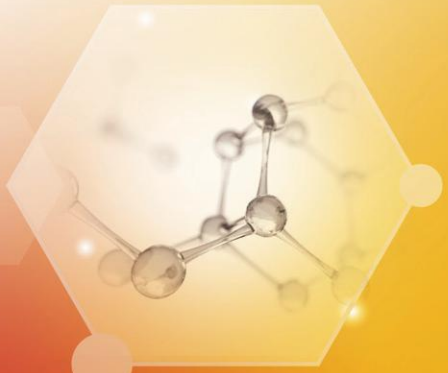
INNOCARE
诺诚健华

InnoCare Pharma Limited
諾誠健華醫藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9969

GLOBAL OFFERING



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

Morgan Stanley Goldman Sachs

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS CMS 招商證券國際

Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL 浦銀國際 SPDB INTERNATIONAL

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

INNOCARE
诺诚健华

InnoCare Pharma Limited
諾誠健華醫藥有限公司

(Incorporated in the Cayman Islands with limited liability)

Global Offering

Number of Offer Shares under the Global Offering	**:**	**250,324,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**25,034,000 Shares (subject to adjustment)**
Number of International Offering Shares	**:**	**225,290,000 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$8.95, plus brokerage fee 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)**
Nominal value	**:**	**US$0.000002 per Share**
Stock code	**:**	**9969**

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

Morgan Stanley Goldman Sachs

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

UBS CMS 招商證券國際

Joint Bookrunners and Joint Lead Managers

招銀国际 CMB INTERNATIONAL 浦銀國際 SPDB INTERNATIONAL

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, with the documents specified in the section headed "Appendix VI – Documents Delivered to the Registrar of Companies and Available for Inspection" herein, has been registered with the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, March 16, 2020 (Hong Kong time) and, in any event, not later than Friday, March 20, 2020 (Hong Kong time). The Offer Price will not be more than HK$8.95 per Offer Share and is currently expected to be not less than HK$8.18 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$8.95 for each Hong Kong Offer Share together with a brokerage fee of 1%, an SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$8.95 per Offer Share.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.innocarepharma.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) 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 (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

March 11, 2020

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.innocarepharma.com****.*

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, March 11, 2020
Latest time for completing electronic applications under the **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	11:30 a.m. on Monday, March 16, 2020
Application lists open[3]	11:45 a.m. on Monday, March 16, 2020
Latest time for (a) lodging **WHITE** and **YELLOW** Application Forms, (b) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (c) giving **electronic application instructions** to HKSCC	12:00 noon on Monday, March 16, 2020
Application lists close[3]	12:00 noon on Monday, March 16, 2020
Expected Price Determination Date	Monday, March 16, 2020
Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.innocarepharma.com** on or before	Friday, March 20, 2020

An announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) will be available on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.innocarepharma.com** (see the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus) from	Friday, March 20, 2020
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	Friday, March 20, 2020
Share certificates in respect of wholly or partially successful applications to be despatched or deposited into CCASS on or before[4]	Friday, March 20, 2020
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessfully applications to be despatched on or before[4]	Friday, March 20, 2020
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on	Monday, March 23, 2020

Notes:

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

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

(3) If there is a "black" rainstorm warning signal or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, March 16, 2020, the application lists will not open and close on that day. See the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(4) The Share certificates will only become valid at 8:00 a.m. on the Listing Date, which is expected to be Monday, March 23, 2020, provided that the Global Offering has become unconditional in all respects at or before that time. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

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

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

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company 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 making, 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 Hong Kong 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 for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors, officers, employees, agents or representatives of any of them or any other parties 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 the entire prospectus before you decide to invest in the Offer Shares. ***In particular, we are a biotechnology company seeking to list on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on the basis that we are unable to meet the requirements under Rule 8.05 (1), (2) or (3) of the Listing Rules.*** *There are unique challenges, risks and uncertainties associated with investing in companies such as ours. In addition, we have incurred significant operating losses since our inception, and we expect to remain loss making in the near term. We had negative net cash flow from operating activities during the Track Record Period. We did not declare or pay any dividends during the Track Record Period and do not intend to pay any dividends in the near future. Your investment decision should be made in light of these considerations.*

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

BUSINESS OVERVIEW

We are a clinical stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancer and autoimmune diseases. Led by a well-known management team of seasoned industry executives, we have built a biopharmaceutical platform with strong in-house R&D capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates are targeting both evidence-based and novel biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. In less than four years, our team has discovered and developed a pipeline of nine drug candidates, including one candidate in registrational trials, two candidates under clinical evaluation in Phase I/II trials and six candidates at the IND-enabling stage. Our strategy is to rapidly advance our clinical programs and seek approval to commercialize our product candidates in China. At the same time, we are expanding clinical trials globally including the United States for promising indications to maximize the commercial value of our assets.

We strategically focus on therapies for the treatment of cancer and autoimmune diseases – two large therapeutic areas with significant market opportunity and synergies. The global oncology drug market reached US$128.1 billion in 2018, and the global market size of

autoimmune drugs reached US$113.7 billion in 2018, according to Frost & Sullivan. Our pipeline features three highly-differentiated and/or novel clinical stage oncology candidates covering major cancer indications, including orelabrutinib (BTK inhibitor), ICP-192 (pan-FGFR inhibitor) and ICP-105 (FGFR4 inhibitor). We are currently studying these drug candidates as monotherapies and exploring their potential in combination with standard of care or other therapeutics. We are also developing multiple drug candidates for the treatment of autoimmune diseases caused by B-cell or T-cell dysfunctions, including orelabrutinib and ICP-330 (TYK2 inhibitor).

We have assembled a well-known management team comprised of seasoned industry executives that collectively cover every step of the drug discovery and development cycle. Our management team brings extensive R&D experience from multinational pharmaceutical companies to InnoCare. Our core team is a united force after working together for over eight years beginning at BioDuro, serving as a key to our future success.

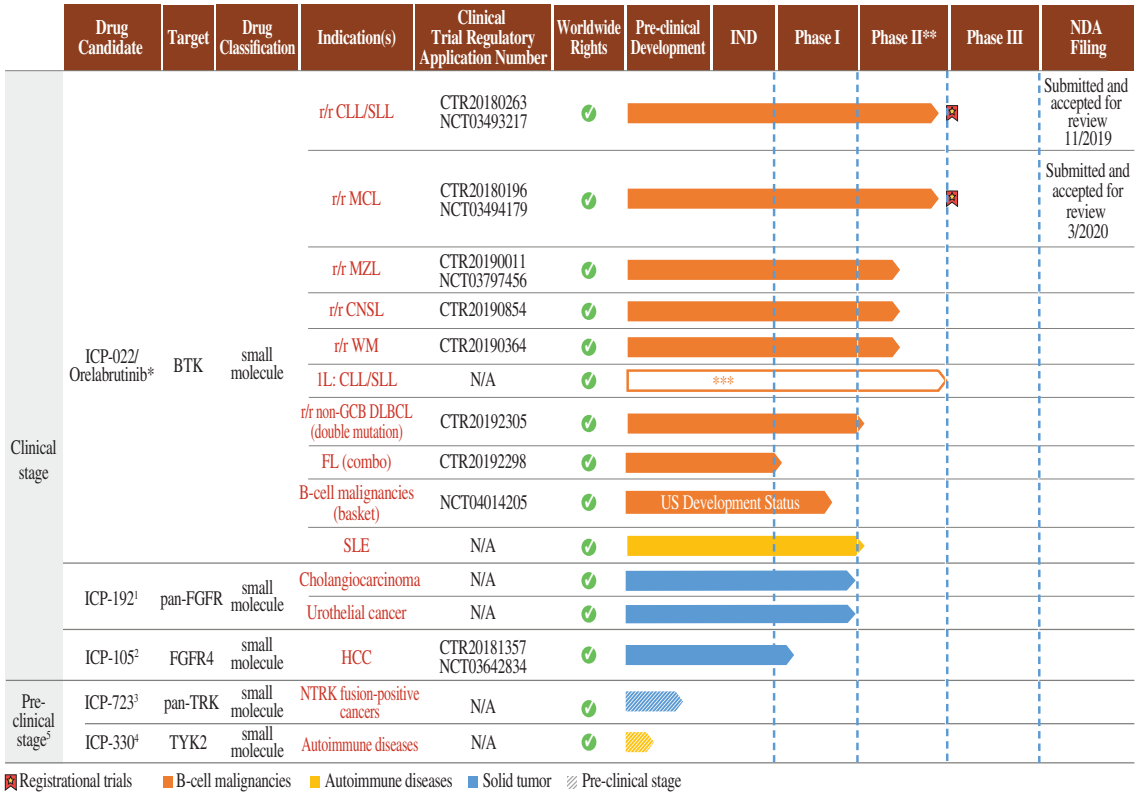
We have built a platform that covers a wide spectrum of drug discovery and development functionalities, including drug target identification and verification, pre-clinical evaluation, clinical trial design and execution, and sales and marketing. Our insights on druggability, clinical trials, manufacturing and commercialization feed into early discovery and research to cultivate promising targets with clinical benefit and commercial potential. We also believe our capability of carrying out most of the drug development process in-house improves our efficiency.

We are currently building a 50,000 m^2 manufacturing facility in Guangzhou for commercial scale production with an annual production capacity of one billion pills, which is expected to be completed and ready for inspection in the fourth quarter of 2020. The facility is designed to comply with GMP requirements of the U.S., Europe, Japan and China. To support our near-term product launches, we have assembled our sales and marketing leadership team and are ramping up our commercialization team, which is expected to have 80 to 90 sales representatives by the end of 2020, covering approximately 300 nationally leading hospitals. If orelabrutinib is included in the NRDL, we plan to expand our commercialization team to approximately 150 sales representatives and cover over 800 top hospitals to support the market expansion of orelabrutinib. Our marketing plans are currently focused on r/r CLL/SLL and r/r MCL and will expand to cover other indications as our clinical trials progress. Our marketing activities include introducing our drug candidates to doctors, educating key opinion leaders about the competitive advantages of our drug candidates, participating in industry and academic conferences and promoting brand awareness.

OUR DRUG CANDIDATES

Our team has discovered and developed our current pipeline of nine highly-differentiated and/or novel drug candidates, including one candidate with an NDA for r/r CLL/SLL and an NDA for MCL submitted and accepted for review by the NMPA, two candidates under clinical evaluation in Phase I/II trials and six candidates at the IND-enabling stage. The following chart summarizes our pipeline and the development status of each clinical stage candidate and

selected IND-enabling stage candidates as at the Latest Practicable Date. Our drug candidates face competition from approved and clinical stage candidates worldwide: orelabrutinib faces competition from first generation BTK inhibitors, such as ibrutinib from Johnson & Johnson/Abbvie, and second generation BTK inhibitors, such as acalabruitnib from AstraZeneca and zanubrutinib from BeiGene, which have shown efficacy and less off-target activities as compared to first generation BTK inhibitors. ICP-192 faces competition from erdafitinib, the first approved pan-FGFR inhibitor globally, and other clinical stage candidates, such as JNJ-42756493 from Janssen. While there are currently no marketed FGFR4 inhibitors globally, ICP-105 faces competition from clinical stage candidates such as BLU-554/CS3008 from Blueprint Medicines/Cstone. For more information about the competitive landscape of our drug candidates, please refer to the section headed "Industry Overview."



† All development status refers to status in China except when otherwise indicated.

Abbreviations: CLL = Chronic Lymphocytic Leukemia; SLL = Small Lymphocytic Lymphoma; MCL = Mantle Cell Lymphoma; MZL = Marginal Zone Lymphoma; CNSL = Central Nervous System Lymphoma; GCB = Germinal Center B-cell; DLBCL = Diffuse Large B-Cell Lymphoma; WM = Waldenstrom's Macroglobulinemia; FL = Follicular Lymphoma; SLE = Systemic Lupus Erythematosus; HCC = Hepatocellular Carcinoma.

* Denotes our Core Product Candidate, orelabrutinib (ICP-022).

** For indications of r/r CLL/SLL and r/r MCL, the registrational trial for NDA submission is the Phase II clinical trial based on our communications with the NMPA. Confirmatory Phase III clinical trials will be required after we receive conditional approvals from the NMPA based on the results of these two registrational Phase I and Phase II clinical trials. Please refer to the section headed "Regulatory Environment" for further details. Please also see the section headed "Risk Factors – Risks Relating to Extensive Government Regulation" for details on relevant risks.

*** Upon IND approval, we may initiate a registrational trial in China.

1 We expect to initiate the Phase II trials for cholangiocarcinoma and urothelial cancer by the second quarter of 2020.

2 We expect to complete the Phase I trial for HCC in the first or second quarter of 2020.

3 We expect to submit an IND application for NTRK fusion-positive cancers to the NMPA in the first quarter of 2020.

4 We expect to submit an IND application for autoimmune diseases to the NMPA in the second half of 2020.

5 We also have four undisclosed IND-enabling stage candidates currently under development.

Clinical Stage Drug Candidates

- **Orelabrutinib (ICP-022)**: a potential best-in-class, highly selective and irreversible BTK inhibitor currently being evaluated in a broad clinical program in China and the U.S. for the treatment of various B-cell malignancies and autoimmune diseases. We are assessing orelabrutinib in registrational trials for two lead indications, r/r chronic lymphocytic leukemia or small lymphocytic lymphoma (CLL/SLL) and r/r mantle cell lymphoma (MCL). The NDA for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020.

  We completed a Phase I dose escalation study of orelabrutinib in healthy volunteers in Australia to evaluate the safety, tolerability, PK/PD profiles of orelabrutinib in healthy volunteers. We are also evaluating orelabrutinib in three Phase II studies for patients with r/r marginal zone lymphoma (MZL), r/r central nervous system lymphoma (CNSL) and r/r Waldenstrom's Macroglobulinemia (WM) in China, and have initiated a Phase I study of orelabrutinib in combination with MIL62, a next-generation CD20 antibody for follicular lymphoma (FL) patients in China.

  We are currently communicating with the relevant authority to finalize study protocols for orelabrutinib as a first-line therapy for CLL/SLL patients in a Phase III study in China. We also plan to initiate a Phase II study to investigate orelabrutinab in patients with r/r non-GCB diffuse large B-cell lymphoma (DLBCL) sub-population with double mutations as a monotherapy in China.

  Separately, we have initiated a Phase I basket trial for B-cell malignancies in the U.S.

  We also plan to evaluate orelabrutinib as a potential therapy for the treatment of systemic lupus erythematosus (SLE) and other autoimmune diseases. We are currently obtaining approval from the relevant authority to start patient enrollment for a Phase Ib/IIa trial of orelabrutinib in combination with standard of care treatment for SLE in China.

- **ICP-192**: a potential best-in-class, potent and selective pan-FGFR inhibitor that we are developing for the treatment of various types of solid tumors. ICP-192 is one of the most advanced clinical stage pan-FGFR inhibitors being developed in China. We are currently conducting a Phase I/IIa study of ICP-192 to define its MTD and/or OBD and PK/PD in patients with solid tumors. The plasma exposure of ICP-192 at 8 mg QD has exceeded the therapeutic exposure of ICP-192 in pre-clinical efficacy studies in xenograft models. Hyperphosphatemia, a pharmacodynamic (PD) marker for FGFR inhibition, was consistently observed in treated patients at 8 mg QD. After MTD and/or OBD is identified, we will expand our clinical efforts with the selected regimen in relevant cancer patients to further evaluate the safety and efficacy of ICP-192 to define registration path. We will initially focus the expansion studies on cholangiocarcinoma with FGFR2 fusions and urothelial cancer with FGFR2/3 genetic alterations. We plan to collect further data to assess whether ICP-192 will be a potential treatment option for patients with FGFR mutation in combination with therapeutic agents such as immune checkpoint inhibitors. We also plan to conduct expansion trials for promising indications in the U.S. We expect to initiate the Phase II trials by the second quarter of 2020.

- **ICP-105**: a potential first-in-class, potent and highly selective FGFR4 inhibitor. We are developing ICP-105 primarily for the treatment of advanced HCC with FGFR4 pathway overactivation. Currently, ICP-105 is under clinical evaluation in a Phase I dose escalation trial to identify the MTD and/or OBD in China. We plan to initiate an open-label Phase IIa study to evaluate the safety and efficacy of ICP-105 in HCC patients with FGFR4 pathway overactivation. We also plan to explore the use of ICP-105 in combination with immune checkpoint inhibitors for the treatment of advanced HCC with FGFR4 pathway overactivation. We expect to complete the Phase I trial in the first quarter or second quarter of 2020.

  As of the Latest Practicable Date, we have eight granted patents in addition to five national phase patent applications for orelabrutinib, 13 national phase patent applications for ICP-105, and 12 national phase patent applications for ICP-192.

IND-enabling Stage Drug Candidates

In addition to our three clinical stage candidates, our pipeline also includes six internally developed drug candidates, which are at IND-enabling stage, including ICP-723 and ICP-330:

- **ICP-723**: a second-generation small-molecule pan-TRK inhibitor designed to treat patients with NTRK fusion-positive cancers, as well as those refractory to the first-generation TRK inhibitors due to resistant TRK mutations, regardless of tumor types. We plan to submit the IND application for ICP-723 to the NMPA in the first quarter of 2020. Upon IND approval, we will initiate clinical trials in multiple cancer types carrying NTRK fusion in China.

- **ICP-330**: a small-molecule inhibitor of tyrosine kinase 2 (TYK2), a non-receptor tyrosine kinase that mediates immune signaling. We plan to develop ICP-330 for the treatment of various T-cell mediated autoimmune disorders, such as psoriasis, inflammatory bowel disease (IBD) and SLE. We plan to submit the IND application for ICP-330 to the NMPA in the second half of 2020.

Core Product Candidate Development Process

Pre-clinical Research

From the second half of 2015 and until we obtained IND approval for orelabrutinib in China in December 2017, our in-house R&D team with experience in chemistry, pharmacology, toxicology and cancer biology worked with reputable CROs to conduct the following pre-clinical research and regulatory work for orelabrutinib: efficacy evaluation in animal models, dose selection, toxicity testing, PK and PD assessments, CMC development, IND package preparation, onsite inspection, registration sample submission, and pre-IND meeting preparation and participation.

Clinical Research

Upon obtaining IND approval from the NMPA in December 2017, our clinical development team with extensive experience in clinical development worked with reputable CROs and CMOs to conduct the following activities for the ongoing and planned clinical trials of orelabrutinib: clinical development strategy, market value assessments, trial proposal and protocol designs, including determining study objective and endpoints, trial preparation, site selection, patient recruitment, medical/safety monitoring, site monitoring, data collection/verification and statistical analysis.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success:

- In-house R&D capability focusing on developing potential best-in-class and/or first-in-class therapeutics globally

- Potential best-in-class late-stage BTK inhibitor for the treatment of B-cell malignancies

- Potential best-in-class pan-FGFR and first-in-class FGFR4 inhibitors addressing huge unmet medical needs

- Potential first-in-class BTK inhibitor for the treatment of SLE and other autoimmune diseases

- Well-known team with extensive industry experience and scientific expertise

OUR STRATEGIES

Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide. To achieve this vision, we intend to execute the following business strategies:

- Rapidly advance orelabrutinib through clinical development in B-cell malignancies and explore global market opportunities
- Advance the development of ICP-192 and ICP-105 for solid tumors with aberrant FGFR signaling in China and worldwide
- Develop orelabrutinib and other potential candidates for autoimmune diseases
- Enhance our pipeline through in-house discovery and business development efforts
- Build manufacturing and commercialization capabilities
- Maximize the global value of our drug candidates

RESEARCH AND DEVELOPMENT

We believe that R&D is key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry. We are dedicated to enhancing our pipeline by leveraging our world-class in-house R&D capabilities, which spans drug discovery and development. Our team has discovered and developed our current pipeline of nine highly-differentiated and/or novel drug candidates within less than four years, including one candidate with an NDA for r/r CLL/SLL and an NDA for MCL submitted and accepted for review by the NMPA, two candidates in Phase I/II trials and six candidates at the IND-enabling stage.

As of the Latest Practicable Date, our drug discovery team consisted of approximately 100 employees and our clinical development team consisted of approximately 60 employees. Our drug discovery and clinical development teams work closely with each other to streamline the delivery of our R&D projects and have cross-disciplinary expertise in a variety of fields, including chemistry, biology, pharmacology, toxicology, structural biology and translational and clinical research. We have established a panoramic range of in-house drug discovery capabilities, including molecule design and optimization, biochemical and cellular drug activity profiling, drug metabolism and pharmacokinetic analysis, *in vivo* assessment of drug efficacy, PK/PD property and toxicity. The clinical development unit of our platform manages substantially all stages of clinical trials, including clinical trial design, implementation, production of drug-candidate samples used, and the collection and analysis of trial data. Our in-house R&D capability is supplemented with collaboration with world-class experts, Dr. Yigong Shi and Dr. Zemin Zhang.

We have strategically located our R&D centers in Beijing and Nanjing to provide us with the latest industry advancements and access to local talent pools. Our Beijing R&D center spans approximately 8,300 m^2 and is equipped with not only modern chemistry, biology and CMC labs, but also an 800 m^2 AAALAC standard vivarium that allows us to develop *in vivo* animal models for drug efficacy evaluation, and conduct pharmacokinetics and early safety assessment. Our Nanjing R&D center has 3,350 m^2 lab space and houses a state-of-the-art solid-state research lab for polymorph screening and for supporting crystallization process development and drug physical stability studies.

For the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, our R&D expenses were RMB62.9 million, RMB149.7 million and RMB147.7 million, respectively.

