南賽樂敏生物科技有限公司) *(note (a))* . .	People's Republic of China/Mainland China 8 February 2014	RMB50,000,000	–	100%	Production center
SinoLink Pharma (Suzhou) Co., Ltd. (杏聯藥業(蘇州)有限公司) *(note (b))*. . . .	People's Republic of China/Mainland China 30 July 2018	RMB200,000,000	100%	–	Commercial scale production center
SINOMAB PTY LTD *(note (c))*	Australia/Australia 30 April 2019	AUD100	100%	–	Clinical center

Notes:

(a) SinoMab BioScience (Shenzhen) Limited and Hainan SinoMab Biotech Co., Ltd. are registered as wholly-foreign-owned enterprises under People's Republic of China (the "PRC") law. The statutory financial statements for the year ended 31 December 2017 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Shenzhen Zhenxing Public Accountants LLP (深圳振興會計師事務所(普通合夥)), certified publicaccountants registered in the PRC, and the statutory financial statements for the year ended 31 December 2018 prepared under PRC GAAP were audited by Shenzhen Mingyang Accountants LLP (深圳名揚會計師事務所(普通合夥)), certified public accountants registered in the PRC.

(b) SinoLink Pharma (Suzhou) Co., Ltd. is registered as a wholly-foreign-owned enterprise under PRC law. The statutory financial statements for the year ended 31 December 2018 prepared under PRC GAAP were audited by Shenzhen Mingyang Accountants LLP (深圳名揚會計師事務所(普通合夥)), certified public accountants registered in the PRC.

(c) No audited financial statements have been prepared, as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

2.1 BASIS OF PRESENTATION

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 and the four months ended 30 April 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented.

All intra-group transactions and balances have been eliminated on consolidation.

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 and 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information contained in this Prospectus does not constitute the Company's statutory annual consolidated financial statements for any of the financial years ended 31 December 2017 and 2018 but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

As the Company was a private company at the relevant times, it was not required to deliver and has not delivered its financial statements for the years ended 31 December 2017 and 2018 to the Registrar of Companies. The Company's auditors have reported on these financial statements for the years ended 31 December 2017 and 2018. The auditor's reports were unqualified; and did not include a reference to any matters to which the auditors drew attention by way of emphasis; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, and earlier application is permitted. The Group has elected to apply HKFRS 9 consistently during 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 during the Relevant Periods.

HKFRS 16 *Leases* 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 is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The Group has elected to apply HKFRS 16 consistently during 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 Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial 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 these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 No mandatory effective date yet determined but available for adoption

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.

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 of the 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, financial assets, and non-current 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 to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is 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 principal annual rates used for this purpose are as follows:

Production and R&D equipment	20.00%
Motor vehicles	20.00%
Office equipment	10.00-75.00%
Leasehold improvements	22.00-33.33%

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 a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and 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.

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

A lease is a contract in which the right to use an asset (the leased asset) is granted for an agreed-upon period in return for compensation.

Since 1 January 2017, the Group as a lessee has recognised at present value assets for the right of use received and liabilities for the payment obligations entered into for all leases in the statement of financial position. Lease liabilities include the following lease payments:

- fixed payments (including in-substance fixed payments), less lease incentives offered by the lessor;

- variable payments linked to an index or interest rate;

- expected residual payments from residual value guarantees;

- the exercise price of call options when exercise is estimated to be reasonably certain; and

- contractual penalties for the termination of a lease if the lease term reflects the exercise of a termination option.

The variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease payments are discounted at the implicit interest rate underlying the lease to the extent that this can be readily determined. Otherwise, discounting is at the incremental borrowing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Right-of-use assets are measured at cost, which comprises the following:

- lease liability;
- lease payments made at or prior to delivery, less lease incentives received;
- initial direct costs; and
- restoration obligations.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. They are depreciated over the term of the lease using the straight-line method.

The Group has elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases") or lease contracts for which the underlying asset is of low value. In such cases, the lease payments made associated with them are recognised as an expense, and no right-of-use asset and lease liability are to be recognised.

Extension and termination options exist for a number of leases, particularly for real estate. Such contract terms offer the Group the greatest possible flexibility in doing business. In determining lease terms, all facts and circumstances offering economic incentives for exercising extension options or not exercising termination options are taken into account. The Group reassesses the lease terms if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The Group also applied the following available practical expedients at the initial application date wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease; and
- Elected to not to apply the requirements to leases for which the lease term ends within 12 months of the date of initial application and account for those leases in the same way as short-term leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of 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, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 a 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 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as 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.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

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, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- 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, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of 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.

Revenue recognition

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 23 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 5% 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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 currency of the Company is a currency other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of this entity are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and its statements of profit or loss are translated into RMB at the weighted average exchange rate 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 Renminbi 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods and the four months ended 30 April 2018, 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.

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, the expected usage of the asset, the 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.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment.

Geographical information

Non-current assets

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Mainland China	34,638	30,689	35,087
Hong Kong	172	7,860	11,044
	34,810	38,549	46,131

The non-current asset information above is based on the locations of the assets.

5. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income and gains				
Bank interest income	39	116	41	50
Dividend income from equity investments at fair value through profit or loss	2,097	1,855	–	–
Governmental subsidy	–	1,480	–	–
Changes in fair value of equity investments at fair value through profit or loss	–	5,211	–	–
Foreign exchange gain, net	1,275	–	84	–
Others	–	4	–	–
	3,411	8,666	125	50

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest portion of lease liabilities	1,961	2,121	665	792
Interest on other borrowings	1,000	909	334	167
	2,961	3,030	999	959

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		Four months ended 30 April	
		2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of property, plant and equipment	*13*	1,103	1,075	338	493
Depreciation of right-of-use assets	*14*	3,815	4,267	1,272	1,970
Auditor's remuneration		58	718	526	306
Foreign exchange gain, net		(1,275)	–	(84)	–
Employee benefit expenses (excluding directors' and chief executive's remuneration *(note 8)*):					
Wages and salaries		6,884	9,584	2,695	4,337
Pension scheme contributions		974	1,327	443	601
Staff welfare expenses		94	131	36	54
Equity-settled share option expenses		7,336	–	–	–
		18,989	17,102	5,226	7,761
Other expenses:					
Changes in fair value of equity investments at fair value through profit or loss		12,617	–	6,965	–
Loss on derecognition of equity investments at fair value		123	29,694	–	–
Foreign exchange loss, net		–	2,652	–	395
Others		16	621	6	15
		12,756	32,967	6,971	410

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of the Company's directors is set out below:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fees	–	–	–	–
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	1,965	2,135	666	871
Pension scheme contributions	16	15	5	5
	1,981	2,150	671	876

Year ended 31 December 2017	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive director:			
Dr. Shui On LEUNG (i)	1,965	16	1,981
	1,965	16	1,981
Non-executive directors:			
Mr. Xicheng LIU (ii)	–	–	–
Mr. Rongbo REN (ii)	–	–	–
Ms. Huimin TIAN (iii)	–	–	–
Mr. Yip Sum Samuel CHAN (iv)	–	–	–
Dr. Haigang CHEN (v)	–	–	–
Ms. Wenyi LIU (v)	–	–	–
	–	–	–

Year ended 31 December 2018	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive director:			
Dr. Shui On LEUNG	2,135	15	2,150
	2,135	15	2,150
Non-executive directors:			
Mr. Xicheng LIU	–	–	–
Mr. Rongbo REN	–	–	–
Ms. Huimin TIAN	–	–	–
Mr. Yip Sum Samuel CHAN	–	–	–
Dr. Haigang CHEN	–	–	–
Ms. Wenyi LIU	–	–	–
	–	–	–

Four months ended 30 April 2018	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive director:			
Dr. Shui On LEUNG	666	5	671
	666	5	671
Non-executive directors:			
Mr. Xicheng LIU	–	–	–
Mr. Rongbo REN	–	–	–
Ms. Huimin TIAN	–	–	–
Mr. Yip Sum Samuel CHAN	–	–	–
Dr. Haigang CHEN	–	–	–
Ms. Wenyi LIU	–	–	–
	–	–	–

Four months ended 30 April 2019	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000
Executive director:			
Dr. Shui On LEUNG	871	5	876
	871	5	876
Non-executive directors:			
Mr. Xicheng LIU	–	–	–
Mr. Rongbo REN	–	–	–
Ms. Huimin TIAN	–	–	–
Mr. Yip Sum Samuel CHAN	–	–	–
Dr. Haigang CHEN	–	–	–
Ms. Wenyi LIU	–	–	–
Mr. Senlin LIU (vi)	–	–	–
Mr. Huiyuan MA (vi)	–	–	–
Mr. Chang LIU(vi)	–	–	–
	–	–	–

(i) Dr. Shui On LEUNG was appointed as an executive director of the Company with effect from 12 September 2011. Dr. Shui On LEUNG was also the chief executive of the Company during the Relevant Periods.

(ii) Mr. Xicheng LIU and Mr. Rongbo REN were appointed as non-executive directors of the Company with effect from 30 March 2013, and both of them resigned on 29 April 2019.

(iii) Ms. Huimin TIAN was appointed as a non-executive director of the Company with effect from 21 September 2011, and she resigned on 29 April 2019.

(iv) Mr. Yip Sum Samuel CHAN was appointed as a non-executive director of the Company with effect from 31 August 2017 and he resigned on 29 April 2019.

(v) Dr. Haigang CHEN and Ms. Wenyi LIU were appointed as non-executive directors of the Company with effect from 31 August 2017.

(vi) Mr. Senlin LIU was appointed as a non-executive director of the Company with effect from 15 February 2019. Mr. Huiyuan MA and Mr. Chang LIU were appointed as non-executive directors of the Company with effect from 29 April 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the four months ended 30 April 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the four months ended 30 April 2018 always included one director, details of whose remuneration is set out in note 8 above. Details of the remuneration of the remaining four highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, bonuses, allowances, and benefits in kind	1,905	2,054	607	973
Equity-settled share option expenses	4,368	–	–	–
Pension scheme contributions	64	60	20	16
	6,337	2,114	627	989

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
			(unaudited)	
Nil to HKD1,000,000	1	4	4	4
HKD1,500,001 to HKD2,000,000	2	–	–	–
HKD2,000,001 to HKD2,500,000	1	–	–	–
	4	4	4	4

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rates, are as follows:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax	(51,901)	(83,610)	(23,795)	(28,398)
Tax at the statutory tax rates	(11,841)	(19,794)	(5,716)	(6,289)
Income not subject to tax	(210)	(8)	(14)	–
Expenses not deductible for tax	1,210	831	76	510
Temporary difference not recognised	2,601	(860)	94	362
Tax losses not recognised	8,240	19,831	5,560	5,417
Tax charge at the Group's effective rate	–	–	–	–

The Group has tax losses arising in Hong Kong of HKD107,328,961, HKD117,417,797 and HKD125,806,203 that can be used to offset against future taxable profits as at 31 December 2017 and 2018 and 30 April 2019, respectively.

The Group has tax losses arising in Mainland China of RMB48,283,631, RMB114,029,234 and RMB130,793,955 that will expire in one to five years for offsetting against future taxable profits as at 31 December 2017 and 2018 and 30 April 2019, respectively.

11. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful because the number of ordinary shares as at each reporting date during the Relevant Periods and the four months ended 30 April 2018 is different from the number of ordinary shares immediately after the completion of public listing of the Group.

13. PROPERTY, PLANT AND EQUIPMENT

	Production and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2017						
At 1 January 2017:						
Cost	6,152	614	273	692	–	7,731
Accumulated depreciation	(3,655)	(339)	(111)	(470)	–	(4,575)
Net carrying amount	2,497	275	162	222	–	3,156
At 1 January 2017, net of accumulated depreciation	2,497	275	162	222	–	3,156
Additions	2,096	15	–	42	–	2,153
Depreciation provided during the year	(914)	(71)	(49)	(69)	–	(1,103)
Exchange realignment	(11)	(10)	–	–	–	(21)
At 31 December 2017, net of accumulated depreciation	3,668	209	113	195	–	4,185
At 31 December 2017:						
Cost	7,994	599	273	708	–	9,574
Accumulated depreciation	(4,326)	(390)	(160)	(513)	–	(5,389)
Net carrying amount	3,668	209	113	195	–	4,185
31 December 2018						
At 1 January 2018:						
Cost	7,994	599	273	708	–	9,574
Accumulated depreciation	(4,326)	(390)	(160)	(513)	–	(5,389)
Net carrying amount	3,668	209	113	195	–	4,185

	Production and R&D equipment	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018, net of accumulated depreciation	3,668	209	113	195	–	4,185
Additions	714	40	–	111	1,826	2,691
Depreciation provided during the year	(876)	(68)	(49)	(82)	–	(1,075)
Exchange realignment	1	6	–	–	–	7
At 31 December 2018, net of accumulated depreciation	3,507	187	64	224	1,826	5,808
At 31 December 2018:						
Cost	8,883	661	273	836	1,826	12,479
Accumulated depreciation	(5,376)	(474)	(209)	(612)	–	(6,671)
Net carrying amount	3,507	187	64	224	1,826	5,808
30 April 2019						
At 1 January 2019:						
Cost	8,883	661	273	836	1,826	12,479
Accumulated depreciation	(5,376)	(474)	(209)	(612)	–	(6,671)
Net carrying amount	3,507	187	64	224	1,826	5,808
At 1 January 2019, net of accumulated depreciation	3,507	187	64	224	1,826	5,808
Additions	538	684	–	4,200	–	5,422
Disposals	–	(7)	–	–	–	(7)
Depreciation provided during the period	(309)	(31)	(16)	(137)	–	(493)
Transfer	–	–	–	1,826	(1,826)	–
Exchange realignment	(2)	(9)	–	(54)	–	(65)
At 30 April 2019, net of accumulated depreciation	3,734	824	48	6,059	–	10,665
At 30 April 2019:						
Cost	9,339	1,042	273	6,426	–	17,080
Accumulated depreciation	(5,605)	(218)	(225)	(367)	–	(6,415)
Net carrying amount	3,734	824	48	6,059	–	10,665

14. RIGHT-OF-USE ASSETS

	Right-of-use Assets Buildings
	RMB'000
31 December 2017	
At 1 January 2017:	
Cost	38,150
Accumulated depreciation	(3,815)
Net carrying amount	34,335
At 1 January 2017, net of accumulated depreciation	34,335
Depreciation provided during the year	(3,815)
At 31 December 2017, net of accumulated depreciation	30,520
At 31 December 2017:	
Cost	38,150
Accumulated depreciation	(7,630)
Net carrying amount	30,520
31 December 2018	
At 1 January 2018:	
Cost	38,150
Accumulated depreciation	(7,630)
Net carrying amount	30,520
At 1 January 2018, net of accumulated depreciation	30,520
Additions	6,204
Depreciation provided during the year	(4,267)
Exchange realignment	144
At 31 December 2018, net of accumulated depreciation	32,601
At 31 December 2018:	
Cost	44,509
Accumulated depreciation	(11,908)
Net carrying amount	32,601
30 April 2019	
At 1 January 2019:	
Cost	44,509
Accumulated depreciation	(11,908)
Net carrying amount	32,601
At 1 January 2019, net of accumulated depreciation	32,601
Depreciation provided during the period	(1,970)
Exchange realignment	(114)
At 30 April 2019, net of accumulated depreciation	30,517
At 30 April 2019:	
Cost	44,379
Accumulated depreciation	(13,862)
Net carrying amount	30,517

During the Relevant Periods, the Group entered in certain long-term lease contracts for property leases.

During the Relevant Periods, the Group also leased certain office premises and office equipments under short-term (i.e. within 12 months) lease arrangement and leases of low-value. The Group has elected not to recognise right-of-use assets on these short-term and low-value lease contracts. There is no restrictions or covenants imposed and no sale and leaseback transactions.

The follow future cash outflows of the Group is potentially exposed to that are not reflected in the measurement of lease liabilities:

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Within one year	543	195	49
In the second to fifth years, inclusive	17	27	25
	560	222	74

15. OTHER NON-CURRENT ASSETS

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments for purchases of long-term assets	105	140	4,949

The amount represents prepayments for purchases of long-term assets.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Prepayments	13,631	7,655	2,878
Other receivables	259	1,103	1,431
	13,890	8,758	4,309

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Listed equity investments, at fair value	46,840	–	–

The above equity investments at 31 December 2017 were classified as financial assets at fair value through profit or loss as they were held for trading.

18. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Cash and bank balances	66,096	41,512	196,445
Denominated in:			
RMB	62,126	8,096	103,057
USD	3,329	28,442	89,785
HKD	641	4,974	3,603
Cash and cash equivalents	66,096	41,512	196,445

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

19. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Due to a related party	–	268	650
Accrued expenses	38	113	46
Payroll payable	475	660	385
Taxes other than income tax	21	19	97
Other payables	74	86	2,924
	608	1,146	4,102

Other payables are non-interest-bearing and repayable on demand.

20. OTHER BORROWINGS

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Other borrowings repayable:			
Within one year	170,000	10,000	10,000
	170,000	10,000	10,000

The details of other borrowings are set out below:

(i) As at 31 December 2017, other borrowings consisted of (a) RMB20,000,000 from a non-controlling shareholder of the Group that was unsecured, and guaranteed by one of the controlling shareholders of the Group, with annual interest rate of 5% and (b) RMB150,000,000 from Shanghai Jianyi Xinghe Investment Management Center (Limited Partnership) and Shanghai Xingze Xinghe Startup Investment Center (Limited Partnership) that was non-interest-bearing, unsecured and repayable within one year.

(ii) As at 31 December 2018 and 30 April 2019, other borrowings was RMB10,000,000 from a non-controlling shareholder of the Group that was unsecured with annual interest rate of 5%.

21. SHARE CAPITAL

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Issued and fully paid:	152,532	301,532	500,954

A summary of movements in the Company's share capital is as follows:

	Notes	Number of Shares in issue	Share Capital
		RMB'000	RMB'000
At 1 January 2017		3,036,562	144,990
Share option exercised	*(a)*	39,300	7,542
At 31 December 2017		3,075,862	152,532
At 1 January 2018		3,075,862	152,532
Shares issued	*(b)*	541,583	150,000
Share issue expenses		–	(1,000)
At 31 December 2018		3,617,445	301,532
At 1 January 2019		3,617,445	301,532
Shares issued	*(c)*	503,110	200,000
Share issue expenses		–	(578)
At 30 April 2019		4,120,555	500,954

Notes:

(a) The subscription rights attaching to 39,300 share options were exercised at the subscription price of HKD1 per share (note 23), resulting in the issue of 39,300 shares for a total cash consideration of HKD39,300. An amount of RMB7,506,724 was transferred from the share option reserve to share capital upon the exercise of the share options.

(b) 541,583 shares were issued for cash at an average price of RMB276.97 per share, resulting in the issue of 541,583 shares for a total cash consideration, before expenses, of RMB150,000,000.

(c) 503,110 shares were issued for cash at an average price of RMB397.53 per share, resulting in the issue of 503,110 shares for a total cash consideration, before expenses, of RMB200,000,000.

22. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the four months ended 30 April 2018 are presented in the consolidated statements of changes in equity of the Group.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

23. SHARE OPTION

(a) Share options granted

On 19 May 2017, an equity interest in the Company was granted to six selected employees at a consideration of HKD39,300. The exercise period of the share options granted is determined by the directors and no other performance target is required except that the eligible participant remains as an employee of the Group during the vesting period.

The summary of the share options granted to certain employees of the Group is as follows:

Grant date	Exercise price in HKD per share	Number of options granted
19 May 2017	1.00	39,300
		39,300

(b) Share options movements

The following share options were outstanding during the Relevant Periods:

	Exercise price in HKD per share option	Year ended 31 December		Four months ended 30 April
		2017	2018	2019
At 1 January	–	–	–	–
Granted	1.00	39,300	–	–
Exercised	1.00	(39,300)	–	–
At the end of year/period		–	–	–

The fair value of the share options granted during the year ended 31 December 2017 was HKD8,478,844, and the Group recognised a share option expense of HKD8,478,844 (equivalent to RMB7,335,981) during the year ended 31 December 2017.

(c) Fair value of share options

The executive directors of the board of the Company have used the binomial model to determine the fair value of the options granted, which is to be expensed over the vesting period. Significant judgement on parameters, such as the risk-free rate, dividend yield and expected volatility, is required to be made by the executive directors of the board of the Company in applying the binomial model, of which the inputs are summarised below.

	2017
Risk-free rate	2.38%
Dividend yield	0.00%
Expected volatility	60.88%

24. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Other borrowings
	RMB'000
At 1 January 2017	20,000
Changes from financing cash flows	150,000
At 31 December 2017	170,000
At 1 January 2018	170,000
Changes from financing cash flows	(160,000)
At 31 December 2018	10,000
At 1 January 2019	10,000
Changes from financing cash flows	–
At 30 April 2019	10,000

25. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:			
Plant and machinery	2,945	4,272	72,471

26. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the Relevant Periods and the four months ended 30 April 2018:

		Year ended 31 December		Four months ended 30 April	
	Note	**2017**	**2018**	**2018**	**2019**
		RMB'000	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Borrowings from a related party:					
Hainan Haiyao Co., Ltd	*(i)*	20,000	10,000	20,000	10,000
Operating lease rent from a related party:					
Haikou Pharmaceutical Factory Co., Ltd.		5,000	5,000	1,667	1,667

On 30 March 2019, the Company entered into a technology transfer and collaboration agreement with Suzhou Sinovent Pharmaceutical Technology Co., Ltd. ("Suzhou Sinovent"), which is a close associate of our non-executive director Ms. Wenyi LIU. Pursuant to the agreement, the Company agreed to acquire and Suzhou Sinovent agreed to transfer the techniques and applications of BTK inhibitor. The total consideration of the agreement is RMB140 million assuming all the milestones described in the agreement have materialized. As of 30 April 2019, no payment was made and no expense related was recorded by the Company in this regard.