ASSIGNMENT AND COLLABORATION AGREEMENTS

Intellectual Property Assignment from BioDuro Shanghai

On May 5, 2015, InnoCare Beijing Nuocheng, entered into an intellectual property assignment agreement with BioDuro Shanghai, concerning the irrevocable sale, assignment and transfer of worldwide intellectual property rights related to (1) aromatic amide derivatives and their preparation and use in medicine; (2) substituted nicotinamide inhibitors of BTK and their preparation and use in the treatment of cancer, inflammation and autoimmune disease; (3) aromatic amide derivatives and their preparation and use in medicine; and (4) kinase inhibiting compounds (collectively, the "BioDuro Assigned Products") from BioDuro Shanghai, as assignor, to us, as assignee. Orelabrutinib (ICP-022) is the only product candidate currently qualified as the BioDuro Assigned Products. While working at BioDuro, some of our current core team members, including Dr. Jisong Cui, Dr. Xiangyang Chen, Dr. Richard Liu, Dr. Renbin Zhao and Mr. Bright Wang, were part of the team that discovered the BioDuro Assigned Products. Dr. Cui, our Chief Executive Officer, served as chief executive officer and chief scientific officer at BioDuro LLC. from August 2011 to August 2015. Dr. Chen, our Chief Technology Officer, served as the executive director of medicinal chemistry from January 2011 to September 2015. Dr. Liu, our Head of Biology and Procurement, served as senior director of discovery biology of BioDuro from April 2011 to November 2015. Dr. Zhao, our Executive Director of Biology and Clinical Development Strategy, served as director of discovery biology of BioDuro from March 2013 to August 2015. Mr. Wang, our Executive Director of Human Resources and Operations, served as senior director of human resources of BioDuro from April 2012 to August 2015. Dr. Cui was the team leader in the discovery process of orelabrutinib (ICP-022), who was responsible for overseeing the whole development process, and Dr. Chen played a key role in discovering and investigating the chemical composition of orelabrutinib (ICP-022). None of them currently holds any interest in Bioduro Shanghai. Dr. Xiangyang Chen, our Chief Technology Officer, and Dr. Yingxiang Gao, our Assistant Director of Chemistry, were listed as inventors and hold collective inventorship to the PCT application for the BioDuro Assigned products filed in China together with three other people. The other three inventors are not related to us, and since the patent ownership has been fully transferred to our Company, there will be no such circumstances where the inventorship may affect the

Company's entitlement to the intellectual property rights of orelabrutinib (ICP-022). Substantially all of the pre-clinical and IND enabling studies and clinical development activities relating to orelabrutinib (ICP-022) are conducted by us in house. We outsourced a limited portion of pre-clinical and clinical development activities to certain service providers, such as BioDuro Shanghai, a CRO service provider. BioDuro Shanghai was involved in the discovery and early pre-clinical studies of orelabrutinib before it was transferred to us in 2015.

Under the agreement, InnoCare Beijing Nuocheng received worldwide intellectual property rights including all granted patents, patent applications, technical knowledge and priority claims based on the inventions, creations and designs of the four aforementioned items, enabling us to research and develop new drugs related to BioDuro Assigned Products. As consideration, BioDuro Shanghai is entitled to receive an upfront payment and milestone payments, which we have paid in full in 2018.

In addition, subject to the terms of the agreement, we will be obligated to share with BioDuro Shanghai a single-digit percentage of any licensing fee if we out-license any intellectual property rights under the agreement outside of Greater China (including Hong Kong, Macau and Taiwan). We will also be obligated to share with BioDuro Shanghai a single-digit percentage of the annual net after-tax sales outside of Greater China (including Hong Kong, Macau and Taiwan) of any BioDuro Assigned Product.

See "Business – Intellectual Property Assignment from BioDuro Shanghai" for details about our intellectual property assignment from BioDuro Shanghai.

Exclusive Strategic Collaboration Agreements

Our research efforts are complemented by globally renowned structural biologist Dr. Yigong Shi, our co-founder and President of our Scientific Advisory Board, and cancer genomics expert Dr. Zemin Zhang, our Scientific Advisor. We have entered into exclusive strategic collaboration agreements with Dr. Yigong Shi and Dr. Zemin Zhang to support our target identification and verification.

Under each such agreement, Dr. Yigong Shi and Dr. Zemin Zhang provide certain assistance and guidance to our R&D activities at a collaboration fee to be separately determined on a project-by-project basis. The intellectual property generated under the collaboration will be assigned to the party who is responsible for its development, while ownership of intellectual property developed jointly or with key resources provided by us will be determined by mutual agreement or according to relevant law. There are exclusivity provisions in both agreements that restrict Dr. Yigong Shi and Dr. Zemin Zhang's from entering into similar collaboration with any third party.

Both exclusive strategic collaboration agreements are framework agreements that set out the general principles of the collaboration under which project-specific agreements can be further negotiated and entered into. Under these framework agreements, there are no specific measures or factors to definitively ascertain ownership of intellectual property jointly

developed through collaboration. Such determination will be made on a project-by-project basis taking into account all relevant factors. We may not be awarded with the intellectual property generated under the collaboration agreements at all times. Please see the risk factor headed "– Our intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings" in the "Risk Factors" section for details on relevant risks.

See "Business – Exclusive Strategic Collaboration Agreement" and "Business – De Minimis Connected Transactions" for details about our collaboration agreements with Dr. Shi and Dr. Zhang.

COMMERCIALIZATION

We have developed our commercialization strategy in a staggered approach corresponding with the launch timeline of orelabrutinib. At launch, we plan to hire more sales and marketing personnel and further expand our commercialization team to about 80 to 90 sales representatives, covering approximately 300 nationally leading hospitals. If orelabrutinib is included in the NRDL, we plan to expand our commercialization team to approximately 150 sales representatives and cover over 800 top hospitals to support the market expansion of orelabrutinib. Our in-house commercialization team is led by our sales and marketing leadership team, Mr. Yi Zhang and Dr. Zhichao Si, each with extensive experience in drug launch in China's pharmaceutical market.

SUPPLIERS

We use a limited number of highly reputable CROs to support our pre-clinical and clinical studies in China. We select our CROs by considering their academic qualifications, industry reputation and compliance with relevant regulatory agencies.

We outsource to a limited number of industry-leading CMOs the manufacturing of certain drug substances for clinical supply, and select our CMOs based on their qualifications, relevant expertise, production capacity and the terms offered by them.

See "Business – Suppliers" for details about key terms of a typical agreement that we enter into with our CROs.

OUR SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the Global Offering, substantial shareholders of our Company include (i) Dr. Jisong Cui, one of our Executive Directors and the sole shareholder of Sunland, (ii) Dr. Renbin Zhao, one of our Executive Directors and the sole shareholder of Sunny View and her close associates having a deemed interest through Wellesley Hill Holdings Limited, (iii) TMF (Cayman) Ltd., trustee of Lakeview Trust and Summit Trust which manages each of Golden Autumn Group Limited and Strausberg Group Limited, (iv) GIC Private Limited and entities having a deemed interest through Highbury

Investment, (v) Vivo Capital VIII, LLC and entities having a deemed interest through Vivo Capital, (vi) Mr. Lijun Lin and entities having a deemed interest through the LVC Entities and (vii) Mr. Hebert Pang Kee Chan holding interests through King Bridge, Success Growth and Sun Bridge, holding approximately 9.12%, 12.43%, 10.91%, 9.54%, 6.80%, 9.66%, and 12.89% of the total issued share capital of our Company, respectively (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans).

See "Substantial Shareholders" in this prospectus for more information.

OUR PRE-IPO INVESTORS

Since the establishment of our Company, we have entered into several rounds of financing agreements with our Pre-IPO Investors. Our broad and diverse base of Pre-IPO Investors consists of Sophisticated Investors focusing on the biotech and/or healthcare industry. For further details of the identity and background of the Pre-IPO Investors, see the section headed "History, Development and Corporate Structure – Pre-IPO Investments – (5) Information about the Pre-IPO Investors" in this prospectus. Our Pre-IPO Investors are subject to lock-up arrangements at the time of Listing. Under the current arrangements, as at the Latest Practicable Date, the Shares currently held by the Pre-IPO Investors and our existing Shareholders subject to lock-up arrangements represent 100% of the issued share capital of the Company as at the date of this prospectus, and approximately 80% of the issued share capital of the Company immediately following completion of the Global Offering (assuming the Overallotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans).

For further details regarding the key terms of the lock-up arrangements, see the section headed "History, Development and Corporate Structure – Pre-IPO Investments" in this prospectus.

SUMMARY OF KEY FINANCIAL POSITIONS

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 HKFRSs.

Summary Data from Consolidated Statements of Profit or Loss

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in each year since inception, with RMB341.7 million in the year ended December 31, 2017, and RMB554.0 million in the year ended December 31, 2018 respectively, and RMB461.6 million and RMB653.2 million for the nine months ended September 30, 2018 and 2019, respectively. Substantially all of our operating losses are resulted from fair value changes of convertible redeemable preferred shares, research and development expenses and administrative expenses.

We have recognized losses from the fair value changes of the convertible redeemable preferred shares in each year or period of the Track Record Period, with losses of RMB272.7 million and RMB387.8 million for the year ended December 31, 2017 and 2018, respectively, and losses of RMB363.3 million and RMB499.6 million for the nine months ended September 30, 2018 and 2019, respectively. While these losses from fair value changes have adversely impacted our financial position during the Track Record Period, the convertible redeemable preferred shares will be converted into Shares upon Listing, after which we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares. For more information, please refer to the section headed "Financial Information – Fair Value Changes of Convertible Redeemable Preferred Shares."

We expect to incur an increased amount of operating expenses for at least the next several years as we further our pre-clinical research, continue the clinical development of, seek regulatory approval for and manufacturing of our drug candidates, launch our pipeline products, and add personnel necessary to operate our business. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, regulatory approval timeline and commercialization of our drug candidates after approval.

The table below sets forth summary data from our consolidated statements of profit or loss for the periods indicated derived from our consolidated statements of profit or loss set out in the Accountants' Report included in Appendix I to this prospectus:

	Year Ended December 31,		Nine Months Ended September 30,	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Revenue	**102**	**1,617**	**895**	**839**
Cost of sales	–	–	–	–
Gross profit	102	1,617	895	839
Loss before tax	**(341,734)**	**(554,023)**	**(461,591)**	**(653,240)**
Income tax expense	–	–	–	–
Loss for the year/period	**(341,734)**	**(554,023)**	**(461,591)**	**(653,240)**
Attributable to:				
Owners of the parent	(341,734)	(549,950)	(460,298)	(651,917)
Non-controlling interest	–	(4,073)	(1,293)	(1,323)

Summary Data from Consolidated Statements of Financial Position

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

	As of December 31,		As of September 30,
	2017	**2018**	**2019**
	(RMB in thousands)		
Total non-current assets	53,826	137,655	176,888
Total current assets	53,575	2,063,504	2,479,033
Total assets	**107,401**	**2,201,159**	**2,655,921**
Total current liabilities	105,410	72,289	38,562
Net current (liabilities)/assets	**(51,835)**	**1,991,215**	**2,440,471**
Total non-current liabilities	394,055	2,967,244	4,094,319
Total liabilities	**499,465**	**3,039,533**	**4,132,881**
Deficiency in assets	**(392,064)**	**(838,374)**	**(1,476,960)**
Share capital	3	3	4
Reserves	(392,067)	(904,304)	(1,541,568)
Non-controlling interests	–	65,927	64,604
Total equity	**(392,064)**	**(838,374)**	**(1,476,960)**

We had net current liabilities of RMB51.8 million as of December 31, 2017, primarily due to loans from a holder of convertible redeemable preferred shares. We recorded net current assets of RMB1,991.2 million, and RMB2,440.5 million as of December 31, 2018 and September 30, 2019, respectively. As of January 31, 2020, the latest practicable date for the purpose of liquidity disclosure in this prospectus, we had net current assets of RMB2,317.8 million.

The increase in deficiency in assets from RMB392.1 million as of December 31, 2017 to RMB1,477.0 million as of September 30, 2019 was primarily attributable to the issuance of the series C and series D convertible redeemable preferred shares and the issuance of the convertible loan with Guangzhou Kaide Technology Development Co., Ltd. The convertible redeemable preferred shares will automatically convert into Shares upon the Listing and thereby turning us into a net asset position, at which time we expect to record them as equity and do not expect to recognize any further loss or gain on our consolidated statements of profit or loss. For risks relating to the fair value changes in our convertible redeemable preferred shares, please refer to "Risk Factors – Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our convertible redeemable preferred shares and convertible loan at fair value through profit or loss." We plan to improve our financial position through commercializing our Core Product Candidate and adopting effective measures on cost and expense control.

Summary Data from Consolidated Cash Flow Statements

During the Track Record Period, we relied on equity and debt financing as the major sources of liquidity. We incurred negative cash flows from our operations, and substantially all of our operating cash outflows resulted from our research and development costs and administrative expenses. As our business develops and expands, we expect to generate more cash flow from our operating activities, through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency. Our Directors are of the opinion that, taking into account (i) the various financial resources available, including cash and cash equivalents of RMB1,943.3 million as of September 30, 2019, available financing facilities and the estimated net proceeds from the Listing, (ii) the expected commercialization timetable of our late stage drug candidates, in particular orelabrutinib (ICP-022), and (iii) our cash burn rate, which is our cash and bank balances divided by adjusted average monthly net cash used in operating and investing activities, we have sufficient working capital to cover at least 125% of our costs, including research and development costs, business development and selling expenses, and administrative expenses for at least the next 12 months from the expected date of this prospectus.

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

	For the year ended December 31,		For the nine months ended September 30,	
	2017	2018	2018	2019
	(RMB in thousands)			
			(unaudited)	
Cash flows from operating activities before movements in working capital	(52,642)	(73,318)	(43,765)	(104,115)
Net cash flows used in operating activities	(49,356)	(17,677)	(50,723)	(62,748)
Net cash flows from/(used in) investing activities	25,173	(888,109)	(21,837)	361,025
Net cash flows from financing activities	26,810	2,101,300	352,688	364,883
Net increase in cash and cash equivalents	2,627	1,195,514	280,128	663,160
Cash and cash equivalents at beginning of the year/period	32,228	36,874	36,874	1,245,204
Effect of foreign exchange rate changes, net	2,019	12,816	18,411	34,936
Cash and cash equivalents at the end of the year/period	36,874	1,245,204	335,413	1,943,300

Key Financial Ratios

The table below sets forth the key financial ratios of our Group as of the dates indicated:

	As of December 31,		As of September 30,
	2017	2018	2019
Current Ratio[(1)]	0.5	28.5	64.3

Note:

(1) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

The increase in current ratio was primarily due to the increase of cash and cash equivalents. The increase in cash and cash equivalents in 2018 is primarily attributable to net cash from financing activities of RMB2,101.3 million. The increase in cash and cash equivalents for the nine-month period ended September 30, 2019 is primarily attributable to net cash from investing activities of RMB361.0 million.

GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 250,324,000 new Shares are issued pursuant to the Global Offering; (ii) 1,251,617,235 Shares are issued and outstanding following the completion of the Global Offering; and (iii) no Shares are issued pursuant to the Over-allotment Option and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans.

	Based on an Offer Price of HK$8.18	Based on an Offer Price of HK$8.95
Market capitalisation of our Shares[(1)]	HK$10,238.23 million	HK$11,201.97 million
Unaudited pro forma adjusted net tangible asset value per Share[(2)]	HK$2.74	HK$2.88

Notes:

(1) The calculation of the market capitalisation is based on the assumption that 1,251,617,235 Shares will be in issue and outstanding immediately following the completion of the Global Offering, assuming no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans.

(2) The unaudited pro forma adjusted consolidated net tangible assets attributable to the equity holders of our Company per Share is based on the consolidated statements of financial position as of September 30, 2019. For further details, please refer to the section headed "Financial Information" in this prospectus.

DIVIDEND

We have never declared or paid regular cash dividends on our ordinary Shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. 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 a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman counsel, under the Companies Law a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this prospectus, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

If we pay dividends in the future, in order for us to distribute dividends to our shareholders, we will 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 Our Doing Business in China" in this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,999.36 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$8.56 per Offer Share, being the mid-point of the indicative Offer Price range of HK$8.18 to HK$8.95 per Offer Share in this prospectus. If the Offer Price is set at HK$8.95 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$93.71 million. If the Offer Price is set at HK$8.18 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$91.31 million.

We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately HK$999.68 million (representing 50.0% of the net proceeds) is allocated to our Core Product Candidate as follows:

    - HK$599.81 million (representing 30.0% of the net proceeds), for ongoing and planned clinical trials of orelabrutinib for treatment of B-cell malignancies concurrently in both China and the U.S.;

    - HK$199.94 million (representing 10.0% of the net proceeds), for ongoing and planned clinical trials of orelabrutinib for treatment of autoimmune diseases concurrently in both China and the U.S.;

    - HK$199.94 million (representing 10.0% of the net proceeds), for preparation of orelabrutinib registration filings for leading indications, launch and subject to regulatory approval, commercialization of orelabrutinib concurrently in both China and the U.S.

For more information on the latest status and next key milestones for orelabrutinib, please refer to the section headed "Business – Orelabrutinib for B-cell Malignancies" and "– Orelabrutinib for Autoimmune Diseases."

- approximately HK$799.75 million (representing 40.0% of the net proceeds) is allocated to our other clinical and IND stage candidates in our pipeline as follows:

    - HK$499.84 million (representing 25.0% of the net proceeds), to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of ICP-192 and ICP-105:

        - HK$399.87 million (representing 20.0% of the net proceeds) is expected to be used to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of ICP-192. For more information on the latest status and next key milestones for ICP-192, please refer to the section headed "Business – ICP-192";

        - HK$99.97 million (representing 5.0% of the net proceeds) is expected to be used to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of ICP-105. For more information on the latest status and next key milestones for ICP-105, please refer to the section headed "Business – ICP-105";

- HK$299.90 million (representing 15.0% of the net proceeds), to fund the R&D of the six IND-enabling stage candidates in our pipeline and the R&D and in-licensing of new drug candidates:

  - approximately HK$19.99 million (representing 1% of the net proceeds) is expected to be allocated to each of the ICP-330 and ICP-723, two of our IND-enabling stage candidates, and approximately HK$49.98 million (representing 2.5% of the net proceeds) is expected to be allocated to our other four IND-enabling stage candidates. For more information on the latest status and next key milestones for ICP-330 and ICP-723, please refer to the section headed "Business – Selected Pre-Clinical Stage Drug Candidates.";

  - approximately HK$209.93 million (representing 10.5% of the net proceeds) is expected to be used to fund the R&D and in-licensing of new drug candidates. We plan to pursue in-licensing of late-stage drug candidates that will complement our current pipeline, especially oralabrutinib, and allow us to fully utilize our sales force and manufacturing capacity; and

- approximately HK$199.94 million (representing 10.0% of the net proceeds) is allocated for working capital and general corporate purposes.

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

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in the section headed "Risk Factors" in this prospectus. Some of the major risks we face include:

- We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable. Investors are at risk of losing substantially all of their investments in our Shares.

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

- We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.

- We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates.

- Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

- We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

- 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.

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

- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$143.41 million (including underwriting commission, assuming an Offer Price of HK$8.56 per Share, being the mid-point of the indicative Offer Price range of HK$8.18 to HK$8.95 per Share) and represent approximately 6.69% of the gross proceeds we expect to receive from this Global Offering, assuming no Shares are issued pursuant to the Over-allotment Option. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2017 and 2018, and RMB13.87 million was recognized and charged to our consolidated statements of profit or loss for the nine months ended September 30, 2019. After September 30, 2019, approximately HK$22.12 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$101.92 million is expected to be charged against equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENTS

Updates on Financial Information

Save as disclosed in the section headed "Financial Information" and the "Accountants' Report" included in Appendix I to this prospectus, our Directors confirm that, as of the date of this prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group

since September 30, 2019, the end of the period reported on in the Accountants' Report set out in Appendix I to this prospectus. As we continue to advance the development of our pipeline and expand our clinical development programs, we expect to incur increasing R&D expenses and administrative expenses.

The unaudited financial information as of and for the year ended December 31, 2019 have been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants. Our unaudited financial information for the year ended December 31, 2019 is set out in Appendix III to this prospectus.

Impact of the COVID-19 Outbreak

Since the end of December 2019, a novel strain of coronavirus has surfaced in the city of Wuhan, China. The virus causes the outbreak of pneumonia-like illness named COVID-19 (the "**COVID-19 outbreak**"), which has been rapidly spreading through and outside of Wuhan. Several cities in China have been under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. We believe the COVID-19 outbreak has not significantly impacted our ability to carry out our obligations under existing contracts or disrupted any supply chains that we rely upon. While the extent to which the COVID-19 outbreak will affect our operations cannot be predicted at this stage, we have not experienced and do not expect significant financial damage or impact to our long-term commercial prospect from the COVID-19 outbreak. We cannot guarantee you, however, that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations. For details, please refer to "Risk Factors – We face risks related to health epidemics and other outbreaks of contagious diseases".

We have employed various measures to mitigate the impact of the COVID-19 outbreak on our ongoing clinical trials, including supplying enrolled patients with study medication at the early stage of the outbreak, continuing patient enrollment through remote access, and engaging frequent communications with our principal investigators to identify and address any issues that may arise. Although we experienced minor delays in data entry for some of our trials at the beginning of the COVID-19 outbreak due to difficulties in scheduling routine site visits, the situation has improved as short-duration site visits were adopted. We expect this situation to continue to improve with the containment of the COVID-19 outbreak and do not expect it to have any material long-term impact on the data quality of our clinical studies or our overall clinical development plans.

To minimize the impact of the COVID-19 outbreak, we have also implemented company-wide self-protection policies for employees to either working remotely or onsite with protective masks and sanitization. We currently do not anticipate any material deviation from our commercialization plans, as such plans are based upon CDE approval timeline and nothing has come to our attention at this stage that the CDE review process is experiencing delays. We have also begun to consider digital promotion activities to explore online marketing as an avenue to facilitate anticipated product launch to ensure we are on schedule for our current commercialization plans.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are defined in "Glossary of Technical Terms" in this prospectus.

"2015 Pre-IPO Incentivisation Plan"	the pre-IPO employee global share plan adopted by the Company on September 6, 2016
"2016 Pre-IPO Incentivisation Plan"	the pre-IPO employee global share plan adopted by the Company on September 6, 2016 and as amended by the resolutions in writing by the Board passed on February 5, 2018
"2018 Pre-IPO Incentivisation Plan"	the pre-IPO employee global share plan adopted by the Company on November 28, 2018
"affiliate"	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 requires, any of them relating to the Hong Kong Public Offering
"Articles" or "Articles of Association"	the eighth amended and restated articles of association of the Company adopted by special resolution on October 8, 2019 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Companies Law"
"associate"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"BioDuro"	BioDuro Inc. and its affiliates, including BioDuro Shanghai and BioDuro Beijing Co. Ltd. (保諾科技(北京)有限公司) or any one of them
"BioDuro Agreement"	an intellectual property assignment agreement entered into between InnoCare Beijing Nuocheng and BioDuro Shanghai dated May 5, 2015

"BioDuro Shanghai"	Shanghai BioDuro Biotechnology Co., Ltd. (上海潤諾生物科技有限公司), a limited liability company incorporated under the laws of the PRC on April 28, 2011, whose registered address is Shanghai Pilot Free Trade Zone, No. 233 Fu Te North Road, 10A10B, Pudong New District, Shanghai, PRC with the registration number of 91310000574118972G and an Independent Third Party, Shanghai BioDuro Biotechnology Co., Ltd. provides CRO services for drug development
"Board of Directors" or "Board" or "our Board"	our board of Directors
"Business Day"	any day (other than a Saturday or Sunday) in Hong Kong on which banks in Hong Kong are open generally for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Broker Participant"	a person admitted to participate in CCASS as a broker participant
"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 Broker Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CEO"	the chief executive officer of our Company

"China" or "PRC"	the People's Republic of China, which for the purpose of this prospectus and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to 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" or "our Company"	InnoCare Pharma Limited, incorporated in the Cayman Islands as an exempted company with limited liability on November 3, 2015
"Compensation Committee"	the compensation committee of the Board
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)" or "our Director(s)"	the director(s) of our Company or any one of them
"Dr. Zemin Zhang"	Dr. Zemin Jason Zhang, one of our INEDs
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "us" or "our"	our Company and its subsidiaries
"Highbury Investment"	Highbury Investment Pte Ltd, an exempt private company limited by shares incorporated in Singapore on June 2, 2000, a Pre-IPO Investor of the Company

"HK$" or "Hong Kong dollars" or "HK dollars" and "HK cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	25,034,000 Shares (subject to adjustment as described in the section headed "Structure of the Global Offering" in this prospectus) being offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong, on the terms and subject to the conditions described in this prospectus and the Application Forms relating thereto, as further described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated March 10, 2020 relating to the Hong Kong Public offering entered into among our Company, Jisong Cui and the Hong Kong Underwriters, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement" in this prospectus

"Independent Third Party(ies)"	any entity or person or entities or persons who is or are not a connected person(s) of our Company or its subsidiaries, or any of their respective associates
"Industry Consultant", or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"INED(s)"	the Independent Non-executive Director(s)
"InnoCare Beijing Nuocheng"	Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), formerly known as Beijing Huicheng Jianhua Medical Technology Limited (北京匯誠健華醫藥科技有限公司), a company established under the laws of the PRC on December 13, 2013 and one of the Company's subsidiaries
"InnoCare Beijing Tiancheng"	Beijing Tiancheng Pharma Tech Co., Ltd. (北京天誠醫藥科技有限公司), a company established under the laws of the PRC on December 9, 2015 and one of the Company's subsidiaries
"InnoCare Beijing Tiannuo"	Beijing Tiannuo Pharma Tech Co., Ltd. (北京天諾健成醫藥科技有限公司), a company established under the laws of the PRC on October 25, 2017 and one of the Company's joint ventures
"InnoCare Beijing Tianshi"	Beijing Tianshi Pharma Tech Co., Ltd. (北京天實醫藥科技有限公司), a company established under the laws of the PRC on April 22, 2016 and one of the Company's joint ventures
"InnoCare Biological Tech (Guangzhou)"	InnoCare Biological Tech (Guangzhou) Co., Ltd. (諾誠健華(廣州)生物科技有限公司), a company established under the laws of the PRC on October 12, 2019 and one of the Company's indirect subsidiaries
"InnoCare Guangzhou"	Guangzhou InnoCare Pharma Tech Co., Ltd. (廣州諾誠健華醫藥科技有限公司), a company established under the laws of the PRC on August 14, 2018 and one of the Company's subsidiaries

"InnoCare Nanjing"	Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. (南京天印健華醫藥科技有限公司), a company established under the laws of the PRC on March 31, 2014 and one of the Company's subsidiaries
"InnoCare Shanghai"	Shanghai Tian Jin Pharma Tech Co., Ltd. (上海天瑾醫藥科技有限公司), a company established under the laws of the PRC on July 20, 2016 and one of the Company's subsidiaries
"International Offering"	the conditional placing of the International Offering Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, in each case on and subject to the terms and conditions of the International Underwriting Agreement, as further described in the section headed "Structure of the Global Offering" in this prospectus
"International Offering Shares"	the 225,290,000 Shares (subject to adjustment and the exercise of the Over-allotment Option as described in the section headed "Structure of the Global Offering" in this prospectus), which are the subject of the International Offering
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering to be entered into among our Company and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting" in this prospectus
"Janssen"	Janssen Pharmaceuticals, Inc.
"Joint Bookrunners"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited and SPDB International Capital Limited

"Joint Global Coordinators"	Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited
"Joint Lead Managers"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited, CMB International Capital Limited and SPDB International Capital Limited
"Joint Sponsors"	Morgan Stanley Asia Limited and Goldman Sachs (Asia) L.L.C.
"King Bridge"	King Bridge Investments Limited, incorporated in the Cayman Islands as an exempted company with limited liability on October 4, 2013, a Substantial Shareholder of the Company
"Latest Practicable Date"	March 2, 2020, 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 sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date expected to be on or about Monday, March 23, 2020 on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
"Memorandum" or "Memorandum of Association"	the eighth amended and restated memorandum of association of the Company adopted by special resolution on October 8, 2019 with effect from Listing, as amended from time to time, a summary of which is set out in the section headed "Appendix IV – Summary of the Constitution of the Company and Cayman Companies Law"
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the National Development and Reform Commission (國家發展和改革委員會)
"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Nomination Committee"	the nomination committee of the Board
"Ocean Prominent"	Ocean Prominent Limited (越揚有限公司), a limited liability company incorporated in the BVI on March 18, 2014, and one of the Company's subsidiaries
"Offer Price"	the final Hong Kong dollar price per Offer Share (before brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which Shares are to be subscribed or purchased pursuant to the Global Offering, which will be not more than HK$8.95 and is expected to be not less than HK$8.18, to be determined as described in "Structure of the Global Offering – (E) Pricing of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offering Shares, where relevant, with any Shares being issued pursuant to the exercise of the Over-allotment Option

"Over-allotment Option"	the option to be granted by our Company to the Joint Global Coordinators (on behalf of the International Underwriters) under the International Underwriting Agreement pursuant to which our Company may be required by the Joint Global Coordinators to allot and issue up to 37,548,000 additional Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price to cover over-allocations in the International Offering, details of which are described in the section headed "Structure of the Global Offering" in this prospectus
"Over-allotment Shares"	up to 37,548,000 Shares which our Company may be required to issue at the Offer Price pursuant to the Over-allotment Option
"PRC Legal Advisor"	Commerce & Finance Law Offices
"Pre-IPO Incentivisation Plans"	the 2015 Pre-IPO Incentivisation Plan, the 2016 Pre-IPO Incentivisation Plan and the 2018 Pre-IPO Incentivisation Plan, the principal terms of which are set out in the section headed "Appendix V – Statutory and General Information – Pre-IPO Incentivisation Plans"
"Pre-IPO Investments"	the subscription of 55,500,000 Series A Preferred Shares, 125,976,000 Series B Preferred Shares, 145,506,500 Series C Preferred Shares, and 205,262,271 Series D Preferred Shares by the Pre-IPO Investors at an aggregate consideration of approximately US$244 million pursuant to the Series A and B Share Purchase Agreement, Series B Agreements, Series C Share Purchase Agreement, Series D1 Share Purchase Agreement and Series D2 Share Purchase Agreement, further information on which is set forth in the section headed "History, Development and Corporate Structure – Pre-IPO Investment" in this prospectus
"Pre-IPO Investors"	the Series A Preferred Shareholder, the Series B Preferred Shareholders, the Series C Preferred Shareholders and the Series D Preferred Shareholders

"Preferred Share(s)"	preferred share(s) in the share capital of the Company, including Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares
"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Global Coordinators (on or before the Price Determination Date) to record and fix the Offer Price
"Price Determination Date"	the date on which the Offer Price is to be fixed
"Regulation S"	Regulation S under the U.S. Securities Act
"Scientific Advisory Board"	the scientific advisory board of the Company
"Series A Preferred Shareholder"	holder of Series A Preferred Shares of the Company
"Series B Preferred Shareholder"	holder of Series B Preferred Shares of the Company
"Series C Preferred Shareholder"	holder of Series C Preferred Shares of the Company
"Series D Preferred Shareholder"	holder of Series D Preferred Shares of the Company
"Series A Preferred Shares"	the series A preferred shares of the Company with par value US$0.000002 per share
"Series B Preferred Shares"	the series B preferred shares of the Company with par value US$0.000002 per share
"Series C Preferred Shares"	the series C preferred shares of the Company with par value US$0.000002 per share
"Series D Preferred Shares"	the series D preferred shares of the Company with par value US$0.000002 per share
"Series A and B Share Purchase Agreement"	the share purchase agreement entered into between our Company and certain of its subsidiaries and among others, Sunny View, Sunland and King Bridge dated January 30, 2016
"Series B Agreements"	Series B1 Agreements, Series B2 Agreement and Series B3 Agreement

"Series B1 Agreements"	the share sale and purchase agreements entered into between (i) the Company and Sunland and (ii) the Company and Sunny View, each dated August 17, 2016
"Series B2 Agreement"	the share purchase agreement entered into between the Company, among others, King Bridge, Sunny View and Sunland dated December 18, 2016
"Series B3 Agreement"	the Series B preferred share purchase agreement entered into between our Company and Jianxin Venture Capital (Cayman) Limited dated October 1, 2017
"Series C Share Purchase Agreement"	the Series C share purchase agreement entered into between the Company, and the then Series C Preferred Shareholders dated January 24, 2018
"Series D1 Share Purchase Agreement"	the Series D share purchase agreement entered into between the Company, and the then Series D Preferred Shareholders dated November 28, 2018
"Series D2 Share Purchase Agreement"	the Series D2 share purchase agreement entered into between the Company, and Highbury Investment dated June 6, 2019
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Junshi"	Shanghai Junshi Biosciences Co., Ltd. (上海君實生物醫藥科技股份有限公司), a company whose shares are listed on the Stock Exchange (stock code: 1877)
"Share(s)"	share(s) of common stock, par value of US$0.000002 per share
"Shareholder(s)"	holder(s) of Shares
"Shareholders Agreement"	the amended and restated shareholders agreement entered into between the Company and the Pre-IPO Investors dated November 28, 2018
"Sophisticated Investor(s)"	has the meaning ascribed to it under Guidance Letter HKEX-GL-92-18

"Stabilisation Manager"	Goldman Sachs (Asia) L.L.C.
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Sunland, Sunny View and the Stabilisation Manager
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Success Growth"	Success Growth Limited (贏起有限公司), a limited liability company incorporated in the BVI on November 12, 2013, a Series A Preferred Shareholder
"Sunland"	Sunland BioMed Ltd, a limited liability company incorporated in the BVI on March 13, 2015 and a shareholder of the Company wholly owned by Dr. Jisong Cui, a Director
"Sun Bridge"	Sun Bridge Holdings Limited (新橋控股有限公司), a limited liability company incorporated in the BVI on November 11, 2013, a Series D Preferred Shareholder
"Sunny Investment"	Sunny Investments Limited (瑞年投資有限公司), a company incorporated in Hong Kong on March 8, 2013 and one of the Company's subsidiaries
"Sunny View"	Sunny View Holdings Limited, a limited liability company incorporated in the BVI on September 28, 2015 and a shareholder of the Company wholly owned by Dr. Renbin Zhao, a Director
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"TGA"	the Therapeutic Goods Administration of Australia
"the State Administration for Industry and Commerce"	a PRC authority responsible for advancing legislation concerning the administration of industry and commerce, currently merged into the State Administration for Market Regulation
"Track Record Period"	the periods comprising the two years ended December 31, 2017 and 2018 and nine months ended September 30, 2019

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Exchange Act"	United States Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder
"U.S. Securities Act"	the United States Securities Act of 1933 (as amended)
"**WHITE** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own name
"**White Form eIPO**"	applying for the Hong Kong Offer Shares to be issued in your own name by submitting applications online through the designated website at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**YELLOW** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"3H Fund"	Excel Sage Limited, a limited liability company incorporated under the laws of the BVI on November 12, 2018, one of the Pre-IPO Investors
"%"	per cent

In this prospectus:

- *Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.*
- *Unless otherwise specified, all references to any shareholdings in our Company assume that the Over-allotment Option and rights pursuant to the Pre-IPO Incentivisation Plans have not been exercised.*
- *The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this prospectus are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.*

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.

"AAALAC"	Association for Assessment and Accreditation of Laboratory Animal Care
"AEs"	adverse events, any untoward medical occurrences in a patient or clinical investigation subject administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"ALT"	alanine aminotransferase
"anti-IgM"	anti-Immunoglobulin M
"API"	Active Pharmaceutical Ingredient, a substance used in a finished pharmaceutical product, which is intended to furnish pharmacological activity or to otherwise have direct effect in the diagnosis, cure, mitigation, treatment or prevention of disease, or to have direct effect in restoring, correcting or modifying physiological functions in human beings
"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
"AST"	aspartate aminotransferase
"atrial fibrillation"	fibrillation of the muscles of the atria of the heart
"AUC"	area under curve, a parameter of systemic exposure
"basket trial"	A type of clinical trial that tests how well a new drug or other substance works in patients who have different types of cancer that all have the same mutation or biomarker
"B-cell"	a type of white blood cell that differs from other lymphocytes like T-cells by the presence of the BCR on the B-cell's outer surface. Also known as B-lymphocytes

"Bcl-2"	a protein that helps control whether a cell lives or dies by blocking a type of cell death called apoptosis. The gene for Bcl2 is found on chromosome 18, and transfer of the Bcl2 gene to a different chromosome is seen in many B-cell leukemias and lymphomas. This causes the Bcl2 protein to be made in larger amounts, which may keep cancer cells from dying
"BCR"	B-cell receptor, a specialized receptor protein that allows a B-cell to bind to specific antigens
"bioavailability"	the fraction of an administered dose of drug that reaches the systemic circulation, which is one of the principal pharmacokinetic properties of drugs
"BMX"	cytoplasmic tyrosine-protein kinase BMX, an enzyme that in humans is encoded by the BMX gene
"bridging study"	a supplemental trial or study performed in the new region to provide pharmacodynamic or clinical data on efficacy, safety, dosage, and dose regimen in the new region that will allow extrapolation of the foreign clinical data to the new region
"BTK"	Bruton's tyrosine kinase, a human enzyme encoded by the BTK gene
"carcinoma"	a cancer that begins in the lining layer (epithelial cells) of organs
"CD20"	B-lymphocyte antigen CD20, a B-cell specific cell-surface molecule that is encoded by the MS4A1 gene
"CDE"	Center for Drug Evaluation, an institution under the NMPA
"cGMP"	current good manufacturing practice
"chemotherapy"	a category of cancer treatment that uses one or more anti-cancer chemotherapeutic agents as part of its standardized regimen
"cholangiocarcinoma"	bile duct cancer, a type of cancer that forms in the bile ducts

"CLL"	chronic lymphocytic leukemia
"C_{max}"	maximum concentration, a parameter of systemic exposure
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CMO(s)"	contract manufacturing organization(s), a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive services from drug development through drug manufacturing
"CNSL"	central nervous system lymphoma
"cohort"	a group of patients as part of a clinical study who share a common characteristic or experience within a defined period and who are monitored over time
"combination therapy"	treatment in which a patient is given two or more drugs (or other therapeutic agents) for a single disease
"complete response"	the disappearance of all signs of cancer in response to treatment
"CRO(s)"	contract research organization, a company that provides support to the pharmaceutical, biotechnology, and medical device industries in the form of research services outsourced on a contract basis
"CT"	computerized tomography
"CTA"	clinical trial application
"cytokine"	a broad and loose category of small proteins that are important in cell signalling. Their release has an effect on the behaviour of cells around them
"DLBCL"	diffuse large B-cell lymphoma, a common type of non-Hodgkin lymphoma that starts in lymphocytes

"DLT"	dose-limiting toxicity, side effects of a drug or other treatment that are serious enough to prevent an increase in dose or level of that treatment
"DMPK"	drug metabolism and pharmacokinetics
"DNA"	deoxyribonucleic acid
"DOR"	duration of response, the length of time that a tumor continues to respond to treatment without the cancer growing or spreading
"EC"	esophageal cancer
"eCTD"	electronic common technical document
"EGFR"	epidermal growth factor receptor
"EHS"	environmental, health and safety
"EPO"	European Patent Office
"ERK"	extracellular signal-regulated kinase, a specific subtype of MAPK that have been extensively linked to regulation of synaptic plasticity and memory formation in many systems
"FGFR"	fibroblast growth factor receptor, membrane-spanning proteins that are a subgroup of the family of tyrosine kinase receptors
"FGFR2 fusion"	a natural gene fusion where a hybrid gene is formed from two previously separated genes that may activate downstream pathways to induce tumor growth in cholangiocarcinoma
"first-line"	with respect to any disease, the first line therapy, which is the treatment regimen or regimens that are generally accepted by the medical establishment for initial treatment of a given type and stage of cancer
"FL"	follicular lymphoma
"GC"	gastric cancer

"GCB"	germinal center B-cell, one of the subtypes of diffuse large B-cell lymphoma
"GCP"	good clinical practice
"GMP"	good manufacturing practice
"Grade"	term used to refer to the severity of adverse events according to Common Terminology Criteria for Adverse Events (CTCAE) v4.03
"Hatch-Waxman"	the Drug Price Competition and Patent Term Restoration Act, informally known as the Hatch-Waxman Act, which is a 1984 U.S. federal law
"HCC"	hepatocellular carcinoma, a type of cancer arising from hepatocytes in predominantly cirrhotic liver
"Hodgkin's lymphoma"	a type of cancer that starts from lymphocytes
"IC50"	half maximal inhibition, a measure of the potency of a substance in inhibiting a specific biological or biochemical function
"IFN-α"	interferon alfa, a pharmaceutical drug composed of natural interferon alpha (IFN-α) obtained from the leukocyte fraction of human blood following induction with Sendai virus
"IgM"	a subtype of immunoglobulin found in blood and lymph fluid and part of the immune response system
"IBD"	inflammatory bowel disease
"IMCT"	international multicenter trial
"immuno-oncology"	a type of immunotherapy that is specifically targeted to fight cancer
"immunotherapy"	use of the immune system to treat disease
"immune checkpoint inhibitors"	molecules that release the natural brakes which exist to control an immune response

"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or clinical trial notification in Australia
"IRC"	independent review committee
"IWWM"	the International Workshop on Waldenström Macroglobulinaemia
"Kinase"	a type of enzyme that catalyzes the transfer of phosphate groups from high-energy, phosphate-donating molecules to specific substrates. The protein kinases make up the majority of all kinases. Protein kinases act on proteins, phosphorylating them on their serine, threonine, tyrosine, or histidine residues. These kinases play a major role in protein and enzyme regulation as well as signaling in the cell
"lymphocytes"	a sub-type of white blood cells, such as T cells, B-cells and NK cells
"MAH"	Marketing Authorisation Holder, an entity that has been granted market authorization to market a specific medicinal product
"MCL"	mantle cell lymphoma, a type of B-cell non-Hodgkin lymphoma
"metastatic"	in reference to any disease, including cancer, disease producing organisms or of malignant or cancerous cells transferred to other parts of the body by way of the blood or lymphatic vessels or membranous surfaces
"MRD"	minimal residual disease, a sensitivity marker for prognostic indicator
"MRL/lpr"	Murphy Roths Large/lymphoproliferation mouse strain
"MTD"	maximum tolerated dose, the highest dose of a drug or treatment that does not cause unacceptable side effects
"monotherapy"	therapy that uses a single drug to treat a disease or condition

"MS"	multiple sclerosis
"MZL"	marginal zone lymphoma
"NCCN"	National Comprehensive Cancer Network
"NDA"	new drug application
"NHL"	non-Hodgkin's lymphoma
"NRDL"	National Reimbursement Drug List
"OBD"	optimal biological dose, dose associated with a pre-specified desired effect on a biomarker
"ORR"	objective response rate
"OS"	overall survival
"pan-FGFR inhibitor"	pan-inhibitor of fibroblast growth factor receptor (FGFR) family
"pan-TRK inhibitor"	pan-inhibitor of tropomyosin-related kinase family
"pCNSL"	primary CNS Lymphoma
"PCT"	Patent Cooperation Treaty
"PET"	Positron Emission Tomography, a functional imaging technique that uses radioactive tracers to examine metabolic processes in the body as an aid to disease diagnosis
"pharmacodynamics" or "PD"	the study of how a drug affects an organism, which, together with pharmacokinetics, influences dosing, benefit, and adverse effects of the drug
"pharmacokinetics" or "PK"	the study of the bodily absorption, distribution, metabolism, and excretion of drugs, which, together with pharmacodynamics, influences dosing, benefit, and adverse effects of the drug