Note:

(i) The borrowing from a related party was unsecured, and guaranteed by Forbest Capital Investment Group Limited which is one of the controlling shareholders of the Group, bore interest at 5% per annum and were repayable within one year.

(b) Outstanding balances with related parties:

	As at 31 December		As at 30 April
	2017	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**
Other borrowings:			
Hainan Haiyao Co., Ltd	20,000	10,000	10,000
Other payables:			
Haikou Pharmaceutical Factory Co., Ltd.	–	268	650
Lease liabilities:			
Haikou Pharmaceutical Factory Co., Ltd.	41,980	44,037	29,735

The other payables due to Haikou Pharmaceutical Factory Co., Ltd. is unsecured, interest-free and have no fixed terms of repayment.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		Four months ended 30 April	
	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short term employee benefits	3,498	3,784	1,153	1,844
Equity-settled share option	4,368	–	–	–
Pension scheme contributions	64	60	20	21
Total compensation paid to key management personnel	7,930	3,844	1,173	1,865

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

27. 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 are as follows:

As at 31 December 2017

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	RMB'000	RMB'000
Equity investments at fair value through profit or loss	–	46,840	46,840
Financial assets included in prepayments, deposits and other receivables	259	–	259
Cash and cash equivalents	66,096	–	66,096
	66,355	46,840	113,195

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Lease liabilities	41,980
Financial liabilities included in other payables and accruals	112
Other borrowings	170,000
	212,092

As at 31 December 2018

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, deposits and other receivables	1,012
Cash and cash equivalents	41,512
	42,524

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Lease liabilities	50,267
Financial liabilities included in other payables and accruals	467
Other borrowings	10,000
	60,734

As at 30 April 2019

Financial assets

	Financial assets at amortised cost
	RMB'000
Financial assets included in prepayments, deposits and other receivables	802
Cash and cash equivalents	196,445
	197,247

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Lease liabilities	35,390
Financial liabilities included in other payables and accruals	3,620
Other borrowings	10,000
	49,010

28. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals 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. The following methods and assumptions were used to estimate the fair values:

The fair value of lease liabilities and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities and other borrowings as at the end of each of the Relevant Periods was assessed to be insignificant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	46,840	–	–	46,840
	46,840	–	–	46,840

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods and the four months ended 30 April 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise other borrowings, and cash and bank balances. 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 other receivables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

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 equity
	%	RMB'000	RMB'000
31 December 2017			
If RMB weakens against USD	5	166	166
If RMB strengthens against USD	(5)	(166)	(166)
If RMB weakens against HKD	5	32	32
If RMB strengthens against HKD	(5)	(32)	(32)
31 December 2018			
If RMB weakens against USD	5	1,422	1,422
If RMB strengthens against USD	(5)	(1,422)	(1,422)
If RMB weakens against HKD	5	249	249
If RMB strengthens against HKD	(5)	(249)	(249)
30 April 2019			
If RMB weakens against USD	5	4,489	4,489
If RMB strengthens against USD	(5)	(4,489)	(4,489)
If RMB weakens against HKD	5	180	180
If RMB strengthens against HKD	(5)	(180)	(180)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2017				
	On demand	Less than 1 month	1 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	–	14,299	27,681	41,980
Other borrowings	–	–	170,000	–	170,000
Other payables and accruals	112	–	–	–	112
	112	–	184,299	27,681	212,092

	As at 31 December 2018				
	On demand	Less than 1 month	1 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	–	17,273	32,994	50,267
Other borrowings	–	–	10,000	–	10,000
Other payables and accruals	467	–	–	–	467
	467	–	27,273	32,994	60,734

	As at 30 April 2019				
	On demand	Less than 1 month	1 to less than 12 months	1 to 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities	–	–	7,104	28,286	35,390
Other borrowings	–	–	10,000	–	10,000
Other payables and accruals	3,620	–	–	–	3,620
	3,620	–	17,104	28,286	49,010

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend 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.

30. EVENTS AFTER THE RELEVANT PERIODS

The Group had no material events after the Relevant Periods.

31. 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 30 April 2019.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included 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 and with reference to Accounting Guideline *7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants 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 30 April 2019 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 purpose 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 30 April 2019 or at any future date.

	Audited consolidated net tangible assets attributable to owners of the Company as at 30 April 2019	**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[(1)]	*RMB'000[(2)]*	*RMB'000*	*RMB[(3)]*	*HK$[(4)]*
Based on an Offer Price of HK$7.60 per share	197,393	1,162,060	1,359,453	1.35	1.50
Based on an Offer Price of HK$9.60 per share	197,393	1,477,139	1,674,532	1.66	1.84

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 30 April 2019 is extracted from the consolidated statements of financial position set out in Appendix I to this prospectus.

2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK$7.60 or HK$9.60 per Share after deduction of the underwriting fees and other related expenses payable by our Company 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 182,129,400 Shares are in issue assuming that the Global Offering has been completed on 30 April 2019.

4. The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of RMB0.9011 to HK$1.0000.

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.

Ernst & Young
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To the Directors of SinoMab BioScience Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of SinoMab BioScience 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 30 April 2019, and related notes as set out on page II-1 of the prospectus dated 31 October 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 in Appendix II(A).

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 30 April 2019 as if the transaction had taken place at 30 April 2019. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the four months ended 30 April 2019, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to 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 October 2019

This Appendix contains a summary of the Articles of Association. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. A copy of the Articles of Association is available for inspection at the address specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V to this prospectus.

The Articles of Association were adopted on October 18, 2019 and will become effective on the Listing Date. The following is a summary of certain provisions of the Articles of Association. The powers conferred or permitted by the Articles of Association are subject to the provisions of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, other ordinances and subsidiary legislation and the Listing Rules.

CHANGES IN CAPITAL

The Company may from time to time by ordinary resolution alter its share capital in any one or more of the ways set out in section 170 of the Companies Ordinance, including but not limited to:

(i) increasing its share capital by allotting and issuing new shares in accordance with the Companies Ordinance;

(ii) increasing its share capital without allotting and issuing new shares, if the funds or other assets for the increase are provided by the members of the Company;

(iii) capitalizing its profits, with or without allotting and issuing new shares;

(iv) allotting and issuing bonus shares with or without increasing its share capital;

(v) converting all or any of its share into a larger or smaller number of existing shares;

(vi) dividing its shares into several classes and attaching thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favorable voting rights, must include the words "restricted voting" or "limited voting";

(vii) cancelling shares:

  (a) that, at the date of the passing of the resolution for cancellation, have not been taken or agreed to be taken by any person; or

  (b) that have been forfeited; and

(viii) making provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital in any manner allowed by law.

MODIFICATION OF RIGHTS

Subject to the provisions of the Companies Ordinance, all or any of the special rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) for the time being in issue may, at any time, as well before as during liquidation, be altered or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of that class, and all the provisions contained in the Articles of Association relating to general meetings shall mutatis mutandis apply to every such meeting, except that (a) the quorum thereof shall be not less than two persons holding or representing by proxy one third of the total voting rights of the holders of shares of the class, and that (b) any holder of shares of that class present in person or by proxy may demand a poll.

The provisions of the foregoing Articles shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the rights whereof are to be varied.

The special rights conferred upon the holders of the shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking *pari passu* with them.

TRANSFER OF SHARES

The right of members to transfer their fully-paid shares shall not be restricted (except where permitted by the Stock Exchange) and shall also be free from all lien.

The instrument of transfer of any shares in the Company shall be in writing and in the usual form or in such other form as the Board may accept and shall be executed by or on behalf of the transferor and by or on behalf of the transferee. The instrument of transfer may be executed by hand only or, if the transferor or transferee is a Clearing House (or its nominee), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the Register in respect thereof. Nothing in the Articles of Association shall preclude the Board from recognizing a renunciation of the allotment or provisional allotment of any share by the allottee in favor of some other person.

Every instrument of transfer and other documents relating to or affecting the title to any shares of the Company shall be lodged at the Office for registration (or at such other place as the Board may appoint for such purpose) accompanied by the certificate relating to the shares to be transferred and such other evidence as the Directors may require in relation thereto.

All instruments of transfer which shall be registered shall be retained by the Company, but save where fraud is suspected, any instrument of transfer which the Directors refuse to register shall, on demand, be returned to the person lodging the same.

There shall be paid to the Company in respect of the registration of a transfer and of any grant of probate or letters of administration, certificate of marriage or death, power of attorney or other document(s) relating to or affecting the title to any share or for making of any entry in the Register affecting the title to any share such fee (if any) as the Directors may from time to time require or prescribed, provided that such fee (if any) shall not exceed the maximum fees as the Stock Exchange may from time to time prescribe or permit.

GENERAL MEETINGS

The Company shall in respect of each financial year hold a general meeting as its annual general meeting in addition to any other meetings in that year. The annual general meeting shall be held within 6 months after the end of each financial year and at such place(s) as may be determined by the Directors.

The Directors may whenever they think fit, and shall on requisition in accordance with the Companies Ordinance, convene an extraordinary general meeting.

NOTICE OF GENERAL MEETINGS

Subject to section 578 of the Companies Ordinance, an annual general meeting shall be called by not less than notice in writing of at least 21 days (or such longer period as may be required by the Listing Rules), and any other general meeting shall be called by not less than notice in writing of at least 14 days (or such longer period as may be required by the Listing Rules).

Notwithstanding that a meeting of the Company is called by shorter notice than that specified in the Articles of Association or required by the Companies Ordinance, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and

(b) in the case of any other meeting, by a majority in number of the members having the right to attend and vote at the meeting, being a majority together holding not less than 95 per cent of the shares giving that right.

The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send such instrument of proxy to, or the non-receipt of notice of a meeting or such instrument of proxy by, any person entitled to receive such notice shall not invalidate the proceedings at that meeting.

Subject to sections 576 and 578 of the Companies Ordinance, the notice shall specify the place(s), date and time of a 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. There shall appear on every such notice with reasonable prominence a statement that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not be a member of the Company.

VOTING AT MEETINGS

Subject to the provisions of the Companies Ordinance, the Articles of Association and to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorized at any general meeting shall be entitled, on a show of hands, to one vote only and, on a poll, to one vote for every fully paid-up share of which he is the holder.

On a poll, votes may be given either personally or by proxy or (in the case of a corporate member) by a duly authorized representative. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names stand in the Register in respect of such share.

Where a member is, under the Listing Rules, required to abstain from voting on any resolution or restricted to voting only for or only against any resolution, any vote cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

DIRECTORS NEED NOT BE MEMBERS

A Director shall not be required to hold any Shares. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at general meetings.

BORROWING POWERS

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures, debenture stocks, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

DIRECTORS' APPOINTMENT, REMOVAL AND RETIREMENT

The Company may, from time to time, by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

No person (other than a Director retiring in accordance with the Articles of Association) shall, unless recommended by the Board for re-election, be eligible for election to the office of Director at any general meeting under paragraph (a) above unless:

(a) he is recommended by the Board for re-election; or

(b) he is nominated by notice in writing by a member (other than the person to be proposed) entitled to attend and vote at the meeting, and such notice of nomination shall be given to the Company Secretary within the seven-day period (or a longer period as may be determined by the Directors from time to time) commencing no earlier than the day after the despatch of the notice of such meeting and ending no later than seven days prior to the date appointed for such meeting. The notice of nomination shall be accompanied by a notice signed by the proposed candidate indicating his willingness to be appointed or re-appointed.