"Phase Ib/IIa study"	Phase Ib/IIa is the study that tests the safety, side effects, and best dose of a new treatment. It is conducted in target patient popular with selected dose levels. Phase Ib/IIa study also investigates how well a certain type of disease responds to a treatment. In the phase IIa part of the study, patients usually receive multiple dose levels and often include the highest dose of treatment that did not cause harmful side effects in the phase Ia part of the study. Positive results will be further confirmed in a Phase IIb or Phase III study
"PI3K"	one or more phosphoinositide 3-kinase enzymes, which are part of the PI3K/AKT/mTOR pathway, an important signaling pathway for many cellular functions such as growth control, metabolism and translation initiation
"pivotal trial"	the final controlled trial or study to demonstrate clinical efficacy and safety evidence required before submission for drug marketing approval
"PLC-γ2"	γ2 subtype of phosphoinositide – specific phospholipase C
"PR"	partial response
"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
"progression-free survival" or "PFS"	the length of time during and after the treatment of a disease, such as cancer, that a patient lives without the disease getting worse
"psoriasis"	a long-lasting autoimmune disease characterized by patches of abnormal skin
"QD"	once daily
"RA"	rheumatoid arthritis
"refractory"	disease that is resistant at the beginning of treatment or becomes resistant during treatment

"registrational trial"	large confirmatory studies meant to establish an acceptable benefit/safety profile in order to gain regulatory approval for a precisely defined indication
"relapsed"	the return of a disease or the signs and symptoms of a disease after a period of improvement
"RP2D"	recommended Phase II dose
"R/R" or "r/r"	relapsed and refractory
"r/r non-GCB DLBCL (double mutation)"	r/r non-GCB DLBCL with MYD88 and CD79b double mutation
"SAE"	serious AE, any medical occurrence in human drug trials that at any dose: results in death; is life-threatening; requires inpatient hospitalization or causes prolongation of existing hospitalization; results in persistent or significant disability/incapacity; may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage
"stable disease"	disease that is neither decreasing nor increasing in extent or severity
"second-line"	therapies that are tried when the first-line treatments do not work adequately or stop working
"SLE"	systemic lupus erythematosus
"SLL"	small lymphocytic lymphoma
"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas
"standard of care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
"$T_{1/2}$"	terminal half-life, the time required for the concentration to fall to 50% of its peak value

"T cell"	a type of lymphocyte produced or processed by the thymus gland and actively participating in the immune response. T cells can be distinguished from other lymphocytes, such as B-cells and NK cells, by the presence of a T cell receptor on the cell surface
"treatment emergent adverse events" or "TEAE"	adverse events not present prior to medical treatment, or an already present event that worsens either in intensity or frequency following the treatment
"TEC"	tyrosine kinase expressed in hepatocellular carcinoma
"treatment-naive"	a patient that has never undergone treatment for a particular illness
"toxicity"	the degree to which a substance or a mixture of substances can harm humans or animals
"TRAE"	treatment-related adverse event, undesirable events not present prior to medical treatment or an already present event that worsens in intensity or frequency following the treatment
"TRK"	a family of tyrosine kinases that regulates synaptic strength and plasticity in the mammalian nervous system
"UC" or "urothelial cancer"	urothelial cell carcinoma, a type of cancer that typically occurs in the urinary system and begins in urothelial cells
"VGPR"	very good partial response
"VEGFR"	vascular endothelial growth factor receptor
"WM"	Waldenstrom's macroglobulinemia
"3+3 dose escalation design"	a rule based dose escalation schedule that starts by allocating lowest dosage level to first cohort, then adaptively escalates or de-escalates based on observed DLTs, and repeats until MTD is obtained or when trial is stopped
"17p deletion"	a portion of the short arm of chromosome 17 is missing

This prospectus contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections entitled "Summary," "Risk Factors," "Future Plans and Use of Proceeds," "Financial Information," "Industry Overview" and "Business." These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors," which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. These forward-looking statements include, among other things, statements relating to:

- our operations and business prospects;
- our financial conditions and our operating results and performance;
- industry trends and competition;
- our services and products under development or planning;
- our strategies and initiatives, business plans, objectives and goals;
- our ability to attract users and further enhance our brand recognition;
- our dividend distribution plans;
- the amount and nature of, and potential for, future development of our business;
- general political and economic conditions; and
- changes to regulatory and operating conditions in the markets in which we operate.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in the section entitled "Risk Factors."

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus completely and with the understanding that our actual future results or performance may be materially different from what we expect.

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

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this prospectus.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our financial position and need for additional capital; (ii) risks relating to our business, consisting of (a) risks relating to pre-clinical and clinical development of our drug candidates, (b) risks relating to extensive government regulation, (c) risks relating to manufacturing of our drug candidates, (d) risks relating to commercialization of our drug candidates, (e) risks relating to our intellectual property rights, and (f) risks relating to our reliance on third parties; (iii) risks relating to our operations; (iv) risks relating to our doing business in China; and (v) risks relating to the Global Offering.

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR FINANCIAL POSITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred significant net losses and net operating cash outflows since our inception, and we anticipate that we will continue to incur net losses and net operating cash outflows for the foreseeable future and may never become profitable. Investors are at risk of losing substantially all of their investments in our Shares.

Investment in pharmaceutical drug development is highly speculative. It entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. We have incurred losses in each period since our inception. In 2017 and 2018 and the nine months ended September 30, 2019, we had a loss for the year/period of RMB341.7 million, RMB554.0 million and RMB653.2 million, respectively. As of December 31, 2017 and 2018 and September 30, 2019, we had an accumulated deficit

attributable to owners of our Company of RMB389.1 million, RMB939.0 million, and RMB1,590.9 million, respectively. Substantially all of our operating losses have resulted from costs incurred in connection with our research and development programs, administrative expenses and fair value changes of convertible redeemable preferred shares.

We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue to expand our development of, and seek regulatory approvals for, our drug candidates, and continue to build up our commercialization and sales workforce in anticipation of the future roll-out of our drug candidates. Typically, it takes many years to develop one new drug from the drug-discovery stage to when it is available for treating patients. In addition, we will continue to incur costs associated with operating as a public company and in support of our growth as a development-stage or commercial-stage biopharmaceutical company. The size of our future net losses will depend, in part, on the number and scope of our drug development programs and the associated costs of those programs, the cost of commercializing any approved products, our ability to generate revenues, and the timing and amount of milestones and other payments we make or receive with or through arrangements with third parties. If any of our drug candidates fails in clinical trials or does not gain regulatory approval, or if approved, fails to achieve market acceptance, we may never 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 would decrease the value of our Company and could impair our ability to raise capital, maintain our research and development efforts, expand our business, or continue our operations. A decline in the value of our Company may also cause you to lose substantially all or part of your investment.

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

We had net cash used in operating activities of RMB49.4 million, RMB17.7 million and RMB62.7 million for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2019, respectively. While we believe we have sufficient working capital to fund our current operations, we expect that we may continue to experience net cash outflows from our operating activities for the foreseeable future. If we are unable to maintain adequate working capital, we may default on our payment obligations and may not be able to meet our capital expenditure requirements, which may have a material adverse effect on our business, financial condition, results of operations, and prospects.

We may need additional capital to meet our operating cash requirements, and financing may not be available on terms acceptable to us, or at all.

We believe our current cash and cash equivalents and the estimated net proceeds from the Global Offering will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to meet our continued operating cash requirements in the future, especially to fund our research and development activities. Our cash operating costs mainly consist of (i) research and development costs including employee cost, third party contracting cost, direct clinical trial expenses and others, and (ii) workforce

employment cost. Employee cost consists of employees' salaries, benefits, allowances and performance related bonus. Third-party contracting cost represents the expenses relating to our pre-clinical research and development outsourcing activities. Direct clinical trial expenses represent costs incurred directly from our clinical trials. Others mainly include experimental material costs, rental expenses, traveling expenses and expenses related to intellectual property rights. Workforce employment cost represents total non-R&D staff costs mainly including salaries and bonus. For the nine months ended September 30, 2019, we incurred total cash operating costs of RMB112.3 million, including employee costs of RMB26.1 million, third-party contracting cost of RMB20.5 million, direct clinical trial expenses of RMB16.4 million, others of RMB13.9 million and workforce employment cost of RMB12.7 million. We expect our cash operating costs for the rest of 2019 will increase significantly in light of our expanding clinical trial programs. If the financial resources available to us after the Listing are insufficient to satisfy our cash requirements, we may seek additional funding through equity offerings, debt financings, collaborations and licensing arrangements. It is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all. If we were not able to obtain additional capital to meet our cash requirements in the future, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance. The risks involved in our business may cause potential investors to lose substantially all of their investment in our business.

We are a development-stage biopharmaceutical company founded in 2015. Our operations to date have focused on organizing and staffing our Company, business planning, raising capital, establishing our intellectual property portfolio, and conducting pre-clinical studies and clinical trials of our drug candidates. As at the Latest Practicable Date, we have no internally developed products approved for commercial sale yet and have not generated revenue from internally developed product sales. Our limited operating history, particularly in light of the rapidly evolving biopharmaceutical industry, may make it difficult to evaluate our current business and reliably predict our future performance. We may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If we do not address these risks and difficulties successfully, our business will suffer. These risks may cause potential investors to lose substantially all of their investment in our business.

We will need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development and commercialization of our primary drug candidates.

Our drug candidates will require the completion of clinical development, regulatory review, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Our operations have consumed substantial amounts of cash since inception. Our operating activities used RMB49.4 million, RMB17.7 million and RMB62.7 million of net cash during the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, respectively. We expect to continue to spend substantial amounts

on drug discovery, advancing the clinical development of our drug candidates, and launching and commercializing any approved drug candidates for which we receive regulatory approval. Our existing cash, cash equivalents and short-term investments may not be sufficient to enable us to complete all global development or commercially launch all of our current drug candidates for the currently anticipated indications and to invest in additional programs. Accordingly, we will require further funding through public or private offerings, debt financing, collaboration, and licensing arrangements or other sources. Our forecast of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties, and actual results could vary as a result of a number of factors, including the factors discussed elsewhere in this "Risk Factors" section. We have based this estimate on assumptions that may prove to be wrong, and we could exhaust our available capital resources sooner than we currently expect. Our future funding requirements will depend on many factors, including:

- the progress, timing, scope and costs of our clinical trials, including the ability to timely enroll patients in our planned and potential future clinical trials;
- the outcome, timing and cost of regulatory approvals of our drug candidates;
- the cost and timing of development and completion of commercial-scale internal or outsourced manufacturing activities;
- the number and characteristics of drug candidates that we may develop;
- the amount and timing of the milestone and royalty payments we receive from our collaborators;
- the cost of filing, prosecuting, defending and enforcing any patent claims or other intellectual property rights;
- selling and marketing costs associated with any future drug candidates that may be approved, including the cost and timing of expanding our marketing and sales capabilities;
- the terms and timing of any potential future collaborations, licensing or other arrangements that we may establish;
- cash requirements of any future development of other pipeline drug candidates; and
- our headcount growth and associated costs.

Adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or future commercialization efforts. Our inability to obtain additional funding when we need it could seriously harm our business.

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. 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 potential arrangements when we might be able to achieve more favorable terms.

We incurred net current liabilities and net liabilities during the Track Record Period, and may continue to have net liabilities going forward, which can expose us to liquidity risk.

We had net current liabilities of RMB51.8 million as of December 31, 2017, primarily due to loans from a holder of convertible redeemable preferred shares. The increase in deficiency in assets from RMB392.1 million as of December 31, 2017 to RMB1,477.0 million as of September 30, 2019 was primarily attributable to the issuance of the series C and series D convertible redeemable preferred shares and the issuance of the convertible loan with Guangzhou Kaide Technology Development Co., Ltd. As of January 31, 2020, we had net current assets of RMB2,317.8 million, and recorded deficiency in assets of RMB3,167.9 million.

A net current liabilities or deficiency in assets (net liabilities) position can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

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

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

During the Track Record Period, we issued convertible redeemable preferred shares and convertible loan, both of which are designated as financial liabilities at fair value through profit or loss. For the years ended December 31, 2017 and 2018, and for the nine months ended September 30, 2018 and 2019, we realized net fair value losses in convertible redeemable preferred shares at fair value through profit or loss of RMB272.7 million, RMB387.8 million, RMB363.3 million and RMB499.6 million, respectively. For the year ended December 31, 2018, and for the nine months ended September 30, 2019, we realized net fair value losses in convertible loan at fair value through profit or loss of RMB27.3 million and RMB43.7 million, respectively. We expect to recognize additional loss from the fair value changes of the convertible redeemable preferred shares and the convertible loan after September 30, 2019 to the Listing Date. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the Listing, which will result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future. We cannot assure you that we will not incur any losses from the fair value changes of the convertible loan in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

Our results of operations, financial conditions, and prospects may be adversely affected by fair value changes and credit risk associated with our financial assets at fair value through profit or loss.

During the Track Record Period, we had certain financial assets at fair value through profit or loss, primarily consisting of wealth management products with or without guaranteed returns. All of such products were issued and managed by banks, and substantially all of them were principal protected. We are exposed to credit risk in relation to the financial assets, which may adversely affect our net changes in their fair value. The financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains or losses, and therefore directly affect our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

RISKS RELATING TO OUR BUSINESS

Risks Relating to Pre-Clinical and Clinical Development of Our Drug Candidates

We face substantial competition, which may result in others discovering, developing or commercializing competing drugs before or more successfully than we do.

The development and commercialization of new drugs is highly competitive. We face competition from major pharmaceutical companies, specialty pharmaceutical companies and biopharmaceutical companies worldwide. There are a number of large pharmaceutical and

biopharmaceutical companies that currently market and sell drugs or are pursuing the development of drugs for the treatment of cancer or autoimmune diseases or other indications for which we are developing our drug candidates. Some of these competitors have better resources and expertise than us. 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. We anticipate that we will face intense and increasing competition as new drugs enter the market and advanced technologies become available. For example, our Core Product Candidate faces competition from approved and clinical stage BTK inhibitors worldwide. For details, please refer to the subsection headed "Industry Overview – BTK Inhibitors".

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any drugs that we may develop or commercialize. Our competitors also may obtain approval from the NMPA, the U.S. FDA, the 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. They may render our drug candidates obsolete or non-competitive before we can recover expenses of developing and commercializing any of our drug candidates.

Mergers and acquisitions in the pharmaceutical and biopharmaceutical 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 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 technologies complementary to, or necessary for, our programs.

We depend substantially on the success of our drug candidates, all of which are in pre-clinical or clinical development. If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our drug candidates, or experience significant delays in doing so, our business will be materially harmed.

Our business will depend on the successful development, regulatory approval and commercialization of our drug candidates for the treatment of patients with cancer or autoimmune diseases, all of which are still in pre-clinical or clinical development, and other drug candidates we may develop. We have invested a significant portion of our efforts and financial resources in the development of our existing drug candidates. The success of our drug candidates will depend on several factors, including:

- successful enrollment of patients in, and completion of, clinical trials, as well as completion of pre-clinical studies;

- favorable safety and efficacy data from our clinical trials and other studies;

- receipt of regulatory approvals;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity for our drug candidates;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties; and
- successfully launching our drug candidates for commercial sales, if and when approved.

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 or be unable to obtain approval for and/or to successfully commercialize our drug candidates, which would materially harm our business, and we may not be able to generate sufficient revenues and cash flows to continue our operations. These factors present uncertainty and material risks to our commercial success and may cause potential investors to lose a substantial amount or substantially all of their investment in our business.

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

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of pre-clinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, including genetic differences, patient adherence to the dosing regimen, other trial protocol elements and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries and languages involved in such trials. A number of companies in the pharmaceutical and biopharmaceutical industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding positive results in earlier trials. Our future clinical trial results may not be favorable. Even if our future clinical trial results show favorable efficacy and impressive durability of anti-tumor responses, not all patients may benefit. For certain drugs, not all patients will respond, some responders may also relapse after a period of response.

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

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

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

If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

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. We may experience numerous unexpected events during, or as a result of, clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including but not limited to: regulators, institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site; manufacturing issues relating to our third-party CMOs or in the future after we establish our own facilities, including problems with manufacturing, supply quality, compliance with good manufacturing practice, or GMP, or obtaining from third parties sufficient quantities of a drug candidate for use in a clinical trial; clinical trials of our drug candidates may produce negative or inconclusive results, and additional clinical trials or abandoning drug development programs may be required; the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate, or patients may drop out at a higher rate than we anticipate; our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all; we might have to suspend or terminate clinical trials of our drug candidates for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks; the cost of clinical

trials of our drug candidates may be greater than we anticipate; and the supply or quality of our drug candidates, companion diagnostics or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may (i) be delayed in obtaining regulatory approval for our drug candidates; (ii) not obtain regulatory approval at all; (iii) obtain approval for indications that are not as broad as intended; (iv) have the drug removed from the market after obtaining regulatory approval; (v) be subject to additional post-marketing testing requirements; (vi) be subject to restrictions on how the drug is distributed or used; or (vii) be unable to obtain reimbursement for the use of the drug.

Significant clinical trial delays may also increase our development costs and could shorten any periods during which we have the exclusive right to commercialize our drug candidates or allow our competitors to bring drugs to market before we do. This could impair our ability to commercialize our drug candidates and may harm our business and results of operations.

Our drugs may cause undesirable side effects.

Oncology and autoimmune therapies are still considered as emerging and relatively novel therapeutics for treating cancer and autoimmune diseases. Their mechanisms of action are yet to be thoroughly understood, and adverse events or side effects have been observed in clinical studies and reported by medical practitioners in connection with their usage in patients with cancer or autoimmune diseases.

The results of clinical trials for our drug candidates could reveal a high and unacceptable severity and prevalence of undesirable side effects. Any such side effects could adversely impact our ability to obtain regulatory approvals. For example, the NMPA, the U.S. FDA or other comparable authorities could order us to suspend or terminate our studies or to cease further development of or deny approval of our drug candidates. Any drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete trials or may result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

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

We must keep pace with new technologies and methodologies to maintain our competitive position. For the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, our research and development costs were RMB62.9 million, RMB149.7 million and RMB147.7 million, respectively. We must continue to invest significant amounts of human and capital resources to develop or acquire technologies that will allow us to enhance

the scope and quality of our clinical trials. We intend to continue to enhance our technical capabilities in drug discovery, development and manufacturing, which are capital-and-time-intensive. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies, successfully identify new technological opportunities, develop and bring new or enhanced products to market, obtain sufficient or any patent or other intellectual property protection for such new or enhanced products, or obtain the necessary regulatory approvals in a timely and cost-effective manner, or, if such products are introduced, that those products will achieve market acceptance. Any failure to do so may make our techniques obsolete, which could harm our business and prospects.

Risks Relating to Extensive Government Regulation

All material aspects of the research, development, manufacturing and commercialization of pharmaceutical products are heavily regulated. Any failure to comply with existing regulations and industry standards or any adverse actions by the drug-approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. We intend to focus our activities in China while pursuing global opportunities. These geopolitical areas all strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes – some minor, some significant – that make for a more complex and costly regulatory compliance burden for a company like ours that plans to operate in each of these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process, approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include the regulator's approval, refusal or withdrawal, license revocation, or total or partial suspension of production or distribution. Failure to comply with these regulations could have a material adverse effect on our business. For example, if orelabrutinib fails to produce satisfactory results for the confirmatory Phase III trial requested by the NMPA in connection to the NDA application for r/r CLL/SLL treatment, any conditional approval we may receive from the NMPA for orelabrutinib for r/r CLL/SLL treatment could be suspended. Such suspension can negatively affect our commercial prospects and financial position.

In many countries or regions where a drug is intended to be ultimately sold, such as China, the U.S. and Europe, the relevant government agencies and industry regulatory bodies impose high standards on the efficacy of such drug, as well as strict rules, regulations and industry standards on how we develop such drug. For example, we may need to obtain clearance from the U.S. Food and Drug Administration, or the U.S. FDA, or other regulatory

authorities as part of an Investigational New Drug application to seek authorization to begin clinical trials, or their clinical trials are filed as part of a New Drug Application, Biologic License Application or other filings to seek marketing approval. These regulatory authorities may conduct scheduled or unscheduled periodic inspections of our facilities to monitor our regulatory compliance. Although we passed all the inspections and obtained clearance in relation to discovery and development, if applicable, from the regulatory authorities in all material respects during the Track Record Period, we cannot assure you that we will be able to do so going forward. Any failure to comply with existing regulations and industry standards could result in fines or other punitive actions against us, and the disqualification of data for submission to regulatory authorities, each of which could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operation of our business, and adversely affect our reputation and financial results.

The regulatory approval processes of the NMPA, the U.S. FDA, the European Medicines Agency and other comparable regulatory authorities are lengthy, time-consuming and inherently unpredictable. If we are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

The time required to obtain approval by the NMPA, the U.S. FDA, the TGA, and other comparable regulatory authorities is unpredictable but typically takes 10-15 years following the commencement of pre-clinical 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, if it is a biologic, that it 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 pre-clinical studies or clinical trials;
- 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, the U.S. FDA, the TGA or a comparable regulatory authority may require more information, including additional pre-clinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program.

Changes in regulatory requirements and guidance may also occur, and we may need to amend clinical trial protocols submitted to applicable regulatory authorities to reflect these changes. Resubmission may impact the costs, timing or successful completion of a clinical trial. In addition, changes in government regulations or in practices relating to the pharmaceutical industry, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures, which would lower the entry barrier for potential competitors, or an increase in regulatory requirements, which may increase the difficulty for us to satisfy such requirements, and may have a material adverse impact on our business, financial condition, results of operations, and prospects.

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.

If we fail to comply with our obligations in the agreements under which we obtain intellectual property rights from third parties, we could be required to pay monetary damages or could lose license rights that are important to our business.

We have entered into and may continue to enter into agreements in the future with third parties to provide us with rights to various third-party intellectual property rights, including rights in patents and patent applications. These agreements may impose diligence, development or commercialization timelines and milestone payment, royalty, insurance, and other obligations on us. If we fail to comply with our obligations under our current or future intellectual property transfer or license agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop, manufacture or market any drug or drug candidate that is covered under these agreements, or we may face claims for monetary damages or other penalties under these agreements. Such an occurrence could diminish the value of these products and our business.

Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms, or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology.

We may need to obtain additional licenses to advance our research or allow commercialization of drug candidates we may develop. It is possible that we may be unable to obtain any additional licenses at a reasonable cost or on reasonable terms, if at all. In that event, we may be required to expend significant time and resources to redesign our drug candidates or the methods for manufacturing them, or to develop or license replacement technology, all of which may not be feasible on a technical or commercial basis. If we are unable to do so, we may be unable to develop or commercialize the affected drug candidates, which could harm our business, financial condition, results of operations, and prospects significantly.

Disputes may arise regarding intellectual property subject to a future license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or otherwise violate intellectual property of the licensor that is not subject to the license agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and our partners and us; and
- the priority of invention of patented technology.

In addition, the agreements under which we license intellectual property or technology from third parties may be complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

Our and/or others' failure to obtain or renew certain approvals, licenses, permits and certificates required for our business may materially and adversely affect our business, financial condition and results of operations.

Pursuant to the relevant laws, regulations and relevant regulatory practice by governmental, we and/or other parties related to our operations, such as landlords or managers of premises on or local science parks in which we operate, are required to obtain and maintain various approvals, licenses, permits and certificates (e.g. drainage permits) from relevant authorities to operate our business. Some of these approvals, permits, licenses and certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. Any failure to obtain or renew any approvals, licenses, permits and certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities causing operations to cease, and may include corrective measures requiring capital expenditure or remedial actions, which in the future could materially and adversely affect our business, financial condition and results of operations. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

Furthermore, if the interpretation or implementation of existing laws and regulations changes, or new regulations come into effect requiring us and/or other such related parties to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we and/or other such related parties will successfully obtain such approvals, permits, licenses or certificates. Our or these parties' failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

If we participate in compassionate-use programs, current regulatory discrepancies among competent authorities of different countries may lead to increased risk of adverse drug reactions and serious adverse events arising from the use of our products.

Compassionate-use programs are regulatory programs that facilitate access to investigational drugs for the treatment of patients with serious or immediately life-threatening diseases or conditions that lack therapeutic alternatives. Currently, there is no unified approach or standard practice to regulate compassionate-use programs amongst competent authorities in different countries for access to investigational drugs. In China, currently there is no officially approved regulation to oversee compassionate-use programs. In the U.S., compassionate-use programs are limited to patients who have a life-threatening disease or serious disease or condition, who may gain access to an investigational medical product for treatment outside of clinical trials when no comparable or satisfactory alternative therapy options are available.

The regulatory discrepancy for compassionate-use programs among competent authorities in different countries may lead to uneven patient entry criteria and protocols for compassionate-use programs. This may create increased risk of serious adverse events because

of enrolled patients' advanced disease or comorbidities. In addition, because the products in compassionate-use programs are investigational drugs, many of which are still in experimental stages and have not received marketing approval, patients in compassionate-use program may exhibit adverse drug reactions from using these products. If we participate in compassionate-use programs, we may be subject to the risk of enrolled patients exhibiting adverse drug reactions or serious adverse events being produced from the use of our products. These occurrences can potentially lead to clinical holds of our ongoing clinical trials or complicate the determination of the safety profile of a drug candidate under regulatory review for commercial marketing. Changes in government regulations or in practices relating to the pharmaceutical and biopharmaceutical industries, including healthcare reform in China, and compliance with new regulations may result in additional costs.

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

Any of our future approved drug candidates will be subject to ongoing or additional regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including requirements of regulatory authorities in China and other countries.

Manufacturers and manufacturers' facilities are required to comply with extensive NMPA and comparable regulatory authority requirements in other relevant jurisdictions ensuring that quality control and manufacturing procedures conform to cGMP regulations. As such, we will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any New Drug Application, or NDA, other marketing application, and previous responses to any inspection observations if we were to build manufacturing facilities in the future. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any 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, which could adversely affect the drug's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the drug candidate. The NMPA, the U.S. FDA, the TGA or a comparable regulatory authority may also require a risk evaluation mitigation strategy program as a condition of approval of our drug candidates or following approval. In addition, if the NMPA, the U.S. FDA, the TGA or a comparable regulatory authority approves our drug candidates, we will have to comply with requirements, including, for example, submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP and good clinical practice, or GCP, for any clinical trials that we conduct post-approval.

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, the U.S. FDA, the TGA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability.

Even if we are able to commercialize any approved drug candidates, the drugs may become subject to national or other third-party reimbursement practices or unfavorable pricing regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. In China and some markets outside China, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a drug in a particular country, but then be subject to price regulations that delay our commercial launch of the drug and negatively impact our revenues.

Our ability to commercialize any approved drug candidates successfully also will depend in part on the extent to which reimbursement for these drugs and related treatments will be available from government health administration authorities, private health insurers and other organizations.

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

In China, the Ministry of Human Resources and Social Security of China or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from China's National Drug Catalog for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance, or the National Reimbursement Drug List, the NRDL, or provincial or local medical insurance catalogues for the Provincial Reimbursable Drug List, the PRDL, regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. There can be no assurance that any of our future approved drug candidates will be included in the NRDL or the PRDL. Products included in the NRDL or the PRDL are typically generic and essential drugs. Innovative drugs similar to our drug candidates have historically been more limited on their inclusion in the NRDL or the PRDL due to the affordability of the government's Basic Medical Insurance.

If we were to successfully launch commercial sales of our products but fail in our efforts to have our products included in the NRDL or the PRDL, our revenue from commercial sales would be highly dependent on patient self-payment, which can make our products less competitive. Additionally, even if the Ministry of Human Resources and Social Security of the PRC or any of its local counterparts were to accept our application for the inclusion of products

in the NRDL or the PRDL, our potential revenue from the sales of these products could still decrease as a result of the significantly lowered prices we may be required to charge for our products to be included in the NRDL or the PRDL.

In the U.S., no uniform policy of coverage and reimbursement for drugs exists among third-party payors. As a result, obtaining coverage and reimbursement approval of a drug from a government or other third-party payor is a time-consuming and costly process in the U.S. that could require us to provide to each payor supporting scientific, clinical and cost-effectiveness data for the use of our future approved drugs in the U.S. on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. Even if we obtain coverage for a given drug, the resulting reimbursement rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Additionally, third-party payors may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of our future approved drug candidates. Patients are unlikely to use any of our future approved drug candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of the drug. Because some of our drug candidates have a higher cost of goods than conventional therapies, and may require long-term follow-up evaluations, the risk that coverage and reimbursement rates may be inadequate for us to achieve profitability may be greater.

Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any approved drug candidate that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any approved drug candidate that we commercialize. Obtaining or maintaining reimbursement for approved drug candidates may be particularly difficult because of the higher prices often associated with drugs administered under the supervision of a physician. 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 in-license or successfully develop.

There may be significant delays in obtaining reimbursement for approved drug candidates, and coverage may be more limited than the purposes for which the drug candidates are approved by the NMPA, the U.S. FDA, the TGA or other comparable regulatory authorities. 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 research, development, manufacture, 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 payors and by any future weakening of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the U.S. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any future approved drug candidates and any new drugs that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

We intend to seek approval to market our drug candidates in China, the U.S., and other jurisdictions. In China the pricing of drugs is subject to governmental control, which can take considerable time even after obtaining regulatory approval. Market acceptance and sales of any of our future approved drug candidates will depend significantly on the availability of adequate coverage and reimbursement from third-party payors for drugs, and may be affected by existing and future health care reform measures.

If safety, efficacy or other issues arise with any drug or medical product used in combination with or to facilitate the use of our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays.

Our strategy to develop combination therapies depends on the safety and efficacy of each component drug within each combination therapy. If the NMPA, the U.S. FDA, the TGA or another comparable regulatory agency revokes or denies its approval of a component therapeutic, in either the clinical design, clinical administration, therapy approval or commercialization stage, we will be forced to terminate or redesign the clinical trials, experience significant regulatory delays or stop our commercialization efforts. In addition, we may fail our commercialization effort because products that facilitate the use of our drug candidates incur safety, efficacy or availability issues. For example, there are currently no specific regulations on the companion diagnostic test used in conjunction with our drug candidates for patient identification in China. The lack of regulations presents uncertainties to our commercialization efforts and may have an adverse effect on our business and results of operations.

Adverse drug reactions and negative results from off-label use of our products could materially harm our business reputation, product brand name and financial condition and expose us to liability.

Products distributed or sold in the pharmaceutical market may be subject to off-label drug use. Off-label drug use is prescribing a product for an indication, dosage or in a dosage form that is not in accordance with regulatory approved usage and labeling. Even though the NMPA, the U.S. FDA and other comparable regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label use, there remains the risk that our product is subject to off-label drug use and is prescribed in a patient population, dosage or dosage form that has not been approved by competent authorities. This occurrence may render our products less effective or entirely ineffective and may cause adverse drug reactions. Any of these occurrences can create negative publicity and significantly harm our business reputation, product brand name, commercial operations and financial condition, including the Company's share price. These occurrences may also expose us to liability and cause, or lead to, a delay in the progress of our clinical trials and may also ultimately result in failure to obtain regulatory approval for our drug candidates. The illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

The illegal and/or parallel imports and counterfeit pharmaceutical products may reduce demand for our future approved drug candidates and could have a negative impact on our reputation and business.

The illegal importation of competing products from countries where government price controls or other market dynamics result in lower prices may adversely affect the demand for our future approved drug candidates and, in turn, may adversely affect our sales and profitability in China and other countries where we commercialize our products. Unapproved foreign imports of prescription drugs are illegal under current laws of China. However, illegal imports may continue to occur or even increase as the ability of patients to obtain these lower-priced imports continues to grow. Furthermore, cross-border imports from lower-priced markets (parallel imports) into higher-priced markets could harm sales of our future drug products and exert commercial pressure on pricing within one or more markets. In addition, competent government authorities may expand consumers' ability to import lower-priced versions of our future approved products or competing products from outside China or other countries where we operate. Any future legislation or regulations that increase consumer access to lower-priced medicines from outside China or other countries where we operate could have a material adverse effect on our business.

Certain products distributed or sold in the pharmaceutical market may be manufactured without proper licenses or approvals, or are fraudulently mislabeled with respect to their content or manufacturers. These products are generally referred to as counterfeit pharmaceutical products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as China, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products imitating our products. Since counterfeit pharmaceutical products in many cases have very similar appearances compared with the authentic pharmaceutical products but are generally sold at lower prices, counterfeits of our products can quickly erode the demand for our future approved drug candidates. Our reputation and business could suffer harm as a result of counterfeit pharmaceutical products sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses or plants or while in transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

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 provide 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. If and to the extent our research and development of drug candidates will be

subject to the Scientific Data Measures and any relevant 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. 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.

Risks Relating to Manufacturing of Our Drug Candidates

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

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

We may also experience delay in the construction of our manufacturing facility. Any such delay may have a material adverse effect on our manufacturing ability and successful commercialization of our drug candidates.

Risks Relating to Commercialization of Our Drug Candidates

If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we will not be able to commercialize our drug candidates, and our ability to generate revenue will be materially impaired.

The NDA of orelabrutinib for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020. To obtain regulatory approvals for the commercial sale of any drug candidate for a target indication, we must demonstrate in pre-clinical studies and

well-controlled clinical trials, and, with respect to approval in China, to the satisfaction of the NMPA, that the drug candidate is safe and effective for use for that target indication and that the manufacturing facilities, processes and controls are adequate. In addition to pre-clinical and clinical data, the NDA or biologics license application must include significant information regarding the chemistry, manufacturing and controls for the drug candidate. Obtaining approval of an NDA is a lengthy, expensive and uncertain process, and approval may not be obtained. If we submit an NDA to the NMPA, the NMPA decides whether to accept or reject the submission for filing. We cannot be certain that any submissions will be accepted for filing and review by the NMPA.

We have limited experience in filing for regulatory approval for our drug candidates, and we have not yet demonstrated the ability to receive regulatory approval for our drug candidates. As a result, our ability to successfully obtain regulatory approval for our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience in obtaining regulatory approvals.

Regulatory authorities outside of China, such as the U.S. FDA and the TGA, also have requirements for approval of drugs for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements and approval processes can vary widely from country to country and could delay or prevent the introduction of our drug candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Seeking foreign regulatory approval could require additional nonclinical studies or clinical trials, which could be costly and time-consuming. The foreign regulatory approval process may include all of the risks associated with obtaining NMPA approval. For all of these reasons, we may not obtain foreign regulatory approvals on a timely basis, if at all.

The process to develop, obtain regulatory approval for and commercialize drug candidates is long, complex and costly, and approval is never guaranteed. Following any approval for commercial sale of our drug candidates, certain changes to the drug, such as changes in manufacturing processes and additional labeling claims, may be subject to additional review and approval by the NMPA and comparable regulatory authorities. Also, regulatory approval for any of our drug candidates may be withdrawn. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, our target market will be reduced and our ability to realize the full market potential of our drug candidates will be harmed. Furthermore, we may not be able to obtain sufficient funding or generate sufficient revenue and cash flows to continue the development of any other drug candidate in the future.

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

Our future approved drug candidates may fail to gain sufficient market acceptance by physicians, patients, third-party payors and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well established in the medical community, and doctors may continue to rely on these treatments to the exclusion of our drug candidates that are in clinical trials for the same or similar cancer indications. In addition, physicians, patients and third-party payors may prefer other novel products to ours. The degree of market acceptance of our drug candidates, if approved for commercial sale, will depend on a number of factors, including:

- the clinical indications for which our drug candidates are approved;
- physicians, hospitals, cancer treatment centers and patients considering our drug candidates as a safe and effective treatment;
- the potential and perceived advantages of our drug candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labeling or product insert requirements of regulatory authorities;
- limitations or warnings contained in the labeling approved by regulatory authorities;
- the timing of market introduction of our drug candidates as well as competitive drugs;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage and reimbursement by third-party payors and government authorities; and
- the effectiveness of our sales and marketing efforts.

If any approved drug candidates that we commercialize fail to achieve market acceptance in 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.

We have no experience in launching and marketing drug candidates. If we are unable to maintain sufficient marketing and sales capabilities, we may not be able to generate product sales revenue.

We have not yet demonstrated an ability to launch and commercialize any of our drug candidates. As a result, our ability to successfully commercialize our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with experience launching and marketing drug candidates.

We will have to compete with other pharmaceutical and biopharmaceutical companies to recruit, hire, train and retain marketing and sales personnel. We have developed internal sales, marketing and commercial distribution capabilities for our drug candidates. However, there can be no assurance that we will be able to maintain marketing and sales capabilities sufficient to support our future approved drug products. As a result, we may not be able to generate product sales revenue.

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

In markets with approved therapies, we may initially seek approval of our drug candidates as a later-stage therapy for patients who have failed other approved treatments. Subsequently, for those drugs that prove to be sufficiently beneficial, if any, we may seek approval as a first-line therapy, but there is no guarantee that our drug candidates, even if approved, would be approved for second-line or first-line therapy.

Our projections of both the number of people who have the cancers we are targeting, as well as the subset of people with these cancers in a position to receive later-stage therapy and who have the potential to benefit from treatment with our drug candidates, are based on our beliefs and estimates and may prove to be inaccurate or based on imprecise data. Similarly, our projections of both the number of people who have the autoimmune diseases we are targeting, as well as the subset of people with these autoimmune diseases that are in a position to receive treatment and who have the potential to benefit from treatment with our drug candidates, are also based on our beliefs and estimates and may prove to be inaccurate or based on imprecise data.

Further, new studies may change the estimated incidence or prevalence of these cancers and autoimmune diseases. The number of patients may turn out to be lower than expected. Additionally, the potentially addressable patient population for our drugs and drug candidates may be limited or may not be amenable to treatment with our drugs and 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, including use as a first-or second-line therapy.

We may be subject, directly or indirectly, to applicable anti-kickback, false-claim, physician payment transparency, or fraud and abuse laws, or similar healthcare and security laws and regulations in the U.S., China and other jurisdictions, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, and diminished profits and future earnings.

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. If we obtain the NMPA or the U.S. FDA approval for any of our drug candidates and begin commercializing those drugs in China or in the U.S., our operations may be subject to various PRC and U.S. federal and state fraud and abuse laws, including, without limitation, the PRC Anti-Unfair Competition Law, PRC Criminal Law, the Federal Anti-Kickback Statute and the Federal False Claims Act, and physician payment sunshine laws and regulations. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business.

Additionally, we are subject to state and non-U.S. equivalents of each of the healthcare laws described above, among others, some of which may be broader in scope and may apply to healthcare services reimbursed by any source, not just governmental payors, including private insurers. In addition, some states have passed laws that require pharmaceutical companies to comply with the April 2003 Office of Inspector General Compliance Program Guidance for Pharmaceutical Manufacturers and/or other voluntary industry codes of conduct. Several states also impose other marketing restrictions or require pharmaceutical companies to make marketing or price disclosures to the state. There are ambiguities as to what is required to comply with these state requirements, and if we fail to comply with an applicable state law requirement we could be subject to penalties.

Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from federal and state healthcare programs such as Medicare and Medicaid and debarment from contracting with the U.S. government. In addition, private individuals have the ability to bring actions on behalf of the U.S. government under the Federal False Claims Act as well as under the false claims laws of several states.

Neither the U.S. government nor the U.S. courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and it is possible that some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and

administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. See "Regulations" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China.

If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs, which may also adversely affect our business.

Risks Relating to Our Intellectual Property Rights

If we are unable to obtain and maintain patent protection for our drug candidates and other intellectual property, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

Our success depends in large part 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 China, United States, China, Australia and other countries, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. For further information on our patent portfolio, see "Business – Intellectual Property." If we are unable to obtain or maintain patent protection with respect to our drug candidates and technologies, our business, financial condition, results of operations and prospects could be materially harmed.

The scope of patent protection in various jurisdictions is also uncertain. Changes in either the patent laws or their interpretation in China, the U.S., Australia 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.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner in all desirable territories. As a result, we may not be able to prevent competitors from developing and commercializing competitive drugs in all such fields and territories. 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.

It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to obtain patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the U.S. and other jurisdictions are typically not published until 18 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. Furthermore, China and, recently, the U.S. 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 State Intellectual Property Office, or SIPO, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. Any patents that we hold may be challenged, narrowed, circumvented, or invalidated by third parties. In addition, the patent position of biopharmaceutical and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patent rights may be challenged in the courts or patent offices in Australia, the U.S., China and other countries. We may be subject to a third-party preissuance submission of prior art to the patent office in a jurisdiction, or become involved in opposition,

derivation, revocation, re-examination, post-grant review, *inter partes* review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or drug candidates, and compete directly with us without payment to us, or result in our inability to manufacture or commercialize drug candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we may have to participate in interference proceedings declared by the patent office of a jurisdiction to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our invention or other features of patentability of our patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity or in patent claims being narrowed, invalidated or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and drug candidates. Such proceedings also may result in substantial costs and require significant time from our scientists and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technology or drug candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, although various extensions may be available, the life of a patent and the protection it affords is limited. Even if we successfully obtain patent protection for an approved drug candidate, it may face competition from generic or biosimilar medications once the patent has expired. Manufacturers of generic or biosimilar drugs may challenge the scope, validity or enforceability of our patents in court or before a patent office, and we may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Our issued patents for our drug candidates are expected to expire on various dates as described in "Business – Intellectual Property" of this prospectus. Upon the expiration of these patents, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours, which could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects. Additionally, patent rights we own currently or in the future or may license in the future may be subject to a reservation of rights by one or more third parties.

Our intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we are unsuccessful in any of these proceedings, we may be required to obtain licenses from third parties, which may not be available on commercially reasonable terms or at all, or to cease the development, manufacture and commercialization of one or more of the drug candidates we may develop, which could have a material adverse impact on our business.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents or other intellectual property. For example, the collaboration agreements with Professor Shi and Professor Zhang are framework agreements without specifying the circumstances under which the ownership of the intellectual property jointly developed or with key resources provided by us will be vested in us, which may lead to potential disputes in the future. Please refer to the section headed "Business – Exclusive Strategic Collaboration Agreements" for further details. If we are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we are subject, we may lose valuable intellectual property rights through the loss of one or more patents or our patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we are unsuccessful in any inventorship disputes to which we are subject, we may lose valuable intellectual property rights, such as exclusive ownership. If we are unsuccessful in any interference proceeding or other priority or inventorship dispute, we may be required to obtain and maintain licenses from third parties, including parties involved in any such interference proceedings or other priority or inventorship disputes. Such licenses may not be available on commercially reasonable terms or at all, or may be non-exclusive. If we are unable to obtain and maintain such licenses, we may need to cease the development, manufacture and commercialization of one or more of our drug candidates. The loss of exclusivity or the narrowing of our patent claims could limit our ability to stop others from using or commercializing similar or identical drug products. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations or prospects. Even if we are successful in an interference proceeding or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

We may not be able to protect our intellectual property rights throughout the world or prevent unfair competition by third parties.

Filing, prosecuting, maintaining and defending patents on drug candidates in all countries throughout the world could be prohibitively expensive for us, and our intellectual property rights in some non-U.S. countries can have a different scope and strength. In addition, the laws of certain non-U.S. countries do not protect intellectual property rights to the same extent as the laws of the U.S. Consequently, we may not be able to prevent third parties from practicing our inventions or from selling or importing drugs made using our inventions in all countries. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own drugs and, further, may export otherwise infringing drugs to other countries where we have patent protection, but where enforcement rights are relatively weaker. These drugs may compete with our drug candidates, and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

We currently have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration 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 will increase, 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, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain jurisdictions, including China. The legal systems of some countries do not favor the enforcement of patents, trade secrets and other intellectual property, particularly those relating to biopharmaceutical products, which could make it difficult in those jurisdictions for us to stop the infringement, misappropriation or other violation of our patents or other intellectual property rights, or the marketing of competing drugs in violation of our proprietary rights. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims 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 intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

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 are 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.

As a result, we may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Patent rights relating to our drug candidates could be found invalid or unenforceable if challenged in court or before the USPTO or comparable non-U.S. authority.