Without prejudice to the power of the Company in general meeting in accordance with any of the provisions of the Articles of Association to appoint any person to be a Director, the Board shall have power, exercisable at any time and from time to time, to appoint any other person as a Director, either to fill a casual vacancy or as an addition to the Board, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time (if any) by the shareholders in general meeting. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for reelection, but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at each annual general meeting.

The Company may, at any general meeting convened and held in accordance with the Companies Ordinance, by ordinary resolution remove any Director before the expiration of his period of service notwithstanding anything in the Articles of Association or in any agreement between him and the Company (but without prejudice to any claim he may have for damages for termination of such agreement not in accordance with its terms), and may, if thought fit, by ordinary resolution appoint another person in his stead. Any person so elected shall hold office for such time only as the Director in whose place he is elected would have held the same if he had not been removed.

The office of a Director shall *ipso facto* be vacated:

(a) if he ceases to be a Director by virtue of any provision of the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance) or he becomes prohibited by law or court order from being a Director;

(b) if he becomes bankrupt or a receiving order (or, in the case of a company, a winding-up order) is made against him or he makes any arrangement or composition with his creditors generally;

(c) if he is, or may be, suffering from mental disorder and an order is made by a court claiming jurisdiction in that behalf (whether in Hong Kong or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, *curator bonis* or other person by whatever name called to exercise powers with respect to his property or affairs;

(d) if he is absent from meetings of the Board during a continuous period of six months without special leave of absence from the Board, and his alternate Director (if any) shall not during such period have attended such meetings in his stead, and the Board passes a resolution that he has by reason of such absence vacated his office;

(e) if he is removed from office by notice in writing served upon him signed by all other Directors;

(f) if he serves on the Company notice of his wish to resign, in which case he shall vacate office on the service of such notice to the Company or such later time as is specified in such notice;

(g) if he is removed by ordinary resolution in accordance with the Companies Ordinance; or

(h) if he is convicted of an indictable offence.

If the office of a Director is vacated for any reason, he shall cease to be a member of any committee or sub-committee appointed by the Board.

DIRECTORS' REMUNERATION AND EXPENSES

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by resolution by which it is voted) is to be divided amongst the Directors in such proportions and in such manner as the Board 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. The foregoing shall not apply to a Director who holds any salaried employment or office in the Company in the case of sums paid in respect of Directors' fees.

The Directors shall also be entitled to be repaid their reasonable travelling, hotel and other expenses incurred by them in or about 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 on the discharge of their duties as Directors.

The Board may grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or 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 (if any) as a Director, and may, without prejudice to the payment of ordinary remuneration, be made payable by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may decide.

DIRECTORS' INTERESTS

If a Director or a senior management officer or any entity connected with such Director or senior management officer is in any way, whether directly or indirectly, interested in a transaction, arrangement or contract or proposed transaction, arrangement or contract with the Company, such Director shall declare the nature and extent of his interest or his connected entities' interest at a meeting of the Directors at which the question of entering into the transaction, arrangement or contract is first taken into consideration, if he knows his interest then exists, or in any other case as soon as reasonably practicable, and in any event at the first meeting of Directors after he knows that he is or has become so interested. Such declaration shall be made in accordance with the Companies Ordinance, the Articles of Association and any other requirements prescribed by the Company for the declaration of interests of Directors in force from time to time. References to an entity connected with a Director shall be construed in accordance with section 486 of the Companies Ordinance.

A general notice in writing given by a Director to the Directors at a meeting of the Directors to the effect that he is a member or a director of a specified company or firm, and is to be regarded as interested in any contract, transaction, arrangement or dealing which may, after the date of the notice, be entered into or made with that company or firm, shall be deemed to be a sufficient declaration of interest in relation to any contract, transaction, arrangement or dealing so entered into or made if such declaration is made in accordance with the provisions of the Companies Ordinance.

A Director may:

(a) hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms as the Directors may determine and may be paid such extra remuneration for so doing as the Directors may determine, either in addition to or in lieu of any remuneration provided for by or pursuant to the Articles of Association;

(b) act by himself or his firm in a professional capacity for the Company (other than as Auditor), and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; and

(c) continue to be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as a shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such other company. The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favor of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors or officers of such company) and any Director may vote in favor of the exercise of such voting rights in the manner aforesaid notwithstanding that he may be, or is about to be appointed a director or officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.

Subject to the provisions of the Companies Ordinance, no Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any contract, transaction or arrangement entered into by or on behalf of the Company with any Director or any firm or company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefits realized by any such contract, transaction or arrangement by reason only of such Director holding that office or of any fiduciary relationship thereby established, provided that such Director shall duly declare the nature and extent of his interest in any contract, transaction or arrangement in accordance with the Articles of Association.

A Director shall not vote (or be counted in the quorum) on any resolution of the Board in respect of any contract or transaction or arrangement or proposal in which he or any of his close associates, is to his knowledge, materially interested, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition shall not apply to and the Directors may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

(a) the giving by the Company of any security or indemnity to him or any of his close associates 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;

(b) the giving by the Company 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 he himself or any of his close associates has assumed responsibilities in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of the security;

(c) any proposal concerning an offering of shares or 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 he or any of his close associates is or is to be interested as a participant in the underwriting or sub-underwriting of the offer;

(d) any proposal concerning any other company in which he or his close associates are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which he or his close associates are beneficially interested in shares of that company, provided that he and any of his close associates are not in aggregate beneficially interested in five per cent. or more of the issued shares of any class of the share capital of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;

(e) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

    (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which he or his close associates may benefit; or

    (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to him, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of him or his close associates any privilege or advantage not generally accorded to the class of persons to whom such scheme or fund relates; and

(f) any contract or arrangement in which he or any of his close associates is interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his interest in shares or debentures or other securities of the Company.

If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the Chairman of the meeting) or as to the entitlement of any Director (other than such Chairman) to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, such question shall be referred to the Chairman of the meeting and his ruling in relation to the Director concerned shall be final and conclusive except in a case where the nature or extent of the interest of the Director or any of his close associates concerned so far as known to him has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the Chairman of the meeting or any of his close associates, such question shall be decided by a resolution of the Board (for which purpose such Chairman shall not be counted in the quorum and shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such Chairman so far as known to him has not been fairly disclosed to the Board.

Subject to the provisions of the Companies Ordinance, the Company may by ordinary resolution suspend or relax the provisions of the Article of Association to any extent or ratify any transaction not duly authorized by reason of a contravention of Article of Association.

DIVIDENDS

Subject to the provisions of the Companies Ordinance, the Company may by ordinary resolution declare a dividend to be paid to the members, according to their respective right and interests in the profits, and may fix the time for payment of such dividend, but no such dividend shall exceed the amount recommended by the Directors. No dividend shall be payable except out of the profits or other distributable reserves of the Company.

Unless and to the extent that the Articles of Association or 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 on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls shall be treated as paid on the share.

The Directors may, if they think fit, from time to time, resolve to pay to the members such interim dividends as appear to the Directors to be justified. If at any time the share capital of the Company is divided into different classes the Directors may resolve to pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferred rights as well as in respect of those shares which confer on the holders thereof preferential or special rights in regard to dividends, and provided that the Directors act bona fide they shall not incur any responsibility to the holders of shares conferring a preference for any damage that they may suffer by reason of the payment of an interim dividend on any share having deferred or non-preferred rights. The Directors may also resolve to pay at half-yearly or at other suitable intervals to be settled by them any dividend which may be payable at a fixed rate if they are of the opinion that the payment is justified.

The Board can offer Shareholders the right to choose to receive extra Shares, which are credited as fully paid up, instead of some or all of their cash dividends. The basis of such allotment shall be determined by the Board and the Board shall give notice in writing to the Shareholders of their rights of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective. The Shares allotted shall rank *pari passu* in all respects with the fully paid Shares then in issue save only as regards participation in the relevant dividends or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividends.

The Directors may distribute in specie or in kind among the members in satisfaction in whole or in part of any dividend, any of the assets of the Company, and in particular any shares or securities of other companies to which the Company is entitled, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue fractional certificates, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any member 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 Board and may appoint any person to sign any requisite instrument(s) of transfer and other documents on behalf of the persons entitled to the dividends and such appointment shall be effective. Where required, a contract shall be filed in accordance with the provisions of the Companies Ordinance and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividends and such appointment shall be effective.

INDEMNITY

Subject to the provisions of the Companies Ordinance, every Director, Company Secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he may sustain or incur in or about the execution of his office or otherwise in relation thereto.

WINDING UP

If the Company shall be wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively. The winding up is subject to the rights of the holders of any shares which may be issued on special terms or conditions.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in Hong Kong as a private company with limited liability under the predecessor ordinance of the Companies Ordinance (which was in force from time to time before March 3, 2014) on April 27, 2001. Our registered office is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our Company will change our company status to a public company limited by shares on the Listing Date following the approval and adoption of the Articles of Association (which will take effect from the Listing Date) by our Shareholders by way of resolutions in writing passed on October 18, 2019.

As our Company was incorporated in Hong Kong, our corporate structure and operation is subject to the laws of Hong Kong and our constitutive documents which comprise the Articles of Association. A summary of certain provisions of our Articles of Association is set out in Appendix III to this prospectus.

2. Changes in Share Capital of our Company

As of the date of the incorporation of our Company on April 27, 2001, the authorized share capital of our Company was HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each. With effect from March 3, 2014, following the Companies Ordinance becoming effective, provisions in our Articles of Association concerning, among other matters, the authorized share capital and par value of Shares were abolished.

The following sets out the changes in our Company's issued share capital within two years immediately preceding the date of this prospectus:

(i) On January 31, 2018, our Company issued and allotted 465,761 and 75,822 Series A Preference Shares to Xingze Xinghe and Jianyi Xinghe, respectively.

(ii) On February 13, 2019, our Company issued and allotted 66,059, 95,060 and 161,119 Series C Preference Shares to Apricot BioScience, Xingze Xingzhan and Zhihan (Shanghai), respectively.

(iii) On February 15, 2019, our Company issued and allotted 180,872 Ordinary Shares to Skytech Technology.

Other than pursuant to the exercise of the Over-allotment Option, there is no present intention to issue any shares of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company. As at the Latest Practicable Date, our Company had no founder shares, management shares, treasury shares or deferred shares.

Save as disclosed above and in the sub-section "– 3. Resolutions in Writing of all our Shareholders passed on October 18, 2019" below, there has been no alteration in our share capital within two years immediately preceding the date of this prospectus.