If we are sued for infringing, misappropriating or otherwise violating intellectual property rights of third parties or engaging in unfair competition, such litigation could be costly and time-consuming and could prevent or delay us from developing or commercializing our drug candidates.

Our commercial success depends in part on our and our collaborators' avoiding infringement, misappropriation and other violations of the patents and other intellectual property rights of third parties. We are aware of numerous issued patents and pending patent applications belonging to third parties that exist in fields in which we are developing our drug candidates. There may also be third-party patents or patent applications of which we are currently unaware, and given the dynamic area in which we operate, additional patents are likely to issue that relate to aspects of our business. There is a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the biopharmaceutical and pharmaceutical industries generally. As the biopharmaceutical and pharmaceutical industries expand and more patents are issued, the risk increases that our drug candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that we are using technology in violation of their patent or other intellectual and proprietary rights. We may also be subject to allegations by third parties of unfair competition, defamation or violation of their other rights. Defense of these claims, regardless of their merit, could involve substantial litigation expense and divert our technical personnel, management personnel or both from their normal responsibilities. Even in the absence of litigation, we may seek to obtain licenses from third parties to avoid the risks of litigation, and if a license is available, it could impose costly royalty and other fees and expenses on us.

Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority, and it could materially and adversely affect our ability to develop and commercialize any of our drug candidates and any other drug candidates covered by the asserted third-party patents. The burden of successfully challenging a third-party claim may be high and require us to present clear and convincing evidence as to the invalidity of any such claim, there is no assurance that a court of competent jurisdiction would invalidate any such third-party claim.

If third parties bring successful claims against us for infringement, misappropriation or other violations of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our drug candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. In the event of a successful claim against us of infringement, misappropriation or other violation of intellectual property, or a settlement by us of any such claims, we may have to pay substantial damages, which we may not be able to be indemnified against by our licensing partners. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research

or allow commercialization of our drug candidates. Any such license might not be available on reasonable terms or at all. Even if we were able to obtain a license, it could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and it could require us to make substantial licensing and royalty payments. In the event that we are unable to obtain such a license, we would be unable to further develop and commercialize one or more of our drug candidates, which could harm our business significantly. We may also elect to enter into license agreements in order to settle patent and other intellectual property infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could significantly harm our business.

Even if litigation or other proceedings are resolved in our favor, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the market price of our shares. Such litigations or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and patent applications are due to be paid to the CNIPA, USPTO and other patent agencies in several stages over the lifetime of a patent. The CNIPA, USPTO and various non-U.S. governmental patent agencies 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 non-compliance 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. Non-compliance 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 would have a material adverse effect on our business.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our drug candidates.

Newly enacted patent laws can change the procedures through which patents may be obtained and by which the validity of patents may be challenged. These changes may impact the value of our patent rights or our other intellectual property rights. In China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, a Draft Amendment to the PRC Patent Law (專利法修正案

草案) was released in January 2019 and proposed to introduce patent extensions to eligible innovative drug patents. If adopted, patents owned by third parties may be extended, which may in turn affect our ability to commercialize our products without facing infringement risks. The adoption of this draft amendment may enable the patent owner to submit applications for a patent term extension. The length of any such extension is uncertain. If we are required to delay commercialization for an extended period of time, technological advances may develop and new products may be launched, which may in turn render our products non-competitive. We cannot guarantee that any other changes to PRC intellectual property laws would not have a negative impact on our intellectual property protection.

FIRRMA Pilot Program may restrict our ability to acquire technologies and assets in the U.S. that are material to our commercial success.

On November 10, 2018, the pilot program (the "Pilot Program") that provisionally implements the Foreign Investment Risk Review Modernization Act of 2018 (the "FIRRMA") will become effective to regulate foreign investments in U.S. businesses that involve technologies deemed critical by the Committee on Foreign Investment in the U.S. (the "CFIUS"). The Pilot Program may restrict our capacity to invest in U.S. entities and opportunities to acquire technologies that are material to our business operations. While the Pilot Program currently restricts only controlling and certain non-controlling investments made by foreign persons in U.S. businesses in research and development in biotechnology, the Pilot Program may further expand its scope in the future and place additional limitations on strategic collaborations with our current U.S. partners and may expand into permanent and more restrictive implementations of FIRRMA, which could detrimentally affect our capacity to acquire foreign assets in the U.S. that may be material to our commercial success.

The absence of patent linkage, patent term extensions and data and market exclusivity for NMPA-approved pharmaceutical products could increase the risk of early generic competition with our products in China.

In the U.S., the Federal Food, Drug and Cosmetic Act, the FDCA, as amended by the law generally referred to as "Hatch-Waxman," provides the opportunity for patent term restoration that provides a patent term extension of up to five years to reflect patent time period lost during certain portions of product development and the U.S. FDA regulatory review process. Hatch-Waxman also has a process for patent linkage, pursuant to which the U.S. FDA will stay approval of certain follow-on applications for a period of up to 30 months if, within 45 days of receiving notice of a follow-on application, we file a patent infringement suit against such applicant. Finally, Hatch-Waxman provides for statutory exclusivities that can prevent submission or approval of certain follow-on marketing applications. For example, federal law provides a five-year period of exclusivity within the U.S. to the first applicant to obtain approval of a new chemical entity (as defined by the FDCA) and three years of exclusivity protecting certain innovations to previously approved active ingredients where the applicant was required to conduct new clinical investigations to obtain approval for the modification. Similarly, the United States Orphan Drug Act provides seven years of market exclusivity for certain drugs to treat rare diseases, where the U.S. FDA designates the drug candidate as an

orphan drug and the drug is approved for the designated orphan indication. These provisions, designed to promote innovation, can prevent competing products from entering the market for a certain period of time after the U.S. FDA grants marketing approval for the innovative product.

Depending upon the timing, duration and specifics of any U.S. FDA marketing approval process for any drug candidates we may develop, one or more of our U.S. patents may be eligible for limited patent term extension under Hatch-Waxman. Hatch-Waxman permits a patent extension term of up to five years as compensation for patent time period lost during clinical trials and the U.S. FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of drug approval; only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could be less than we request. In China, however, there is no currently effective law or regulation providing patent term extension, patent linkage, or data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. Chinese regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension. To be implemented, this framework will require adoption of regulations. To date, no regulations have been issued. These factors result in weaker protection for us against generic competition in China than could be available to us in the U.S. For instance, the patents we have in China are not yet eligible to be extended for patent term lost during clinical trials and the regulatory review process. If we are unable to obtain patent term extension, or the term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations and prospects could be materially harmed.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may be subject to claims that our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of their former employers or claims asserting ownership of what we regard as our own intellectual property.

In addition to our patents, we rely on trade secrets and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our drug candidates. We seek to protect this trade secret and confidential information, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention

or patent assignment agreements with our employees and consultants. 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 or other third party, 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.

Furthermore, many of our employees, consultants and advisors, including our senior management, were previously employed at other biopharmaceutical or pharmaceutical companies, including our competitors or potential competitors. Some of these employees, consultants and advisors, including each member of our senior management, 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 intellectual property, including trade secrets or other proprietary information, of any such individual'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 there is no assurance that we will not be subject to such claims or involved in litigations to defend against such claims in the future. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to our 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.

We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and in-licenses.

Our programs may involve additional drug candidates that may require the use of proprietary rights held by third parties, and we may need to acquire and maintain licenses or other rights to use these proprietary rights. However, we may be unable to acquire or in-license any compositions, methods of use or other intellectual property rights from third parties that

we identify. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights, we may have to abandon development of the relevant program or drug candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Intellectual property rights do not necessarily address all potential threats.

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

- others may be able to make products that are similar to any drug candidates we may develop or utilize similar technology that are not covered by the claims of the patents that we own or license now or in the future;

- we or any future collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we own or may license in the future;

- we or any future collaborators might not have been the first to file patent applications covering certain of our or their inventions;

- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our intellectual property rights;

- it is possible that our pending patent applications will not lead to issued patents;

- patents that may be issued from our pending patent applications may be held invalid or unenforceable, including as a result of legal challenges by our competitors;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;

- we may not develop additional proprietary technologies that are patentable;

- the patents of others may harm our business; and

- we may choose not to file a patent for certain trade secrets or know-how, and a third party may subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to Our Reliance on Third Parties

We may rely on third parties to manufacture or import a portion of our clinical and commercial drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

We currently use third parties for our manufacturing process and for the clinical supply of our drug candidates, some of which are among our five largest suppliers during the Track Record Period. Reliance on third-party manufacturers would expose us to the following risks:

- we may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and the NMPA, the U.S. FDA, the TGA or other comparable regulatory authorities must evaluate and/or approve any manufacturers as part of their regulatory oversight of our drug candidates. This evaluation would require new testing and cGMP-compliance inspections by the NMPA, the U.S. FDA, the TGA or other comparable regulatory authorities;

- our third-party manufacturers might be unable to timely manufacture our drug candidates or produce the quantity and quality required to meet our clinical and commercial needs, if any;

- manufacturers are subject to ongoing periodic unannounced inspection by the regulatory authorities to ensure strict compliance with cGMP and other government regulations. We do not have control over third-party manufacturers' compliance with these regulations and requirements;

- we may not own, or may have to share, the intellectual property rights to any improvements made by our third-party manufacturers in the manufacturing process for our drug candidates;

- manufacturers may not properly obtain, protect, maintain, defend or enforce 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;

- manufacturers may infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;

- raw materials and components used in the manufacturing process, particularly those for which we have no other source or supplier, may not be available or may not be suitable or acceptable for use due to material or component defects; and

- our contract manufacturers and critical reagent suppliers may be subject to inclement weather, as well as natural or human-made disasters.

Each of these risks could delay or prevent the completion of our clinical trials or the approval of any of our drug candidates, result in higher costs, or adversely impact commercialization of our future approved drug candidates. In addition, we will rely on third parties to perform certain specification tests on our drug candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm, and regulatory authorities could place significant restrictions on our Company until deficiencies are remedied.

Manufacturers of drug and biological products often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process (including the absence of contamination). These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error, availability of qualified personnel, as well as compliance with strictly enforced regulations. Furthermore, if contaminants are discovered in our supply of our drug candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability failures or other issues relating to the manufacture of our drug candidates will not occur in the future, either relating to our third-party CMOs or on our manufacturing facilities we plan to build in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide any future approved drug candidates for commercial sale and our drug candidates to patients in clinical trials would be jeopardized. Any delay or interruption in the provision of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs, and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

We have entered into collaborations and may form or seek collaborations or strategic alliances or enter into licensing arrangements in the future, and we may not realize the benefits of such alliances or licensing arrangements.

We have entered into strategic collaboration agreements in the past. For more information, see "Business – Exclusive Strategic Collaboration Agreements." We may form or seek strategic alliances, create joint ventures or collaborations, or enter into licensing

arrangements with third parties that we believe will complement or augment our development and commercialization efforts with respect to our drug candidates and any future drug candidates that we may develop. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing shareholders, or disrupt our management and business.

We face significant competition in seeking appropriate strategic partners and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic partnership or other alternative arrangements for our drug candidates because they may be deemed to be at too early a stage of development for collaborative effort, and third parties may not view our drug candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a drug candidate, we can expect to relinquish some or all of the control over the future success of that drug candidate to the third party. For any drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biopharmaceutical companies with greater resources or capabilities than us, and any agreement that we do enter into may not result in the anticipated benefits.

There are other risks associated with strategic collaboration with third party partners. 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. Our collaborations may be terminated and, if terminated, may have adverse effect on the development or commercialization of our drug candidates.

As a result, we may not be able to realize the benefit of current or future collaborations, strategic partnerships or potential license of drugs if we are unable to successfully integrate such products 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, there may be material adverse impact on our business prospects, financial condition and results of operations.

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

We have engaged in the past and plan to continue to work with third-party collaborators, such as CROs to generate, monitor or manage data for our ongoing pre-clinical and clinical programs. We engage these parties to execute certain aspects of our pre-clinical studies and clinical trials. We are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We, our CROs for our pre-clinical and clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by the NMPA and other comparable regulatory authorities for all of our drugs in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the NMPA or comparable regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. 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.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and nonclinical 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 or our clinical investigators obtain is compromised due to 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 CROs involves additional cost and delays, which can materially influence our ability to meet our desired clinical development timelines. 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 arrangements with collaborators, including CROs, plays an important role 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 studies we collaborate with them 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.

RISKS RELATING TO OUR OPERATIONS

Our future success depends on our ability to retain key executives and to attract, train, retain and motivate qualified and highly skilled personnel.

We are highly dependent on Dr. Jisong Cui, our co-founder, Chairperson and CEO and the other principal members of our management and scientific teams. Although we have formal employment agreements with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain key-person insurance for any of our executives or other employees. The loss of the services of any of these persons could impede the achievement of our research, development and commercialization objectives.

To incentivize valuable employees to remain at our Company, in addition to salary and cash incentives, we have provided share incentives that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in the market price of our Shares that are beyond our control, and may at any time be insufficient to counteract more lucrative offers from other companies. Although we have employment agreements with our key employees, any of our employees could leave our employment at any time, with or without notice.

Recruiting and retaining qualified scientific, technical, clinical, manufacturing, and sales and marketing personnel in the future will also be critical to our success. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our discovery, clinical development and commercialization strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

Furthermore, replacing executive officers, key employees or consultants 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. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms given the competition among numerous pharmaceutical and biopharmaceutical companies for similar personnel. To compete

effectively, we may need to offer higher compensation and other benefits, which could materially and adversely affect our financial condition and results of operations. In addition, we may not be successful in training our professionals to keep pace with technological and regulatory standards. Any inability to attract, motivate, train or retain qualified scientists or other technical personnel may have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

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

Any negative publicity concerning us, our affiliates or any entity that shares the "INNOCARE" name, even if untrue, could adversely affect our reputation and business prospects. We cannot assure you that negative publicities about us or any of our affiliates or any entity that shares the "INNOCARE" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In addition, referrals and word of mouth have significantly contributed to our ability to establishing new partnerships. As a result, any negative publicity about us or any of our affiliates or any entity that shares the "INNOCARE" name could adversely affect our ability to maintain our existing collaboration arrangements or attract new partners.

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

We had 221 employees as at the Latest Practicable Date. As our development and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, manufacturing, sales, marketing, 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.

If we engage in 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.

From time to time, we may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the 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, the 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 the prospects of that party and their existing drugs or drug candidates and regulatory approvals; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses, and acquire intangible assets that could result in significant future amortization expense.

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and

acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the "Prior Notification Rules" issued by the State Council, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Lenders, or the "Security Review Rules," issued by the MOFCOM specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval and filing processes, including obtaining approval or filings from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

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

We are subject to the anti-bribery laws of various jurisdictions. As our business has expanded, the applicability of the applicable anti-bribery laws to our operations has increased. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

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

Our growth strategies aim to develop potential best-in-class and/or first-in-class therapies for oncology and autoimmune diseases globally. For more information, see "Business – Our Strategies." Pursuing our growth strategies has resulted in, and will continue to result in, substantial demands on capital and other resources. In addition, managing our growth and executing on our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global and Chinese biopharmaceutical market, effective coordination and integration of our facilities and teams across different sites, successful hiring and training of personnel, effective cost control, sufficient liquidity, effective and efficient financial and management control, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute on our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

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 numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable 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.

Although we maintain Work-Related Injury Insurance to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance 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, use or disposal of biological or hazardous materials.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

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

We conduct certain of our drug development activities in our R&D centers located in Nanjing and Beijing in China. Natural disasters or other unanticipated catastrophic events that affect our facilities, including power interruptions, water shortages, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to operate our business. Our facility and certain equipment located at our R&D centers and manufacturing facility would be difficult to replace in any such event and could require substantial replacement lead time and cost. The occurrence of any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

We face risks related to health epidemics and other outbreaks of contagious diseases.

Our business could be adversely affected by outbreaks of epidemics. Outbreaks of contagious diseases and other adverse public health developments in China or any other market in which we operate and conduct business could severely disrupt our business operations by damaging our network infrastructure or information technology system or impacting the productivity of our workforce. The outbreak of any severe epidemic disease, such as avian flu, H1N1 flu, SARS or coronavirus, may disrepute our production process, which could negatively affect our financial condition, operational results and future prospects. For example, a novel strain of coronavirus was reported to have surfaced in China and escalation of COVID-19 may have adverse effects on our operations or the operations of our suppliers. Concerns about COVID-19 may, for example, negatively affect the reliability and cost of transportation, negatively affect the desire and ability of our employees to travel to the office, delay the enrollment of patients in our clinical trials, disrupt the production capabilities of our suppliers and require us to quarantine certain of our employees or facilities or take extra security precautions for our operations, which may result in higher costs. The COVID-19 outbreak could also affect our ability to carry out our obligations under existing contracts, disrupt supply chains that we depend upon, alter our commercialization plans and clinical development plans and compromise the quality of our ongoing clinical studies. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and the actions to contain or treat its impact, among others. In addition, our operation and financial position could be materially affected to the extent that a health epidemic or other outbreak harms the PRC and global economy in general.

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

Despite the implementation of security measures, our internal computer systems and those of our partners and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. Although to our knowledge we have not experienced any 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.

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, intellectual property and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business-critical information including research and development information, commercial information, and business and financial information. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our Company or vendors that provide information systems, networks or other services to us pose increased risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial-of-service attacks, and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could have an adverse impact on us and our business, including loss of data and damage to equipment and data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification, or intentional or accidental release or loss of information maintained in the information systems and networks of our Company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we have on occasion experienced, and will continue to experience, threats to our data and systems, including malicious codes and viruses, phishing, and other cyberattacks. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes are costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely. As we outsource more of our information systems to vendors, engage in more electronic transactions with payors and patients, and rely more on cloud-based information systems, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems.

In conducting drug discovery and development, we face potential liabilities, in particular, product liability claims or lawsuits that could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the clinical testing and any future commercialization of our drug candidates inside and outside China. 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 against 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. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: decreased demand for our drug candidates; 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; the inability to commercialize any approved drug candidate; and a decline in the market price of our Shares.

To cover such liability claims arising from clinical studies, we purchase clinical trial insurance in the conduct of our clinical trials. However, 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 not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be sufficient to cover such claims and our business operations could be impaired. Should any of these events occur, it could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

We are subject to the risks of doing business globally.

Because we operate in China and other countries, our business is subject to risks associated with doing business globally. Accordingly, our business and financial results in the future could be adversely affected due to a variety of factors, including: changes in a specific country's or region's political and cultural climate or economic condition; unexpected changes in laws and regulatory requirements in local jurisdictions; difficulty of effective enforcement of contractual provisions in local jurisdictions; inadequate intellectual property protection in certain countries; enforcement of anti-corruption and anti-bribery laws; trade-protection measures, import or export licensing requirements and fines, penalties or suspension or revocation of export privileges; the effects of applicable local tax regimes and potentially adverse tax consequences; and significant adverse changes in local currency exchange rates.

Furthermore, in the wake of the United Kingdom's exit from the European Union on January 31, 2020 ("Brexit"), there remains uncertainty about the future relationship between the United Kingdom and the European Union. It remains unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the United Kingdom, the European Union and globally.

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 RMB against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange policies. Substantially all of our costs are denominated in RMB and most of our financial assets are also denominated in RMB. However, our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against RMB may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars.

RISKS RELATING TO OUR DOING BUSINESS IN CHINA

The pharmaceutical industry in China is highly regulated and such regulations are subject to change, which may affect approval and commercialization of our drug candidates.

We conduct all of our operations in China. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new drugs. In recent years, the regulatory framework in China regarding the pharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our drug candidates in China and reduce the benefits we believe are available to us from developing and manufacturing drugs in China.

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

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

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

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

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

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.

In addition, 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 we would 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 rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in China, up to the amount of net assets held in each operating subsidiary.

In response to the persistent capital outflow in China and RMB's depreciation against the U.S. dollar, People's Bank of China, or PBOC, and the SAFE promulgated a series of capital control measures, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments. The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by the SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

Our dividend income from our PRC subsidiaries may be subject to a higher rate of withholding tax than that which we currently anticipate.

The Enterprise Income Tax Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

Pursuant to the Arrangement Between Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income, or the "Hong Kong Tax Treaty" (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), the withholding tax rate on dividends paid by our PRC subsidiary to our Hong Kong subsidiary would generally be reduced to 5%, provided that our Hong Kong subsidiary is a Hong Kong tax resident as well as the beneficial owner of the PRC-sourced income, and our Hong Kong subsidiary directly holds 25% or more interests in our PRC subsidiary. On February 3, 2018, the State Administration of Taxation issued the Announcement on Certain Issues Concerning the Beneficial Owners in a Tax Agreement (關於税收協定中"受益所有人"有關問題的公告), also known as Circular 9, which provides guidance for determining whether a resident of a contracting state is the "beneficial owner" of an item of income under China's tax treaties and similar arrangements. According to Circular 9, a beneficial owner generally must be engaged in substantive business activities and an agent will not be regarded as a beneficial owner. There is no assurance that the reduced withholding tax rate will be available.

Restrictions on currency exchange may limit our ability to utilize our revenue effectively.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. A portion of our revenue is denominated in RMB. Shortages in availability of foreign currency may then restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign-currency-denominated obligations. The RMB is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and foreign currency debt, including loans we may secure for our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to purchase foreign currencies in the future for current account transactions. Since a portion of our revenue is denominated in RMB, any existing and future restrictions on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our Shares. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Our business benefits from certain tax preferences, financial incentives and preferential policies granted by local governments. Expiration of, or changes to, these incentives, tax preferences or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries as part of their efforts to encourage the development of local businesses. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Governments authorities may decide to reduce or eliminate incentives or may amend or terminate the relevant financial incentive policies at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific projects therein. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations. In addition, according to relevant PRC tax laws and regulations, enterprises in the PRC are entitled to tax preferences when certain requirements and qualifications are satisfied. Our relevant PRC subsidiaries may not continue to be entitled to relevant tax preferences if relevant tax preferences expire or the relevant PRC subsidiaries fail to continue to satisfy certain requirements and qualifications. For example, enterprises in the PRC qualified as "high and new technology enterprise" are entitled to preferential rate of 15%. Each of InnoCare Beijing Nuocheng and InnoCare Nanjing currently qualifies as a "high and new technology enterprise" until the end of 2019 and 2020, respectively. If any of these PRC subsidiaries fails to continue to qualify in a subsequent year, tax expenses would increase, which may have a material adverse effect on our results of operations.