3. Resolutions in Writing of all our Shareholders passed on October 18, 2019

Pursuant to the written resolutions passed by our Shareholders on October 18, 2019, it was resolved, among others,

(i) the Articles were adopted in substitution of and to the exclusion of the existing articles of association of our Company with effect from the Listing Date;

(ii) conditional on (1) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Bonus Issue, the Global Offering and the exercise of the Over-allotment Option) and such approval not subsequently having been withdrawn or revoked prior to the commencement of dealings in the Shares on the Stock Exchange; (2) the Offer Price having been agreed between the Joint Global Coordinators (for themselves and on behalf of the other Underwriters) and our Company; (3) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and (4) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Global Coordinators) (for themselves and on behalf of the other Underwriters)) and the Underwriting Agreements not being terminated in accordance with the terms of those agreements at any time at or before 8:00 a.m. on the Listing Date:

(a) the Bonus Issue, the Global Offering and Over-allotment Option be approved and our Directors be authorized to effect the same and to allot and issue the Shares pursuant to the Bonus Issue, the Global Offering and Over-allotment Option;

(b) the proposed Listing be approved and our Directors be authorized to implement the Listing;

(c) the rules of the Scheme, the principal terms of which are set out in "Statutory and General Information – E. Scheme" in Appendix IV to this prospectus, be approved and adopted with effect from the Listing Date and our Directors be authorized to make such further changes to the Scheme which they deem necessary and/or desirable and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Scheme; and

(d) a general unconditional mandate be granted to our Directors to, inter alia, allot, issue and deal with Shares, securities convertible into Shares or options, warrants or similar rights to subscribe for any Shares or such convertible securities with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Bonus Issue and the Global Offering.

This mandate does not cover any Shares to be allotted, issued or dealt with under a rights issue, 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, specific authority granted by our Shareholders in general meeting or upon the exercise of the Over-allotment Option. Such mandate will expire:

(1) at the conclusion of the next annual general meeting of our Company;

(2) at the end of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles; or

(3) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever occurs first;

(e) a general unconditional mandate be given to our Directors to exercise all the powers of our Company to repurchase Shares with an aggregate nominal value of not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Bonus Issue and the Global Offering (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchase(s) made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate to repurchase Shares will remain in effect until:

(1) at the conclusion of the next annual general meeting of our Company;

(2) at the end of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles; or

(3) when revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever occurs first;

(f) the general unconditional mandate as mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares (up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Bonus Issue and the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option); and

(g) all of the Preference Shares were re-designated and re-classified into Shares each on a one for one basis.

4. Particulars of our Subsidiaries

Particulars of our subsidiaries are set forth in "History, Development and Group Structure – Our Subsidiaries" and Note 1 to the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

5. Changes in the Share Capital of Our Subsidiaries

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

(i) SinoMab Bio Science (Shenzhen) Limited (深圳賽樂敏生物科技有限公司)

On April 18, 2018, the sole shareholder of Shenzhen SinoMab passed the resolutions, among others, that the registered capital of Shenzhen SinoMab was increased from HK$1.00 million to HK$1.4286 million.

On April 18, 2019, the sole shareholder of Shenzhen SinoMab passed the resolutions, among others, that the registered capital of Shenzhen SinoMab was increased from HK$1.4286 million to HK$51.4286 million.

On October 17, 2019, the registered capital of Shenzhen SinoMab was increased from HK$51.4286 million to HK$96.4286 million according to the registration record with the local administration authority for industry and commerce.

(ii) SinoLink Pharma (Suzhou) Limited (杏聯藥業(蘇州)有限公司)

On July 30, 2018, SinoLink Pharma was established by our Company as a limited liability company in the PRC with a registered capital of RMB200 million.

(iii) Hainan SinoMab Biotech Co., Ltd. (海南賽樂敏生物科技有限公司)*

On May 27, 2019, the sole shareholder of Hainan SinoMab passed the resolutions, among others, that the registered capital was increased from RMB1,333,300 to RMB50,000,000.

(iv) SinoMab Pty Ltd

On April 30, 2019, Australia SinoMab was incorporated by our Company as a proprietary company in Australia with a registered share capital of AUD100.

6. Repurchase of Our Securities by our Company

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(i) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(a) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the resolutions in writing of all our Shareholders passed on October 18, 2019, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate number of Shares in issue and to be issued immediately following the completion of the Bonus Issue and the Global Offering (excluding Shares which may be issued upon the exercise of the Over-allotment Option), at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.)

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Hong Kong. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(c) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(d) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(e) Suspension of repurchase

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce 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, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(f) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the 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 following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year being reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(g) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates (as defined in the Listing Rules) and a core connected person (as defined in the Listing Rules) is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(ii) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(iii) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of Hong Kong.

Any payment for the repurchase of Shares will be drawn from the profits or share premium of our Company or from the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Listing Rules and the applicable laws and regulations of Hong Kong, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Listing Rules and the applicable laws and regulations of Hong Kong, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(iv) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 1,006,240,400 Shares in issue immediately after the Listing (but taking no account of Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option), could accordingly result in up to 100,624,040 Shares being repurchased by our Company during the period until:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(c) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(v) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the 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 of Hong Kong. Our Company has not repurchased any Share since its incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, 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 as a result. Save as aforesaid, our Directors are not aware of any consequence which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% (or a higher percentage upon completion of the exercise of the Over-allotment Option) of the Shares then in issue could only be implemented if the Stock Exchange agreed 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.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

(i) the investment agreement dated January 31, 2018 entered into among our Company, Hainan Haiyao, Forbest Capital, Skytech Technology, Billion Glory, Xingze Xinghe and Jianyi Xinghe, pursuant to which Xingze Xinghe and Jianyi Xinghe agreed to subscribe for, and our Company agreed to issue and allot, 465,761 and 75,822 Series A Preference Shares at the consideration of U.S. dollars equivalent of RMB129 million and RMB21 million, respectively, in cash;

(ii) the loan capitalization agreement dated April 16, 2018 entered into among Xingze Xinghe, Jianyi Xinghe, Shenzhen SinoMab and our Company, pursuant to which (i) Shenzhen SinoMab agreed to repay the loan in an amount of RMB40 million to Xingze Xinghe and Jianyi Xinghe; (ii) Xingze Xinghe agreed to capitalize the loan in an amount of RMB94.6 million owed by Shenzhen SinoMab to Xingze Xinghe by way of capital contribution to Shenzhen SinoMab in an amount of HK$368,600, representing approximately 25.80% of the equity interest in Shenzhen SinoMab; and (iii) Jianyi Xinghe agreed to capitalize the loan in an amount of RMB15.4 million owed by Shenzhen SinoMab to Jianyi Xinghe by way of capital contribution to Shenzhen SinoMab in an amount of HK$60,000, representing approximately 4.20% of the equity interest in Shenzhen SinoMab;

(iii) the share purchase agreement dated February 13, 2019 entered into among our Company, Shenzhen SinoMab, Hainan SinoMab, SinoLink Pharma, Dr. Leung, Skytech Technology, Apricot BioScience, Xingze Xingzhan and Zhihan (Shanghai), pursuant to which Apricot BioScience, Xingze Xingzhan and Zhihan (Shanghai) agreed to subscribe for, and our Company agreed to issue and allot, 66,059, 95,060 and 161,119 Series C Preference Shares at the consideration of U.S. dollars equivalent of RMB41 million, RMB59 million and RMB100 million, respectively, in cash;

(iv) the shareholders agreement dated February 13, 2019 (entitled Amended and Restated Shareholders Agreement) entered into among our Company, Skytech Technology, Forbest Capital, Dr. Leung, Billion Glory, Sumei YANG, Hainan Haiyao, West Biolake, Apricot Oversea, Ka Wa Benny CHEUNG, Kwan Yeung LEE, Zhengdong LI, Kwan Yin SIU, Peng WAN, Chau Yin Janet TSUI, Guolin XU, Ming Hon YAU, Apricot BioScience, Xingze Xingzhan and Zhihan (Shanghai), as further described in "History, Development and Corporate Structure – Pre-IPO Investments – Rights of the Pre-IPO Investors";

(v) a cornerstone investment agreement dated October 25, 2019, entered into among our Company, Yunnan Baiyao Group Co., Ltd (雲南白藥集團股份有限公司) ("**Baiyao Group**") and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Baiyao Group agreed to subscribe for such number of Shares rounded down to the nearest whole board lot which may be purchased with US$50 million at the Offer Price;

(vi) a cornerstone investment agreement dated October 29, 2019, entered into among our Company, Reach Software (Hongkong) Limited (瑞捷軟件科技(香港)有限公司) ("**Reach Software**") and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Reach Software agreed to subscribe for such number of Shares rounded down to the nearest whole board lot which may be purchased with US$10 million at the Offer Price; and

(vii) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(i) Trademarks

(a) Registered trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration Number	Registered Owner	Class	Expiry Date
1.	赛乐敏	Hong Kong	304504554	Our Company	5, 42	April 24, 2028
2.	SINOMAB	Hong Kong	304504563	Our Company	5, 42	April 24, 2028
3.		Hong Kong	304504572	Our Company	5, 42	April 24, 2028
4.	杏联药业	The PRC	32740187	Our Company	5	April 13, 2029
5.	赛乐敏	The PRC	30572462	Our Company	5	February 27, 2029
		The PRC	32741773	Our Company	35	May 13, 2029
		The PRC	30565963	Our Company	42	February 13, 2029
6.		The PRC	32735576	Our Company	35	July 6, 2029
		The PRC	34977794	Our Company	5	July 27, 2029
7.	MABLIEN	The PRC	34957343	Our Company	5	July 27, 2029
		The PRC	34971396	Our Company	35	July 27, 2029
		The PRC	34968338	Our Company	42	July 27, 2029
8.	MEDINEXUS	The PRC	34968326	Our Company	5	July 27, 2029
		The PRC	34957465	Our Company	35	July 27, 2029
		The PRC	34973917	Our Company	42	July 27, 2029
9.	MABUNITE	The PRC	34968323	Our Company	5	July 27, 2029
		The PRC	34962579	Our Company	35	July 27, 2029
		The PRC	34966462	Our Company	42	July 27, 2029

(b) Pending trademarks

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Application Number	Applicant	Class	Application Date
1.	赛乐敏	Hong Kong	304876228	Our Company	35	March 31, 2019
2.		Hong Kong	304876237	Our Company	35	March 31, 2019
3.	SINOMAB	Hong Kong	304877641	Our Company	35	April 1, 2019

(ii) Patent

(a) Registered patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to our business:

No.	Patent Title	Place of registration	Patentee	Patent number	Application Date	Expiry Time
1.	Framework patched immunoglobulins	The United States	Skytech Technology(1)	US7321026B2	June 27, 2001	June 2021
2.	A type of genetically modified immunoglobulin with poor immunogenicity and uses thereof# (一種低免疫原性的基因改造免疫球蛋白及其應用)	The PRC	Dr. Leung(1)	ZL01144894.6	December 29, 2001	December 2021
3.	Reducing immunogenicities of immunoglobulins by framework-patching	The United States	Skytech Technology(1)	US7338659B2	June 10, 2002	June 2022
		Singapore	Dr. Leung(1)	101356 WO 03/02607	June 10, 2002	June 2022
		Japan	Dr. Leung(1)	4314404	June 10, 2002	June 2022
		Europe	Dr. Leung(1)	1442061	June 27, 2001	June 2022
		India	Dr. Leung(1)	208332	June 10, 2002	June 2022
4.	Anti-non Hodgkin lymphoma chimeric antibody and derivatives and uses thereof# (抗人非何傑金淋巴瘤嵌合抗體及其衍生物與應用)	The PRC	Our Company	ZL03123054.7	April 29, 2003	April 2023
5.	Functional humanized anti-CD20 antibodies and uses thereof# (功能人源化抗人CD20抗體及其應用)	The PRC	Our Company	ZL200610160713.X	November 29, 2006	November 2026
6.	Reducing the immunogenicity of anti-CD20 antibodies by framework patching	The United States	Skytech Technology(1)	US7491514B2	December 5, 2007	June 2021
7.	Framework-patched anti-CD20 antibody	The United States	Skytech Technology(1)	US7495081B2	December 5, 2007	June 2021