We are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

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

Most of our operating subsidiaries are incorporated in China. Some of our management reside in China from time to time. Almost all of our assets are located in China. Therefore, it may not be possible for investors to effect service of process upon us or our management inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "Arrangement"), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court and the government of the Hong Kong Special Administrative Region 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 (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "New Arrangement"), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New 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. As a result, it may be difficult or impossible for investors to effect service of process against our assets or management in China in order to seek recognition and enforcement of foreign judgments in China.

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

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

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

According to the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知) (SAFE Circular 30) and other regulations, if our shareholders who are PRC entities do not complete their registration with the competent SAFE, NDRC or MOFCOM branches, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. In addition, our shareholders may be required to suspend or stop the investment and complete the registration within a specified time, and may be warned or prosecuted for relevant liability. Moreover, failure to comply with the SAFE registration described above could result in liability under PRC laws for evasion of applicable foreign exchange restriction.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知), or SAFE Circular 13, which came into effect on June 1, 2015, pursuant to which local banks shall review and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration under SAFE Circular 37 and SAFE Circular 30, while the application for remedial registrations shall still be submitted to, reviewed and handled by the relevant local branches of SAFE.

There remains uncertainty as to the interpretation and implementation of the latest SAFE rules at practice level. We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant SAFE rules and other regulations; however, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available in all circumstances as prescribed in those regulations. In addition, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC nationals or entities, and may not be able to compel them to comply with SAFE Circular 37, SAFE Circular 30 or other regulations. We cannot assure you that all of our Shareholders or beneficiaries will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by SAFE rules or other regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such shareholders to comply with SAFE rules or other regulations may result in restrictions on the foreign exchange activities of our PRC subsidiaries and may also subject the relevant PRC resident or entity to penalties under the PRC foreign exchange administration regulations.

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

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告), or Circular 7, which supersedes certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知), or Circular 698, which was previously issued by the State Administration of Taxation on December 10, 2009, as well as certain other rules providing clarification on Circular 698. Circular 7 provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise, or PRC Taxable Assets.

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

existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose.

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

Circular 7 contains certain exemptions, including (i) the Public Market Safe Harbor described below; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement. However, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares that do not qualify for the Public Market Safe Harbor or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transactions by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares that do not qualify for the Public Market Safe Harbor by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of Circular 7, which impose PRC tax liabilities and reporting obligations, do not apply to "non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market," or the Public Market Safe Harbor, which is determined by whether the parties, number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general trading rules in the public securities markets, according to one implementing rule for Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public market would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in "Information about this Prospectus and the Global Offering" in this prospectus, potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

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

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

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

Despite the foregoing, the SAT may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that our Cayman Islands holding company is a "resident enterprise" for PRC enterprise income tax purposes. If

the PRC tax authorities determine that our Cayman Islands holding company or any of our non-PRC subsidiaries is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by a PRC enterprise or enterprise group would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to a 10% withholding tax, as the PRC foreign-exchange control authorities and tax authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes but not controlled by a PRC enterprise or enterprise group like us. Finally, under the EIT Law and its implementing rules issued by PRC tax authorities dividends paid by us to our non-PRC shareholders may be subject to a withholding tax of 10% for non-PRC enterprise shareholders and 20% for non-PRC individual shareholders, and gains recognized by our non-PRC shareholders may be subject to PRC tax of 10% for non-PRC enterprise shareholders and 20% for non-PRC individual shareholders. Any PRC tax liability on dividends or gain described above may be reduced under applicable tax treaties. However, it is unclear whether, if our Cayman Islands holding company is considered a PRC resident enterprise, non-PRC shareholders might be able to claim the benefit of income tax treaties entered into between PRC and their countries. Similarly, these unfavorable consequences could apply to our other offshore companies if they are classified as a PRC resident enterprise.

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

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

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

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

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

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

During the Track Record Period, we have formed partnerships with entities in foreign countries and regions, in particular the U.S. and Australia, and establishing new collaboration partnerships is key to our future growth. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. As a result, China's political relationships with those foreign countries and regions may affect the prospects of maintaining existing or establishing new collaboration partnerships. Since mid-2018, political tension has increased between China and the U.S. and has escalated into a tariff war. Currently, it remains unclear what actions, if any, the U.S. government will take with respect to other existing international trade agreements. If the U.S. were to withdraw from or materially modify certain international

trade agreements to which it is a party, or if tariffs continue to be raised on foreign-sourced goods imported to the U.S., our business, financial condition and results of operations could be negatively impacted. There can be no assurance that potential collaboration partners will not alter their perception of us or their preferences as a result of such adverse changes between China and relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to the Measures for Administration of Lease of Commodity Properties (商品房屋租賃管理辦法), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As at the Latest Practicable Date, we did not register all of our lease agreements as tenant, such leased properties were primarily used as laboratory space, office space and dormitory apartments. We may be required by relevant government authorities to file these lease agreements for registration within a time limit, and may be subject to a fine for non-registration exceeding such time limit, which may range from RMB1,000 to RMB10,000.

Our leased property is subject to a title deficiency, and we could be required to vacate the leased property.

The lessors of some of our leased properties, which are used for the offices and dormitory apartments, have failed to provide the land use right certificate and/or the building ownership certificates. The lease agreements may be deemed invalid, as the lessor failed to demonstrate that they are entitled to lease the respective properties. Four properties leased by our subsidiaries were leased after the mortgage was created. Under each mortgage, if the mortgagee exercises the mortgage right, the lease agreement shall not be binding upon the transferee, and our subsidiary, as the lessee, might be unable to continue to use the property.

If we suffer loss and damage as a result of the title defect of the leased property or rent a mortgaged property, our financial position may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (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 our Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

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

The price and trading volume of our Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our Shares. In addition to market and industry factors, the price and trading volume of our Shares may be highly volatile for specific business reasons, such as the results of clinical trials of our drug candidates, the results of our applications for approval of our drug candidates, regulatory developments affecting the pharmaceutical industry, healthcare, health insurance and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. 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.

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

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

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

You will incur immediate and significant dilution and may experience further dilution if we issue additional Shares or other equity securities in the future, including pursuant to the share incentive schemes.

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 net tangible asset value. 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. Furthermore, we may issue Shares pursuant to the share incentive schemes, which would further dilute Shareholders' interests in our Company.

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 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 our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our 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 Global Offering or even maintain the price at which you purchased 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.

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

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favourable return to our shareholders. We plan to use the net proceeds from the Global Offering to conduct clinical trials in China and the U.S. on our most promising drug candidates and to expand our sales and marketing staff in preparation for the approval and commercialization of those drug candidates. For details, see "Future Plans and Use of Proceeds – Use of Proceeds" However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, whose judgment you must depend on, for the specific uses we will make of the net proceeds from this Global Offering.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix IV – Summary of the Constitution of the Company and Cayman Islands Company Law" in this prospectus.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or Controlling Shareholders, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

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

Facts, forecasts and statistics in this prospectus relating to the pharmaceutical industry in and outside 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, the Joint Sponsors, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the statistics in this prospectus relating to the pharmaceutical industry in and outside China may be inaccurate and you should not place undue reliance on them. 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.

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

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

You should rely solely upon the information contained in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong when making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. 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. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Global Offering.

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

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 its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The headquarters and its business operations are based, managed and conducted in the PRC. Currently, the two Executive Directors of the Company ordinarily reside in the PRC. The senior management team is based in the PRC and they manage the Group's business operations from the PRC. Historically, the Directors of the Company typically met in the PRC. As the two Executive Directors and the senior management team play very important roles in the Company's business operations, the Company considers that it is in the best interests of the Company for the Executive Directors and the senior management team to be based in the places where the Group has significant operations. As such, the Company does not, and will not for the foreseeable future, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Dr. Jisong Cui, one of our Executive Directors and Ms. Yeung Ching Man, our company secretary, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorised representatives will be readily contactable by the Stock Exchange based on information provided to the Stock Exchange for the contact details of the authorised representatives. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

- we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers and email addresses) to each of the authorised representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorised representatives, the alternate representative and the Stock Exchange will have the means to contact all the Directors (including the INEDs) promptly as and when required, including means to communicate with the Directors when they are travelling;

- we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

- we have retained the services of the Compliance Adviser, in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser, among other things, will serve as an additional channel of communication in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules and will be available to respond to enquiries from the Stock Exchange. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice in compliance with Rule 3A.23 of the Listing Rules; and

- meetings between the Stock Exchange and the Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

EXEMPTION IN RESPECT OF FINANCIAL STATEMENTS IN THIS PROSPECTUS

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and set out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a company to include in its prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the company during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance further requires a company to include in its prospectus a report by the auditors of the company with respect to (i) the profits and losses of the Company for each of three financial years immediately preceding the issue of the prospectus and (ii) the assets and liabilities of the Company of each of the three financial years immediately preceding the issue of the prospectus.

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

The Company is a drug-development company currently focused on molecularly-targeted drugs for the treatment of cancer and autoimmune diseases. The Company is a Biotech Company as defined under Chapter 18A of the Listing Rules and is seeking a listing under Chapter 18A. Rule 18A.03(3) of the Listing Rules requires that a Biotech Company must have been in operation in its current line of business for at least two financial years prior to listing under substantially the same management. Rule 18A.06 of the Listing Rules requires that a Biotech Company must comply with Rule 4.04 of the Listing Rules modified so that references to "three financial years" or "three years" in Rule 4.04 shall instead be references to "two financial years" or "two years", as the case may be.

Further, pursuant to Rule 8.06 of the Listing Rules, the latest financial period reported on by the reporting accountants for a new applicant must not have ended more than six months from the date of the listing document.

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report of the Company set out in Appendix I to this prospectus is currently prepared to cover the two financial years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019.

As such, the Joint Sponsors have applied on behalf of the Company to the SFC for a certificate of exemption from strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the inclusion of the accountants' report covering the full three financial years immediately preceding the issue of this prospectus on the following grounds:

(a) our Company is primarily engaged in the research and development, application and commercialization of biotech products, and falls within the scope of Biotech Company as defined under Chapter 18A of the Listing Rules. Our Company will fulfill the additional conditions for listing required under Chapter 18A;

(b) as at the Latest Practicable Date, we had not commercialized any products and therefore did not generate any revenue from product sales. Major financing activities conducted by us since our incorporation include our Pre-IPO Investments, the details of which have been fully disclosed in the section headed "History, Development and Corporate Structure" in this prospectus;

(c) the Accountants' Report for each of the two financial years ended December 31, 2017 and 2018 has been prepared and is set out in Appendix I to this prospectus in accordance with Rule 18A.06 of the Listing Rules;

(d) notwithstanding that the financial results set out in this prospectus are only for the two financial years ended December 31, 2017 and 2018 and the nine months ended September 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. Therefore, strict compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the requirements of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome as this would require additional work to be performed by our Company and the Reporting Accountants; and

(e) the Accountants' Report covering the two financial years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 (as set out in Appendix I to this prospectus), the unaudited financial information for the financial year ended December 31, 2019 and a commentary on the results for the year (as set out in Appendix III to this prospectus), together with other disclosure in this prospectus, have already provided adequate and reasonable up-to-date information in the circumstances for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, management and prospects and to form a view on the track record of our Company. Therefore, the exemption would not prejudice the interest of the investing public.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that particulars of the exemption are set out in this prospectus and that this prospectus will be issued on or before March 11, 2020.

WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) AND RULE 13.49(1) OF THE LISTING RULES AND EXEMPTION FROM STRICT COMPLIANCE WITH SECTION 342(1) IN RELATION TO PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

The Accountants' Report set out in Appendix I to this prospectus contains the audited consolidated results of our Group for the two years December 31, 2017 and 2018 and the nine months ended September 30, 2019. The Group's unaudited financial information for the financial year ended December 31, 2019 and a commentary on the results for the year are set out in Appendix III to this prospectus.

Rule 4.04(1) of the Listing Rules requires that the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus be included in the Accountants' Report to this prospectus.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountant's report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we set out in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of this prospectus.

Paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires that we include in this prospectus a report by the auditors with respect to the profit and loss of our Group for each of the three financial years ended immediately preceding the issue of this prospectus and the assets and liabilities of our Group as at the end of each of the three financial years ended immediately preceding the issue of this prospectus.

Section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from the compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or would otherwise be unnecessary or inappropriate.

Rule 13.49(1) of the Listing Rules requires issuers to publish preliminary financial results not later than three months after the end of each financial year. In this regard, Guidance Letter HKEX-GL25-11 provides that an applicant with a Rule 4.04(1) waiver is still required to publish a preliminary results announcement and an annual report for the last financial year according to Rule 13.49 of the Listing Rules. However, if an applicant has included the preliminary results information in its listing document, the Stock Exchange will consider granting a waiver of the preliminary results announcement requirement under Rule 13.49 on a case-by-case basis having regard to all relevant facts and circumstances. Further, Guidance Letter HKEX-GL10-09 provides that for a waiver application from Rule 13.49(1), the applicant should: (a) include in its listing document the financial information in respect of the reporting period to which its first annual result and first annual report relate; and (b) not be in breach of its constitutional documents or laws and regulations of its place of incorporation or other regulatory requirements regarding its obligation to publish annual results announcements and distribute annual reports and accounts.

An application has been made to the to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) and Rule 13.49(1) of the Listing Rules in relation to the inclusion of the Accountants' Report for the full financial year ended December 31, 2019 in this prospectus on the following grounds:

(a) the Reporting Accountants have prepared the Accountants' Report for the two financial years ended December 31, 2017 and December 31, 2018 and the nine months ended September 30, 2019, which has been included in this prospectus;

(b) our Company shall be listed on the Stock Exchange within three months after December 31, 2019, being the latest financial year end of our Company;

(c) strict compliance with Rule 4.04(1) of the Listing Rules would be unduly burdensome as there would not have been sufficient time for the Reporting Accountants to update and finalise the Accountants' Report to cover such additional period for inclusion in this prospectus within a short period of time. Our Directors consider that the benefits of such work to the investing public may not justify the additional work and expenses involved and the delay in the listing timetable, given that it is expected that there would be no material change in the financial position of our Group since 30 September 2019 and up to the date of this prospectus;

(d) the Company has included its unaudited financial information for the financial year ended December 31, 2019 and a commentary on the results for the year in Appendix III to this prospectus. Such financial information (a) is prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) has been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

(e) our Directors confirm that all information necessary for potential investors to make an informed assessment of our business, assets and liabilities, financial position, management and prospects have been included in this prospectus and that, as such, any waiver from strict compliance with Rule 4.04(1) of the Listing Rules will not prejudice the interest of the investing public.

The Stock Exchange has granted us a waiver from strict compliance with Rule 4.04(1) and Rule 13.49(1) of the Listing Rules on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year end of the Company (i.e. on or before March 31, 2020); (ii) we have obtained a certificate of exemption from the SFC from similar requirements under section 342(1) in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (iii) information that meets the content requirement for a preliminary annual results announcement under Rule 13.49(2) of the Listing Rules, including, among others, unaudited financial statements for the

year ended December 31, 2019 and a commentary on the results for the year, shall be included in this prospectus, and such financial information has been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and (iv) the Company is not in breach of its constitutional documents or laws and regulations of the Cayman Islands or other regulatory requirements regarding its obligation to publish preliminary results announcements.

In connection with a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with section 342(1)(b) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance mentioned above, an application has been made to the SFC for the certificate of exemption from strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the Accountants' Report for the full financial year ended December 31, 2019 in this prospectus on the grounds that strict compliance with the above requirements would be unduly burdensome, and the exemption would not prejudice the interest of the investing public given the following:

(a) strict compliance with section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome in order for the audited results of our Group for the year ended December 31, 2019 to be finalised shortly after the 2019 year end. If the full year results of our Group for 2019 are to be included in this prospectus, there will be a considerable delay in the listing timetable. If the financial information is required to be audited up to December 31, 2019, our Company and the reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the Accountants' Report to cover such additional period within a short period of time. Our Directors consider that the benefits of such work to the prospective investors of our Company may not justify the additional work and expenses involved and the delay in the listing timetable, given that it is expected that there would be no significant change in the financial position of our Group since September 30, 2019, being the expiry of the period reported on by Ernst & Young, the Reporting Accountants;

(b) our Company has included its unaudited financial information for the financial year ended December 31, 2019 and a commentary on the results for the year in Appendix III to this prospectus. Such unaudited financial information (a) is prepared in compliance with the content requirements as for a preliminary results announcements under Rule 13.49 of the Listing Rules; and (b) has been agreed with the Reporting Accountants following their review under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants; and

(c) our Directors and the Joint Sponsors believe that an exemption from strict compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance would not prejudice the interests of the investing public and consider that the information contained in the Accountants' Report of our Group (as set out in Appendix I to this prospectus), the unaudited pro forma financial information (as set out in Appendix II to this prospectus) and the unaudited preliminary financial information for the year ended December 31, 2019 (as set out in Appendix III to this prospectus) already provided potential investors with all information that is reasonably necessary for the potential investors to make an informed assessment of the business, assets and liabilities, financial position, management and prospects of our Group.

A certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) this prospectus will be issued on or before March 11, 2020 and the Shares will be listed on or before March 31, 2020; and (ii) the particulars of the exemption are set out in this prospectus.

Our Directors have confirmed that they have ensured that sufficient due diligence has been performed and that up to the Latest Practicable Date, there has been no material adverse change in our financial or trading position since September 30, 2019 (being the date to which the latest consolidated financial statements of our Group were made up), and up to the date of this Prospectus and there has been no event since September 30, 2019, and up to the date of this Prospectus which would materially affect the information shown in the Accountants' Report (as set out in Appendix I to this prospectus). Based on the due diligence work performed by the Joint Sponsors so far, nothing has come to the attention of the Joint Sponsors for them to cast doubt on the views of our Directors expressed above.

CORNERSTONE SUBSCRIPTION BY CORE CONNECTED PERSONS AND/OR EXISTING SHAREHOLDERS DURING A LISTING APPLICATION PROCESS

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase securities for which listing is sought if no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of securities.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides, inter alia, that without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees, unless any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Rule 10.03 of the Listing Rues provides that a person who is a director of the issuer or a close associate of a director of the issuer may only subscribe for or purchase securities for which listing is sought if no securities will be offered to them on a preferential basis and no preferential treatment will be given to them in the allocation of securities.

Rule 9.09 of the Listing Rules provides that there must be no dealing in the securities for which listing is sought by any core connected person of the issuer, in the case of a new applicant, from four clear Business Days before the expected hearing date until listing is granted (the "**Relevant Period**").

Our Company has applied for a waiver from strict compliance with the requirements under Rule 10.04 of, and a consent under paragraph 5(2) of Appendix 6 to, the Listing Rules, to allow (i) Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. (existing shareholders of the Company), (ii) Vivo Opportunity Fund, L.P. (a close associate of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P.), (iii) Magic City Group Limited (a close associate of Excel Sage Limited, an existing shareholder of the Company), (iv) Hankang Biotech Fund I, L.P. (a close associate of Hankang Fund I, LP, Hankang Fund II, LP and Hankang Fund III, LP, existing shareholders of the Company) and (v) Golden Valley Global Limited (a close associate of Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP, existing shareholders of the Company) (the "**Participating Shareholders**") to subscribe for Shares as cornerstone investors in the Global Offering.

Additionally, the Company has applied for (i) a waiver from strict compliance with the requirements under Rule 10.03 and (ii) a waiver from strict compliance with the requirements under Rule 9.09 to allow Hankang Biotech Fund I, L.P. and Golden Valley Global Limited to subscribe for Shares as a cornerstone investor during the Relevant Period.

The Stock Exchange has granted the requested waivers and consents subject to the conditions that:

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

(b) the Offer Shares to be subscribed by and allocated to the Participating Shareholders under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month lock up arrangement following Listing);

(c) no preferential treatment has been, nor will be, given to the Participating Shareholders by virtue of their relationship with the Company in any allocation in the placing tranche other than the preferential treatment of assured entitlement under the cornerstone investment which follows the principles set out in the Guidance Letter HKEX-GL51-13, that the cornerstone investment agreements of the Participating Shareholders do not contain any material terms which are more favorable to them than those in other cornerstone investment agreements; and

(d) details of the subscription of the Offer Shares by the Participating Shareholders in the Global Offering as cornerstone investors will be disclosed in this prospectus and the allotment results announcement of the Company.

For further information about the cornerstone investments of the Participating Shareholders, please refer to the section headed "Cornerstone Investors" in this prospectus.

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 to the public with regard to our Group. 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.

GLOBAL OFFERING

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 contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong 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 authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, March 16, 2020 and, in any event, not later than Friday, March 20, 2020 (unless otherwise determined between the Joint Global Coordinators (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Friday, March 20, 2020, the Global Offering will not become unconditional and will lapse immediately.

See the section headed "Underwriting" in this prospectus for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE AND CONDITIONS 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.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised 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 pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares or conversion of Preferred Shares) and to be issued pursuant to (i) the Global Offering; and (ii) the Over-allotment Option.