No.	Patent Title	Place of registration	Patentee	Patent number	Application Date	Expiry Time
8.	Functional humanization of complementarity determining regions[#] (互補決定區(CDRs)功能人源化)	The PRC	Our Company	ZL200880024788.2	May 16, 2008	May 2028
9.	Anti-CD22 anti-idiotypic antibodies and uses thereof[#] (針對人CD22抗體的抗獨特型抗體及其應用)	The PRC The United States	Our Company Our Company	ZL201210286457.4 US9371396B2	August 13, 2012 June 16, 2013	August 2032 June 2033
10.	A method of isolating and purifying antibodies from cultural supernatant[#] (一種從細胞培養上清中分離純化抗體的方法)	The PRC	Our Company	ZL201310433861.4	September 22, 2013	September 2033

[#] For translation purpose only

Note:

(1) On February 12, 2019, our Company entered into an agreement in respect of the transfers of patents with Skytech Technology, pursuant to which, among others, Skytech Technology transferred the patents in relevant jurisdictions to us at nil consideration.

(b) Pending patents

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent Title	Place of registration	Applicant	Application number	Application Date
1.	Methods of administering anti-CD22 antibodies	The United States	Our Company	62/747,581	October 18, 2018
2.	Methods of modulating autoimmunity by disrupting cis-ligand binding of siglec type antigens	The United States	Our Company	62/775,631	December 5, 2018
3.	Method of Modulating Autoimmunity by Disrupting Cis-Ligand Binding of Siglec Type Antigens (通過破壞SIGLEC型抗原的順式–配體結合來調節自身免疫的方法)	The PRC	Our Company	PCT/CN2019/111882	October 18, 2019

(iii) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which we consider to be or may be material to our business:

No.	Domain Name	Registrant	Registration Date	Expiry Date
1.	sinomab.com	Our Company	January 8, 2002	January 7, 2022

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(i) Disclosure of interest – interests and short positions of our 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 Bonus Issue and the Global Offering (but without taking into account the exercise of the Over-allotment Option, the interest or short position of our Directors or chief executive of our Company 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 our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**"), to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

(a) Interests in our Company

Name of Director/Chief Executive	Capacity/nature of interest[1]	Number of Shares	Approximate percentage of shareholding[2]
Dr. Leung	Interest in a controlled corporation[3]	389,469,200	38.71%
Ms. Wenyi LIU	Interest in a controlled corporation[4]	212,889,400	21.16%
Mr. Huiyuan MA	Interest of spouse[5]	389,469,200	38.71%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 1,006,240,400 Shares in issue after completion of the Bonus Issue and immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(3) These Shares are held by Skytech Technology, which is wholly owned by Dr. Leung. Dr. Leung is deemed to be interested in these Shares for the purposes of the SFO. For details, please see "Substantial Shareholders."

(4) These Shares are held by Apricot Capital through Apricot Oversea, West Biolake, Apricot BioScience, Le Rong Limited and Zliverland Holdings Limited, which are ultimately controlled by Ms. Liu. Ms. Liu is deemed to be interested in these Shares for the purposes of the SFO. For details, please see "Substantial Shareholders."

(5) These Shares are held by Mr. Ma's spouse through Forbest Capital, in which Mr. Ma is deemed to be interested for the purposes of the SFO. For details, please see "Substantial Shareholders."

(b) Interests in associated companies

To the best knowledge of the Directors, none of the Directors has interests or short positions in the share capital or debentures of the associated corporations of our Company.

(ii) Particulars of service contracts and letters of appointment

Our executive Director has entered into a service contract with our Company on October 18, 2019. We have issued letters of appointment to each of our non-executive Directors and independent non-executive Directors on October 18, 2019. The principal particulars of such service contract and the letters of appointment are (i) for an initial fixed term of three years commencing from the Listing Date (for executive Director and non-executive Directors) or the date of this prospectus (for independent non-executive Directors), and (ii) are subject to termination in accordance with their respective terms. The service contract may be renewed in accordance with our Articles of Association and the applicable rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

(iii) Directors' remuneration

For details of the Directors' remuneration, see "Directors and Senior Management – Compensation of Directors and Senior Management."

2. Substantial Shareholders

Save as disclosed in the section "Substantial Shareholders" in this prospectus, immediately following the completion of the Bonus Issue and the Global Offering (but without taking into account the exercise of the Over-allotment Option), our Directors or chief executive are not aware of any other person, other than a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 member of the Group.

3. Personal Guarantees

As of the Latest Practicable Date, our Directors have not provided personal guarantees in favor of lenders in connection with banking facilities granted or to be granted to any member of our Group.

4. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

5. Related-Party Transactions

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described in Note 26 to the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

6. Directors' Competing Interest

Save as disclosed in this prospectus, none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

7. Disclaimers

Save as disclosed herein:

(i) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code once the Shares are listed on the Stock Exchange;

(ii) none of our Directors nor any of the parties referred to under "– F. Other Information – 7. Qualification of Experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors nor any of the parties referred to under "– F. 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 as a whole;

(iv) none of our Directors has any existing or proposed 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));

(v) so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) will, immediately following the completion of the Bonus Issue and the Global Offering, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO, or 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; and

(vi) none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. EMPLOYEE STOCK INCENTIVE PLAN

1. Summary

The following is a summary of the principal terms of the Employee Stock Incentive Plan (the "**Plan**") adopted by our Board on March 24, 2016 and subsequently amended on May 17, 2017. The terms of the Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

(i) Purpose

The purposes of the Plan are to attract and retain the best available personnel, to provide additional incentive to our Directors, employees and consultants and to promote the success of our Company's business.

(ii) Who may join

Those eligible to participate in the Plan include our Directors, employees and/or consultants as determined by our Board, or where authorized by our Board, our chief executive officer (collectively the "**Administrator**") in its sole discretion. The Administrator may, from time to time, select any Directors, employees and consultants to whom awards in the form of options or other right or benefit under the Plan (the "**Awards**") will be granted and will determine whether and to what extent Awards are to be granted.

(iii) Administration

The Plan is administered by the Administrator. Subject to the applicable laws and the provisions of the Plan, the Administrator shall have the authority, in its discretion, or by way of approval of a simple majority of our Board:

(a) to select any Directors, employees and consultants to whom Awards may be granted from time to time;

(b) to determine whether and to what extent Awards are to be granted;

(c) to determine the number of Shares or the amount of consideration for each Award to be granted;

(d) to approve forms of Award Agreements (as defined below) for use under the Plan;

(e) to determine the terms and conditions of any Award granted;

(f) to establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions and to afford grantees favorable treatment under such rules or laws where appropriate; provided, however, that no Award shall be granted under any such additional terms, conditions, rules or procedures with terms or conditions which are inconsistent with the provisions of the Plan;

(g) to amend the terms of any outstanding option granted under the Plan, and to adjust the exercise price of any options;

(h) to construe and interpret the terms of the Plan and Awards, including without limitation, any notice of Award or Award Agreement; and

(i) to take such other action, not inconsistent with the terms of the Plan, as the chief executive officer and/or the Board deems appropriate.

"**Award Agreement**" means the written agreement (together with a notice of Award as applicable) evidencing the grant of an Award executed by our Company and the grantee pursuant to the Plan.

(iv) Grant of Awards

The Administrator is authorized to grant Awards to purchase a specified number of Shares at a specified price during specified time periods. Awards granted will be evidenced by a written agreement (together with a notice of Award as applicable) executed by our Company and the grantee, including any Director, employee or consultant of our Company who receives an Award under the Plan. Subject to the terms of the Plan, the Administrator shall determine the provisions, terms, and conditions of each Award including, but not limited to, the option vesting schedule, repurchase provisions, rights of first refusal, forfeiture provisions, form of payment (cash, Shares, or other consideration) upon settlement of the Award, payment contingencies, and satisfaction of any performance criteria.

(v) Term of the Plan

The Plan commenced on March 24, 2016 (the "**Effective Date**"). It shall continue in effect for a term of ten (10) years unless sooner terminated.

(vi) Exercise of option

The option may not be exercised until vested. Any option granted hereunder shall be exercised at such times and under such conditions as determined by the Administrator under the terms of the Plan and specified in the Award Agreement.

(vii) Exercise price

The exercise or purchase price, if any, for the Shares subject to an option shall be determined by the Administrator from time to time and shall be specified in the Award Agreement.

(viii) Transferability of Awards

Options may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the grantee, only by the grantee; provided, however, that the grantee may designate a beneficiary of the grantee's option in the event of the grantee's death on a beneficiary designation form provided by the Administrator. The terms of the option shall be binding upon the executors, administrators, heirs, successors and transferees of the grantee.

(ix) Dismissal for cause

In the event of termination of the grantee's provision of services to our Company or any parent and subsidiary of our Company, and any business, corporation, partnership, limited liability company or other entity in which our Company, a parent or a subsidiary of our Company holds a substantial (not less than 50% of the total voting securities) ownership interest directly or indirectly (the "**Related Entity**") for cause, that is, expressly defined in a then-effective written agreement between the grantee and our Company or such Related Entity, or in the absence of such then-effective written agreement and/or definition, is based on, in the determination of the Administrator, the grantee's (i) refusal or failure to act in accordance with any special, lawful direction or order of our Company; (ii) unfitness or unavailability for service or unsatisfactory performance (other than as a result of disability); (iii) performance of any act or failure to perform any act in bad faith to the detriment of our Company or a Related Entity; (iv) gross negligence, dishonesty, intentional misconduct or material breach of any agreement with our Company or a Related Entity; (v) commission of a crime involving dishonesty, breach of trust, or physical or emotional harm to any person; or (vi) bankruptcy, the grantee's right to exercise the option shall, except as otherwise determined by the Administrator, terminate concurrently with the termination of the grantee's provision of services to our Company or any Related Entity (the "**Service**").

(x) Dismissal without cause

Unless otherwise approved by the Administrator, an option may not be exercised after the expiration date or the sooner termination date of such option set forth in the Award Agreement and may be exercised following the termination of a grantee's Service only to the extent such grantee's Service was terminated without cause, in which case, the grantee shall be entitled to exercise any outstanding option to the extent that such option has been vested on the date of such termination within three (3) months following the date of such termination or such shorter period as may be designated in the Award Agreement. If, after such termination, the grantee does not exercise his or her option (to the extent which has been vested on the date of termination) within the time stipulated hereinabove or designated in the Award Agreement, such option shall terminate automatically and the grantee shall have no claim for compensation or otherwise against our Company whatsoever. In the event of termination of the grantee's Service for cause, the grantee's right to exercise the option shall, except as otherwise determined by the Administrator, terminate concurrently with the termination of the grantee's Service.

(xi) Death or disability

In the event of termination of the grantee's Service as a result of the grantee's disability, the grantee may exercise his or her option within such period of time as is specified in the Award Agreement (of not less than six (6) months but in no event later than the expiration date as set forth in the Award Agreement) to the extent the option is vested on the date of such termination. If, on the date of termination, the option is not fully vested, the Shares covered by the unvested option shall revert to the Plan without compensation to the grantee. If, after termination, the grantee does not exercise his or her option to the fullest extent vested within the time specified in the Award Agreement, the option shall terminate automatically, and the Shares covered by such unexercised portion of the option shall revert to the Plan and the grantee shall have no right to claim for compensation or otherwise against our Company whatsoever.

In the event of termination of the grantee's Service due to his death, the option may be exercised within such period of time as is specified in the Award Agreement (of not less than twelve (12) months but in no event later than the expiration date as set forth in the Award Agreement) to the extent the option is vested on the date of death by the grantee's estate or by a person who acquires the right to exercise the option by bequest or inheritance (collectively, the "**Representative**"). If, at the time of death, the option is not fully vested, the Shares covered by the unvested option shall immediately revert to the Plan without compensation to the grantee, his or her estate or the Representative. If the option is not exercised by the Representative to the fullest extent vested within the time specified in the Award Agreement, the option shall terminate automatically, and the Shares covered by such unexercised portion of the option shall revert to the Plan and the grantee's estate and the Representative shall have no right to claim for compensation or otherwise against our Company whatsoever.

(xii) Adjustments

Subject to any required action by the Shareholders of our Company, the number of Shares covered by each outstanding option, and the number of Shares which have been authorized for issuance under the Plan but as to which no Awards have yet been granted or which have been returned to the Plan, the exercise or purchase price of each such outstanding option, as well as any other terms that the Administrator determines require adjustment shall be proportionately adjusted for (i) any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Shares, or similar transaction affecting the Shares, (ii) any other increase or decrease in the number of issued Shares effected without receipt of consideration by our Company. Such adjustment shall be made by the Administrator and its determination shall be final, binding and conclusive. Unless otherwise determined by the Administrator, no issuance by our Company of shares of any class, or securities convertible into shares of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the number or price of Shares subject to an option.

(xiii) Amendment, suspension or termination

Our Board may at any time and from time to time amend and/or suspend, and at any time terminate the Plan. To the extent necessary to comply with the applicable laws, our Company shall obtain shareholders' approval for any amendment to the Plan in such a manner and to such a degree as required. No grantee shall be entitled to claim compensation or otherwise against our Company as a result of any of the foregoing.

No option may be granted during any suspension of the Plan or after termination of the Plan.

Any amendment, suspension or termination of the Plan shall not affect the options already granted, and such options shall remain in full force and effect as if the Plan had not been amended, suspended or terminated unless mutually agreed otherwise between the grantee and the Administrator, which agreement must be in writing and signed by the grantee and our Company.

2. Options granted

The proposal to grant the options under the Plan to the grantees as set out below has been approved by our Board on January 6, 2017 and subsequently amended on May 17, 2017. We have granted options to six participants under the Plan, all of which were granted on May 19, 2017. The options granted under the Plan were fully vested and exercised as of the Latest Practicable Date. In addition, there was no outstanding option under the Plan as of the Latest Practicable Date. Our Company will not grant further options under the Plan before or after Listing. The exercise price of all the options under the Plan is HK$1.00 (approximately US$0.129). Each of the grantees paid nil consideration in respect of the options granted to them. The number of the Shares granted pursuant to the Plan amounted to 39,300 Shares, representing approximately 0.95% of the issued share capital of our Company as of the Latest Practicable Date and approximately 0.78% immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), respectively.

Below is a list of our senior management and employees who are grantees under the Plan:

Name of grantee	Role	Address	Exercise price	Number of Shares allotted and issued under the Plan	Date of grant	Option period	Approximate percentage of issued shares immediately after completion of the Bonus Issue and the Global Offering[(1)]
Our senior management							
Dr. Ming Hon YAU	Managing Director (Downstream Research)	Flat B, 17/F, Block 1, Granville Garden 8 Pik Tin Street, Shatin, New Territories, Hong Kong	HK$1.00	10,000	May 19, 2017	10 years from the date of grant	0.20%
Dr. Kwan Yin SIU	Associate Managing Director (Upstream Research and Production)	Flat 908, 9/F, Block U, Telford Gardens, Kowloon Bay, Kowloon, Hong Kong	HK$1.00	6,700	May 19, 2017	10 years from the date of grant	0.13%
Dr. Ka Wa Benny CHEUNG . . .	Principal Senior Scientist	Flat A, 5/F, Fook Lung Garden, 375 Prince Edward Road West, Kowloon City, Kowloon, Hong Kong	HK$1.00	6,700	May 19, 2017	10 years from the date of grant	0.13%
Subtotal				23,400			0.47%

Name of grantee	Role	Address	Exercise price	Number of Shares allotted and issued under the Plan	Date of grant	Option period	Approximate percentage of issued shares immediately after completion of the Bonus Issue and the Global Offering[(1)]
Our employees							
Mr. Guolin XU. .	Scientist	Room 12-03, Block B, Paradise Century, Xinzhou Third Street, Futian District, Shenzhen, the PRC	HK$1.00	5,300	May 19, 2017	10 years from the date of grant	0.11%
Mr. Kwan Yeung LEE	Scientist	Flat F, 5/F, Tower 10, Park Royale, 38 Town Park Road North, Yuen Long, New Territories, Hong Kong	HK$1.00	5,300	May 19, 2017	10 years from the date of grant	0.11%
Mr. Peng WAN[(2)]	Plant General Manager	20AB, No. 9 Landmark Garden, No. 2, Mingzhu Road, Haikou, Hainan, the PRC	HK$1.00	5,300	May 19, 2017	10 years from the date of grant	0.11%
Subtotal				15,900			0.32%
Total				39,300			0.78%

Notes:

(1) The above table assumes that the Over-allotment Option is not exercised.

(2) On June 5, 2019, Mr. Peng WAN transferred 5,300 Shares to Skytech Technology. For details, see "History, Development and Group Structure – Establishment and Major Shareholding Changes of Our Company – Series E Investment – Transfers of Shares to Skytech Technology."

E. SCHEME

1. Summary

A Scheme was conditionally adopted by a resolution of our Shareholders on October 18, 2019 with effect from the Listing Date. The Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. As of the Latest Practicable Date, our Company has not established a trust in connection with the Scheme and has not appointed an independent third party as trustee to administer the Trust. Our Company will establish a trust and appoint a trustee prior to the grant of any award by the Board which may vest in the form of Shares or the actual selling price of the award Shares in cash in accordance with the Scheme.

For the purpose of the adoption of the Scheme, Skytech Technology plans to transfer the 180,872 Ordinary Shares (currently held by it as of the Latest Practicable Date) to a trustee, which will hold such Shares as a trustee for the benefit of potential grantees. Such transfer is expected to take place after the Listing Date.

(i) Purpose of the Scheme

The purpose is to incentivize our Directors, senior management and employees for their contribution to our Group and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

(ii) RSU Awards

An award of restricted share unit ("**RSU**") gives a participant in the Scheme a conditional right 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 exercise of the restricted share units, less any tax, stamp duty and other charges applicable, as determined by the Board in its absolute discretion.

For the purposes of the Scheme, "**Board**" means the board of Directors of our Company or a duly authorized committee of the board of directors.

(iii) Participants of the Scheme

Eligible persons of the Scheme include existing employees, Directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any subsidiaries and any person(s) whether or not an employee(s) or officer(s) of the Company or its subsidiaries who the Board considers to be able to enhance the operations or value of our Group ("**Eligible Persons**").

Subject to the conditions and restrictions on the grant, the Board may select any Eligible Person for participation in the Scheme. Eligible Persons selected by the Board to be granted RSUs under the Scheme at its discretion is regarded as "Selected Persons." Unless so selected, no Eligible Person shall be entitled to participate in the Scheme. The basis of eligibility of any Selected Person for the grant of RSUs shall be determined by the Board from time to time on the basis of their contribution to the development and growth of our Group or such other factors as the Board may deem appropriate.

(iv) Term of the Scheme

Subject to the termination clause under paragraph (xxiii), the Scheme shall be valid and effective for a period of ten (10) years ("**Term**"), commencing on the date of the first grant of the RSUs (unless it is terminated earlier in accordance with its terms), after which no further RSUs shall be granted or accepted, but the provisions of the Scheme shall remain in full force and effect in order to give effect to the vesting of RSUs granted and accepted prior to the expiration of the Term.

(v) Grant of RSUs

Subject to the limitations and conditions of the Scheme, the Board may, at its absolute discretion, grant RSUs to any Selected Person on such terms and conditions as the Board thinks fit, provided that:

(a) no RSUs shall be granted after the expiry of the term of the Scheme or after the earlier termination of the Scheme in accordance with paragraph (xxiii); and

(b) RSUs that have lapsed in accordance with paragraph (xx) or for any other reasons can be re-granted by the Board.

A grant shall be made to a Selected Person by a letter and/or any such notice or document in such form as the Board may from time to time determine (the "**Grant Letter**") and such grant shall be subject to the terms as specified in the Scheme. The Selected Person shall undertake to hold the RSUs on the terms on which it is granted and be bound by the provisions of the Scheme, such RSU shall remain open for acceptance by the Selected Person to whom a grant is made for a period to be determined by the Board, provided that no such grant shall be open for acceptance after the tenth anniversary of the adoption date of the Scheme or after the Scheme has been terminated in accordance with the provisions of the Scheme. To the extent that the RSU is not accepted within the period determined by the Board, it will be deemed to have been irrevocably declined and shall immediately lapse.

(vi) Acceptance of RSUs

A Selected Person may accept an offer of the grant of RSUs in such manner as set out in the Grant Letter or as otherwise determined by the Board. Once accepted, the RSUs are deemed granted from the date of the Grant Letter, unless otherwise determined by the Board. Upon acceptance, the Selected Person becomes a participant in the Scheme (the "**Participant**").

(vii) Restrictions on Grants

The Board may not grant any RSUs to any Selected Persons in any of the following circumstances:

(a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the Scheme, unless the Board determines otherwise; or

(b) where granting the RSUs would result in a breach by our Company, the Subsidiaries or any of their directors of any applicable securities laws, rules or regulations; or

(c) after a price sensitive event in relation to the securities of our Company has occurred or a price sensitive matter in relation to the securities of our Company has been the subject of a decision, until an announcement of such inside information has been duly published in accordance with the Listing Rules and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); or

(d) within the period commencing one month immediately preceding the earlier of:

(1) the date of the meeting of the Board (or such date as first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the results of our Group for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(2) the deadline to publish an announcement of the 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; or

(e) where such grant of RSUs would result in breach of the limits of the Scheme.

(viii) Grant to Directors

Where any RSU is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of our Group are published and during the period of:

(a) 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

(b) 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.

(ix) Grant to Connected Persons

Any grant of RSU to any director, chief executive or substantial shareholder of our Company (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules) shall be subject to the requirements of the Listing Rules. Notwithstanding the foregoing, any grant of RSU to a Director pursuant to Rule 14A.73(6) of the Listing Rules will be exempted from reporting, announcement and independent Shareholders' approval requirements if the RSU forms part of the relevant Director's remuneration under his/her service contract.

(x) Maximum number of Shares pursuant to RSUs

The maximum number of RSUs that may be granted under the Scheme in aggregate shall be 36,174,400 Shares, which represents the number of 180,872 Ordinary Shares as of the Latest Practicable Date to be subsequently enlarged by the Bonus Issue and approximately 3.60% of the issued share capital of our Company immediately following the completion of the Bonus Issue and the Global Offering (assuming the Over-allotment Option is not exercised).

(xi) Rights Attached to RSUs

A Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the Participant. Further, a Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by the Board in its entire discretion in the Grant Letter to the Participant, 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 RSUs.

(xii) Rights Attached to Shares

Any Shares transferred to a Participant in respect of any RSUs will be subject to all 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 is closed, the first day of the reopening of the register of members.

(xiii) RSUs to be Personal to the Grantee

Unless otherwise approved by the Board, the RSUs granted pursuant to the Scheme are personal to each Participant, and are not assignable. Unless otherwise approved by the Board, participants 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 Trustee (as defined below) on trust for the Participants, the RSUs or any interest or benefits therein.

(xiv) Appointment of RSU Trustee

Our Company may appoint a professional trustee (the "**Trustee**") to assist with the administration and vesting of RSUs granted pursuant to the Scheme. Our Company may (i) allot and issue Shares to the Trustee to be held by the Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the Shares underlying the RSUs upon exercise.

(xv) Vesting

The Board may determine in its absolute discretion, any vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the Grant Letter.

(xvi) Provision of Funds

Upon appointing the Trustee, our Company shall procure that sufficient funds are provided to the Trustee by whatever lawful means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration of the Scheme. All the Shares underlying the RSUs granted and to be granted under the Scheme may be transferred, allotted or issued to the Trustee as the Board may in its absolute discretion determine.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, the Board shall send the vesting notice to each of the relevant Participants. The vesting notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and 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 those Shares) involved.

(xvii) Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of the Shareholders (or shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in 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, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(xviii) Rights on compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or our amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such shareholders' approval is obtained, a Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(xix) Rights on a voluntary winding-up

If an effective resolution is passed during the Term for the voluntary winding-up of our Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the Participant, but the Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

(xx) Lapse or cancellation of RSUs

Any unvested RSUs will automatically lapse immediately upon the earliest of:

(a) the date on which such Participant's employment or service terminates for any reason, except (1) the employment or service is terminated by reason of death, retirement or disability; (2) where the employment is terminated involuntarily without cause; (3) where the company employing the Participant ceases to be one of the Subsidiaries; or (4) any other incident occurs as the Board may at its discretion specify; or

(b) the time when the Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs; or

(c) the date on which the offer (or, as the case may be, revised offer) referred to in paragraph (xvii) closes; or

(d) the record date for determining entitlements under the compromise or arrangements referred to in paragraph (xviii); or

(e) the date of commencement of a winding-up of our Company; or

(f) the date on which it is no longer possible to satisfy any outstanding conditions to vesting; or

(g) the time when the Board has decided that the unvested RSUs shall not be vested in the Participant in accordance with the rules of the Scheme and the terms and conditions as set out in the Grant Letter.

A Participant's RSUs will lapse on a proportional basis based on the proportion that (i) the time between the Grant Date and the occurrence of the following relevant event bears to (ii) the entire vesting period set out in the Participant's Grant Letter if:

(a) the Participant's employment or service is terminated because of the Participant's death, retirement or disability;

(b) the Participant's employment or service is terminated involuntarily without cause;

(c) the company with which the Participant is employed ceases to be one of the Subsidiaries; or

(d) any other incident occurs as the Board may at its discretion specify,

provided that the performance criteria set out in the Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

If at any time, a Participant:

(1) ceases to be an employee as a result of termination of his/her employment with our Group for Cause. For the purpose of this Rule, "**Cause**" means the Participant is in breach of his/her contract of employment with or any other obligation to our Group;

(2) fails, during the course of his/her employment, to devote the whole of his/her time and attention to the business of our Group or to use his/her best endeavours to develop the business and interests of our Group;

(3) is concerned during the course of his/her employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group;

(4) is in breach of his/her contract of employment with or any other obligation to our Group;

(5) has, in the opinion of the Board, conducted himself/herself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its Subsidiary; or

(6) is in breach of any restrictions, terms or conditions attached to the grant of the RSUs,

then all vested and unvested RSUs shall automatically lapse and such Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

The Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

i. our Company or the Subsidiaries pay to the Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with the Auditors or an independent financial advisor appointed by the Board;

ii. our Company or the relevant Subsidiary provides to the Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or

the Board makes any arrangement as the Participant may agree in order to compensate him/her for the cancellation of the RSUs.

*(xxi) **Reorganization of capital structure***

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company, the Board may make such equitable adjustments, designed to protect the Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

*(xxii) **Amendment of the Scheme***

Save as provided in the Scheme, the Board may alter any of the terms of the Scheme at any time. Written notice of any amendment to the Scheme shall be given to all Participants. Any alterations to the terms and conditions of the Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any Participant shall be subject to the consent of the Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the Participants on the date of the relevant resolution passed by the Board in approving the amendment of the Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the Scheme. The Board's determination as to whether any proposed alteration to the terms and conditions of the Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

*(xxiii) **Termination of the Scheme***

The Board may terminate the Scheme at any time before the expiry of the Term. The provisions of the Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to these Rules prior to the termination of the operation of the Scheme. Our Company or the relevant Subsidiary shall notify the Trustee and all Participants of such termination and of how any property held by the Trustee on trust for the Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

*(xxiv) **Administration of the Scheme***

The Board has the power to administer the Scheme, including the power to construe and interpret these Rules and the terms of the RSUs granted under it. The Board may delegate the authority to administer the Scheme to a committee of the Board. The Board may also appoint one or more independent third-party contractors to assist in the administration of the Scheme and delegate such powers and/or functions relating to the administration of the Scheme as the Board thinks fit. The Board's determinations under the Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a director is a Participant, he/she may, notwithstanding his/her own interest and subject to the Articles, vote on any Board resolution concerning the Scheme (other than in respect of his/her own participation in it), and may retain RSUs under it. Each Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and the Board's administration of the Scheme.

*(xxv) **General***

As at the Latest Practicable Date, no Award has been granted or agreed to be granted under the Scheme.

The grant and vesting of any RSUs which may be granted pursuant to the Scheme will be in compliance with Rule 10.07 of the Listing Rules.

Our Company will issue announcements according to applicable Listing Rules, disclosing particulars of any RSUs granted under the Scheme, including the date of grant, number of Shares involved, the vesting period, the appointment and arrangement with the Trustee and comply with Chapter 14A of the Listing Rules. Details of the 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.

F. 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.

2. Litigation

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in "Business – Legal Proceedings and Compliance", no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

CICC has declared that as regards their relationship with our Company, they are not or do not expect to be independent because Mr. Liu Senlin, one of the non-executive Directors, is also an employee of Zhihan (Shanghai), which held 3.91% of the shareholding of our Company as at the Latest Practicable Date. Zhihan (Shanghai) is an investment fund, the general partner of which is CICC Qizhi (Shanghai) Equity Investment Management Limited* (中金祺智(上海)股權投資管理有限公司) ("**CICC Qizhi**"), which is contractually controlled, via a variable interest entity structure, by one of the fellow subsidiaries of CICC, CICC Capital Management Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**"). Both CICC Capital and CICC are wholly-owned subsidiaries of China International Capital Corporation Limited, a company listed on the Stock Exchange (stock code: 3908). Furthermore, CICC Qizhi also provides advisory services covering, among others, business development and financing, to our Company on a no-fee basis. After taking into account the aforementioned relationships, CICC considered that such relationships would be reasonably considered to affect their independence in performing their duties as set out in Chapter 3A of the Listing Rules, or might reasonably give rise to a perception that their independence would be so affected, pursuant to Rule 3A.07(9) of the Listing Rules. Orient Capital has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors is entitled to a fee of US$250,000 for acting as our sponsors in connection with the Global Offering.

4. Preliminary Expenses

We did not incur any material preliminary expenses.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Commission and Expenses," within the two years preceding the date of this prospectus, no cash, securities other benefit has been paid, allotted or give or is proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

6. Taxation of holders of Shares

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

7. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance who have given opinion or advice which is contained in this prospectus:

Name	Qualifications
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO, acting as a Joint Sponsor of the Listing
Orient Capital (Hong Kong) Limited	Licensed to conduct type 6 (advising on corporate finance) regulated activities under the SFO, acting as a Joint Sponsor of the Listing
Ernst & Young	Certified public accountant
Zhong Lun Law Firm	PRC Legal Advisor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

8. Consents of Experts

Each of the experts as referred to under "– 7. Qualification of Experts" above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report(s), view(s), and/or letter(s) and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

9. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

10. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since April 30, 2019 (being the date to which the latest audited combined financial statements of our Group were prepared).

12. Miscellaneous

(i) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms had 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 our subsidiaries; and

(d) no commission had been paid or payable (except commission to sub-underwriters) to any person for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(ii) Save as disclosed in this prospectus, no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued.

(iii) Our Directors confirm that there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(iv) Our Directors confirm that our Company has no outstanding convertible debt securities or debentures.

(v) All necessary arrangements have been made to enable the Shares to be admitted to CCASS for clearing and settlement.

(vi) No members of our Group is presently listed on any stock exchange or traded on any trading system, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange.

(vii) There is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the **WHITE**, **YELLOW** and **GREEN** application forms; (b) the written consents referred to in "Statutory and General Information – F. Other Information – 8. Consents of Experts" in Appendix IV to this prospectus; and (c) copies of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Paul Hastings at 21-22/F, Bank of China Tower, 1 Garden Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) 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;

(d) the audited consolidated financial statements of our Group for the years ended December 31, 2017 and 2018 and four months ended April 30, 2019;

(e) the fair rent opinion relating to the property interests of our Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited;

(f) copies of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this prospectus;

(g) the written consents referred to in "Statutory and General Information – F. Other Information – 8. Consents of Experts" in Appendix IV to this prospectus;

(h) the service contracts and letters of appointment referred to in "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 1. Directors – (ii) Particulars of service contracts and letters of appointment" in Appendix IV to this prospectus;

(i) the PRC legal opinions issued by Zhong Lun Law Firm, our PRC legal advisor in respect of certain aspects of our Group and our property interests;

(j) the rules of the Employee Stock Incentive Plan and the list of grantees thereunder as of the Latest Practicable Date;

(k) the rules of the Scheme; and

(l) the industry report issued by Frost & Sullivan, our industry consultant.


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