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, March 23, 2020. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B (1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the 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 the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the section headed "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue up to an additional 37,548,000 new Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and 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 Listing Date 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 stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Ogier Global (Cayman) Limited, in the Cayman Islands. Our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

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

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.89553	to HK$1.00
RMB6.98110	to US$1.00
HK$7.79550	to US$1.00

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

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus that are not in the English language and are English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Dr. JISONG CUI	63 Winding Way Princeton, NJ 08540-8809, United States of America	American
Dr. RENBIN ZHAO	7-2-202, HeQingYuan, Tsinghua University, HaiDian District, Beijing, PRC	American
Non-executive Directors		
Dr. YIGONG SHI (施一公)	7-2-202, HeQingYuan, Tsinghua University, HaiDian District, Beijing, PRC	Chinese
Mr. QUANHONG YUAN (苑全紅)	Room 402, No. 10, Lane 815, Taolin Road, Pudong New District, Shanghai, PRC	Chinese
Mr. SHAN FU (付山)	Flat D, 9/F, BLK 7, The Visionary, 1 Ying Hong Street, Tung Chung, NT, Hong Kong	Chinese
Mr. LIJUN LIN (林利軍)	Room 202, No. 22, Lane 505, Rushan Road, Pudong New District, Shanghai, PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Dr. ZEMIN ZHANG	734 Nevada Ave, San Mateo, CA 94402-3361, United States of America	American
Ms. LAN HU (胡蘭)	No. 321, Gate 3, 1/F, Xi Li Baiyun Road, Xicheng District, Beijing, PRC	Chinese
Dr. KAIXIAN CHEN (陳凱先)	No. 513, Oasis Qiandao Garden, Lane 183, Heli West Road, Pudong New District, Shanghai, PRC	Chinese

Please refer to the section entitled "Directors and Senior Management" in this prospectus for further information with respect to our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West, Kowloon, Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
Joint Global Coordinators	**Morgan Stanley Asia Limited** 46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong **Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong **UBS AG Hong Kong Branch** 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong **China Merchants Securities (HK) Co., Limited** 48/F, One Exchange Square Central Hong Kong

Joint Bookrunners

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

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

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

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

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

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

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Joint Lead Managers

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

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

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

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

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

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

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

Legal Advisers to our Company

As to Hong Kong law and United States law:

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law:

Commerce & Finance Law Offices
10/F, Tower 1
Jing An Kerry Centre
1515 West Nanjing Road
Shanghai 200040, PRC

As to Cayman Islands law:

Ogier
11/F, Central Tower
28 Queen's Road Central
Central
Hong Kong

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong law and United States law:

Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:

Tian Yuan Law Firm
10/F, Tower B
China Pacific Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing, PRC

Auditor and Reporting Accountant	**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.** 1018, Greenland Meeting Center Tower B 500 Yunjin Road Xuhui District Shanghai, PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	The offices of Ogier Global (Cayman) Limited 89 Nexus Way Camana Bay Grand Cayman, KY1-9009 Cayman Islands
Head office and Principal Place of Business in China	Building 8, No. 8 Life Science Park Road Zhongguancun Life Science Park Changping District Beijing PRC
Principal Place of Business in Hong Kong	40/F, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.innocarepharma.com** *(The information contained in this website does not form part of this prospectus.)*
Company Secretary	Ms. Yeung Ching Man (楊靜文) *Member of the Hong Kong Institute of Certified Public Accountants* 40/F, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit committee	Ms. Lan Hu (胡蘭) (chairperson) Dr. Zemin Zhang Dr. Kaixian Chen (陳凱先)
Compensation Committee	Ms. Lan Hu (胡蘭) (chairperson) Dr. Jisong Cui Dr. Zemin Zhang
Nomination Committee	Dr. Jisong Cui (chairperson) Dr. Zemin Zhang Dr. Kaixian Chen (陳凱先)

Authorised Representatives	Dr. Jisong Cui 63 Winding Way Princeton NJ 08540-8809 United States of America Ms. Yeung Ching Man (楊靜文) 40/F, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Compliance Adviser	Somerley Capital Limited 20/F China Building 29 Queen's Road Central Hong Kong
Principal Share Registrar	Ogier Global (Cayman) Limited 89 Nexus Way Camana Bay Grand Cayman KY1-9009 Cayman Islands
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 Banker	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

OVERVIEW

We are a clinical-stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancer and autoimmune diseases. Our Group was co-founded by Dr. Jisong Cui and Dr. Yigong Shi, our Directors, with personal funding and contributions.

For the biography and relevant industry experience of Dr. Jisong Cui and Dr. Yigong Shi, please refer to the section headed "Directors and Senior Management" in this prospectus.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 3, 2015 and we started our research and development operations in the PRC in 2016.

OUR BUSINESS MILESTONES

The following sets forth certain key business development milestones of our Group:

November 2015	The Company was incorporated in the Cayman Islands
January 2016	The Company commenced the process of the Series A round and the Series B1 round of financing raising in aggregate approximately US$3.8 million
Second Quarter 2016	Research & development centres located in Beijing and Nanjing were established and commenced operations
April 2017	The Company submitted orelabrutinib (ICP-022) IND application to CDE
July 2017	First patient was dosed with orelabrutinib (ICP-022) in Australia
December 2017	Orelabrutinib (ICP-022) IND was approved by CDE
January 2018	The Company commenced the process of the Series C round of financing raising in aggregate US$55 million
April 2018	ICP-105 IND was approved by CDE; First patient of MCL was dosed; First patient of CLL was dosed
July 2018	ICP-192 IND was approved by CDE
August 2018	InnoCare Guangzhou, a manufacturing subsidiary, was established and commenced operations

September 2018	Phase I clinical trials of ICP-105 initiated
November 2018	The Company commenced the process of the Series D rounds of financing raising in aggregate US$180.5 million
December 2018	Phase I clinical trials of ICP-192 initiated
February 2019	Patient enrollment for CLL phase II trial was completed
April 2019	Patient enrollment for MCL phase II trial was completed
May 2019	Orelabrutinib (ICP-022) IND was approved in US by FDA
August 2019	Last patient in CLL phase II trial completed 6 cycles of treatment
October 2019	Last patient in MCL phase II trial completed 6 cycles of treatment
November 2019	The NDA for r/r CLL/SLL has been submitted and accepted for review by the NMPA
March 2020	The NDA for r/r MCL has been submitted and accepted for review by the NMPA

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and the dates of incorporation of the major subsidiaries of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of major subsidiary	Place of incorporation	Date of incorporation and commencement of business	Principal business activities
InnoCare Beijing Nuocheng	PRC	December 13, 2013	Research and development of biomedical technology and products, technical service, technological transfer, technical consultation, technological import and export, corporate management consultation and economic trading consultation

Name of major subsidiary	Place of incorporation	Date of incorporation and commencement of business	Principal business activities
InnoCare Beijing Tiancheng	PRC	December 9, 2015	Research and development of biomedical technology, technical service, technological transfer, technical consultation, medical research and trial development, technological import and export, corporate management consultation and economic trading consultation
InnoCare Nanjing	PRC	March 31, 2014	Medical research and trial development, technical development, technical marketing, technical service, technical consultation, technical transfer, product and technological import and export on its own or as an agent, corporate management consultation and economic trading consultation
InnoCare Guangzhou	PRC	August 14, 2018	Research and development in health science, natural sciences and trial medical technology, medical sciences and pharmaceutics, pharmaceutical research and development, medical technology marketing, consultation and liaison services, medical technology transfer services, import and export of products and technology, life-engineering project development, life science development product transfer services and corporate investment

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

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

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 3, 2015 with an authorised share capital of US$50,000 divided into 500,000,000 ordinary shares with an initial par value of US$0.0001 each.

(i) Initial Issuances of Ordinary Shares

On the incorporation date of our Company, November 3, 2015, our Company allotted and issued 5,011,000 ordinary shares to Sunland for an aggregate subscription price of US$501.10 and 2,556,000 ordinary shares to Sunny View for an aggregate subscription price of US$255.60 such that an aggregate of 7,567,000 ordinary shares were in issue and held as follows:

Name of Shareholder	Number of ordinary shares	Consideration
		(US$)
Sunny View	2,556,000	255.60
Sunland	5,011,000	501.10
Total	**7,567,000**	**756.7**

(ii) Series A and Series B1 Financing

On January 30, 2016, our Company, Sunny View and Sunland entered into the Series A and B Share Purchase Agreement with King Bridge as investor, pursuant to which King Bridge agreed to subscribe from the Company an aggregate of 1,110,000 series A preferred shares of the Company with a par value of US$0.0001 per share and 1,323,000 series B preferred shares of the Company with a par value of US$0.0001 per share in two stages pursuant to the terms and subject to the conditions set forth therein.

Accordingly, an aggregate of 1,110,000 series A preferred shares were issued to King Bridge on March 6, 2016 in consideration of (1) the 100% shareholding in Ocean Prominent (which was the sole shareholder of Sunny Investment that in turn held 20% equity interest in InnoCare Beijing Nuocheng at the relevant time) and (2) the creditor's right of King Bridge on the US$1,484,771.50 shareholders' loan borrowed by Ocean Prominent from King Bridge. An aggregate of 1,323,000 series B preferred shares were issued to King Bridge on April 29, 2016 for a total consideration of US$3,799,680.83. For further events in relation to the acquisition

of the equity interests in InnoCare Beijing Nuocheng and the acquisition of the intellectual property rights relating to Orelabrutinib, please refer to the subsection headed "Our Major Subsidiaries – 1. The Share Subscription and Transfer of InnoCare Beijing Nuocheng and Intellectual Property Rights related to Orelabrutinib" in this section.

Name of Shareholder (Initial Closing)	Number of series A preferred shares	Corresponding consideration
King Bridge	1,110,000	(1) 100% shareholding in Ocean Prominent held by King Bridge and (2) the creditor's right of King Bridge on the US$1,484,771.50 loan borrowed by Ocean Prominent from King Bridge

Name of Shareholder (Second Closing)	Number of series B preferred shares	Consideration
		(US$)
King Bridge	1,323,000	3,799,680.83

On July 26, 2016, King Bridge and Success Growth entered into a share transfer agreement, pursuant to which Success Growth agreed to purchase 1,110,000 series A preferred shares from King Bridge for an aggregate purchase price of US$1,484,772.

Pursuant to the Series B1 Agreements, (i) an aggregate of 3,344,370 ordinary shares were repurchased by the Company from Sunland for a consideration of US$334.44 and such repurchased ordinary shares were held as treasury shares since September 6, 2016, and (ii) an aggregate of 333,391 ordinary shares were repurchased by the Company from Sunny View for a consideration of US$33.34 and such repurchased ordinary shares were held as treasury shares since September 6, 2016. On July 31, 2019, the treasury shares were separately transferred to Golden Autumn Group Limited and Strausberg Group Limited, each a special purpose vehicle established for the purpose of holding Shares under the Pre-IPO Incentivisation Plans.

(iii) Share Subdivision

On September 6, 2016, the Company underwent a subdivision of shares whereby the Company's authorised share capital of US$50,000 was amended by re-designation from 500,000,000 ordinary shares of US$0.0001 par value each into 25,000,000,000 shares of US$0.000002 par value each. For further details of the current share capital of our Company, please refer to the section headed "Share Capital" in this prospectus.

(iv) Series B2 Financing

On December 18, 2016, the Company, Sunny View, Sunland and King Bridge entered into the Series B2 Agreement, pursuant to which King Bridge agreed to subscribe for 55,566,000 Series B Preferred Shares in aggregate to be issued by the Company at a subscription price of approximately RMB0.38 per share and for an aggregate consideration of approximately RMB21,003,948. The Series B Preferred Shares were issued in full on January 26, 2017 as set forth in the table below.

Name of Shareholder	Number of Series B2 Preferred Shares	Consideration
		(RMB)
King Bridge	55,566,000	21,003,948

On July 21, 2017, the Company and King Bridge entered into a share repurchase agreement, pursuant to which the Company agreed to repurchase from King Bridge 22,200,000 Series B Preferred Shares for an aggregate purchase price of approximately US$1,275,047 and such repurchased shares were held as treasury shares. On July 31, 2019, the treasury shares were separately transferred to Golden Autumn Group Limited and Strausberg Group Limited, each a special purpose vehicle established for the purpose of holding Shares under the Pre-IPO Incentivisation Plans.

(v) Series B3 Financing

On October 1, 2017, the Company and Jianxin Venture Capital (Cayman) Limited entered into the Series B3 Agreement, pursuant to which Jianxin Venture Capital (Cayman) Limited agreed to subscribe for 26,460,000 Series B Preferred Shares in aggregate to be issued by the Company for a subscription price of RMB10,000,000.

On February 5, 2018, Jianxin Venture Capital (Cayman) Limited transferred 26,460,000 Series B Preferred Shares to Hankang Fund I, L.P. for a consideration of RMB10,000,000.

(vi) Series C Financing

On January 24, 2018, the Company and certain of its subsidiaries, among others, entered into the Series C Share Purchase Agreement with the then Series C Preferred Shareholders, pursuant to which the then Series C Preferred Shareholders agreed to subscribe for 145,506,500 Series C Preferred Shares in aggregate to be issued by the Company for an aggregate consideration of US$55,000,000.

The Series C Preferred Shares were issued on February 5, 2018 as set forth in the table below.

Name of Shareholder	Number of Series C Preferred Shares	Consideration
		(US$)
Vivo Capital Fund VIII, L.P.	69,737,297	26,360,000
Vivo Capital Surplus Fund VIII, L.P.	9,629,885	3,640,000
Pivotal Chi Limited	21,164,582	8,000,000
Hankang Fund II, L.P.	39,683,591	15,000,000
King Bridge	5,291,145	2,000,000*(Note)*
Total	**145,506,500**	**55,000,000**

Note:

Being the same amount payable by the Company to King Bridge under a loan provided by King Bridge to the Company on April 7, 2017.

On November 28, 2018, Hankang Fund II, L.P. transferred 24,250,544 Series C Preferred Shares to Loyal Valley Capital Advantage Fund LP for a consideration of US$9,166,705.63.

(vii) Series D1 Financing

On November 28, 2018, the Company and certain of its subsidiaries, among others, entered into the Series D1 Share Purchase Agreement with the then Series D Preferred Shareholders, pursuant to which the then Series D Preferred Shareholders agreed to subscribe for 182,518,529 Series D Preferred Shares in aggregate to be issued by the Company for an aggregate consideration of US$160,500,000.

The Series D Preferred Shares were allotted and issued on November 28, 2018 as set forth in the table below.

Name of Shareholder	Number of Series D Preferred Shares	Consideration
		(US$)
Loyal Valley Capital Advantage Fund LP	34,115,613	30,000,000
Loyal Valley Capital Advantage Fund II LP	45,487,484	40,000,000
LVC Lion Fund LP	17,057,806	15,000,000
LVC Lion Fund II LP	34,115,613	30,000,000
3H Fund	31,272,645	27,500,000
Sun Bridge	1,137,187	1,000,000

Name of Shareholder	Number of Series D Preferred Shares	Consideration
		(US$)
Vivo Capital Fund VIII, L.P.	4,996,042	4,393,333
Vivo Capital Surplus Fund VIII, L.P.	689,894	606,667
Pivotal Chi Limited	1,137,187	1,000,000
Hankang Fund III, L.P.	5,685,935	5,000,000
Epiphron Capital Fund II, L.P.	6,823,123	6,000,000
Total	**182,518,529**	**160,500,000**

(viii) Series D2 Financing

On June 6, 2019, our Company and Highbury Investment entered into the Series D2 Share Purchase Agreement, pursuant to which Highbury Investment agreed to subscribe for 22,743,742 Series D Preferred Shares for the consideration of US$20,000,000. Accordingly, 22,743,742 Series D Preferred Shares were allotted and issued to Highbury Investment for the consideration of US$20,000,000 on June 21, 2019.

On June 21, 2019, LVC Lion Fund II LP transferred 34,115,613 Series D Preferred Shares to Highbury Investment for the consideration of US$30,000,000.

For further details of the allotment and issue described above, please refer to the subsection headed "– Pre-IPO Investments" in this section.

Our Major Subsidiaries

1. The Share Subscription and Transfer of InnoCare Beijing Nuocheng and Intellectual Property Rights related to Orelabrutinib

InnoCare Beijing Nuocheng was incorporated as an enterprise with limited liability in the PRC on December 13, 2013 with an initial registered capital of RMB560,000 that was contributed by Dr. Yigong Shi and Zhiyu Yan (嚴知愚), the former executive director of InnoCare Beijing Nuocheng and an Independent Third Party, representing 62% and 38% of its equity interest, respectively.

Through a series of share capital contributions to InnoCare Beijing Nuocheng and arm's-length share transfer transactions with other then shareholders during the period between May 3, 2014 to April 17, 2017, Sunny Investment acquired all equity interests in InnoCare Beijing Nuocheng for a total consideration of approximately RMB54.80 million and became the sole shareholder of InnoCare Beijing Nuocheng since April 17, 2017.

As Sunny Investment became our indirect wholly-owned subsidiary on March 6, 2016, our Company indirectly holds all equity interests in InnoCare Beijing Nuocheng upon completion of the transactions described above.

Apart from Dr. Yigong Shi, one of our Non-executive Directors, each of the counterparties of the share transfer transactions is an Independent Third Party. After acquiring the entire equity interests in InnoCare Beijing Nuocheng, Sunny Investment further contributed to the registered share capital of InnoCare Beijing Nuocheng in the aggregate amount of approximately US$19.47 million to advance its business operations and activities.

As a result of the acquisition of InnoCare Beijing Nuocheng, our Company is entitled to the rights of InnoCare Beijing Nuocheng under the BioDuro Agreement, pursuant to which BioDuro Shanghai agreed to assign the intellectual property rights related to orelabrutinib, the Core Product Candidate of the Company, to InnoCare Beijing Nuocheng. Details of the arrangement are set out in the section headed "Business – Intellectual Property Assignment from BioDuro Shanghai" in this prospectus.

2. InnoCare Beijing Tiancheng

InnoCare Beijing Tiancheng was incorporated as a limited liability company in the PRC on December 9, 2015, with an initial registered capital of RMB1,000,000 that was contributed by InnoCare Beijing Nuocheng, representing all of the equity interests in InnoCare Beijing Tiancheng. On September 27, 2016, Beijing Changping Technology Park Limited (北京昌平科技園發展有限公司) ("**Beijing Changping**") subscribed for equity interests in InnoCare Beijing Tiancheng. Accordingly, Beijing Changping received 32.76% of equity interests in InnoCare Beijing Tiancheng on September 30, 2016.

Through an arm's-length share repurchase and a series of share capital contributions, InnoCare Beijing Tiancheng became an indirect wholly-owned subsidiary of the Company for a total consideration of approximately RMB50.46 million on June 17, 2019.

3. InnoCare Nanjing

InnoCare Nanjing was incorporated as a limited liability company in the PRC on March 31, 2014, with an initial registered capital of RMB100,000 that was contributed by InnoCare Beijing Nuocheng, representing all of the equity interests in InnoCare Nanjing. On November 17, 2014, the registered capital of InnoCare Nanjing was increased from RMB100,000 to RMB10,000,000.

4. InnoCare Guangzhou

InnoCare Guangzhou was incorporated as a limited liability company in the PRC on August 14, 2018, with an initial registered capital of RMB1,000,000,000 that was contributed by InnoCare Beijing Nuocheng and Guangzhou Kaide Technology Development Limited (廣州凱得科技發展有限公司) (renamed subsequently as Guangzhou High-tech Zone Technology Holding Group Limited (廣州高新區科技控股集團有限公司)), representing 93% and 7% of all the equity interest in InnoCare Guangzhou, respectively.

REASONS FOR THE LISTING

Our Board is of the view that the net proceeds of approximately HK$1,999.36 million from the Global Offering, after deducting the underwriting commissions and other estimated offering expenses payable by us, and assuming the initial Offer Price of HK$8.56 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus, and assuming the Over-allotment Option is not exercised, will provide us with the necessary funding for us to further develop and commercialize our lead drug candidates as disclosed in the section headed "Business – Our Strategies" in this prospectus.

PRE-IPO INVESTMENTS

(1) Overview

Our Company underwent several rounds of Pre-IPO Investments, including Series A and Series B1, Series B2, Series B3, Series C, Series D1 and Series D2 financing as described above.

The basis of determination for the consideration for the Pre-IPO Investments is on arm's-length negotiations between our Company and the Pre-IPO Investors after taking into account the timing of the investments and the status of our business and operating entities at the relevant time.

In connection with the Pre-IPO Investments, the Pre-IPO Investors entered into the relevant share subscription agreements at the time of their respective investments.

(2) Capitalisation of the Company

The below table is a summary of the capitalisation of the Company:

	As at the Latest Practicable Date[1]								As at the Listing Date[2]
Shareholders	Class A ordinary shares	Class B ordinary shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of shares	Aggregate ownership percentage	Ownership percentage
Sunland	34,997,634	59,132,282	–	–	–	–	94,129,916	9.40%	7.52%
Stanley Holdings Limited	28,333,866	–	–	–	–	–	28,333,866	2.83%	2.26%
The Jisong Cui 2019 Irrevocable Trust[3]	20,000,000	–	–	–	–	–	20,000,000	2.00%	1.60%
Sunny View	63,815,932	44,444,443	–	–	–	–	108,260,375	10.81%	8.65%
Wellesley Hill Holdings Limited	27,778,300	–	–	–	–	–	27,778,300	2.77%	2.22%
Grandview Irrevocable Trust[4]	19,536,218	–	–	–	–	–	19,536,218	1.95%	1.56%
TMF (Cayman) Ltd.[5]	–	136,509,788	–	–	–	–	136,509,788	13.63%	10.91%
Highbury Investment[6]	–	–	–	–	–	56,859,355	56,859,355	5.68%	4.54%

	As at the Latest Practicable Date[1]								As at the Listing Date[2]
Shareholders	Class A ordinary shares	Class B ordinary shares	Series A Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D Preferred Shares	Aggregate number of shares	Aggregate ownership percentage	Ownership percentage
Vivo Capital[7]	–	–	–	–	79,367,182	5,685,936	85,053,118	8.49%	6.80%
King Bridge[8]	–	–	–	99,516,000	5,291,145	–	104,807,145	10.47%	8.37%
Success Growth[8]	–	–	55,500,000	–	–	–	55,500,000	5.54%	4.43%
Sun Bridge[8]	–	–	–	–	–	1,137,187	1,137,187	0.11%	0.09%
LVC Entities[9]	–	–	–	–	24,250,544	96,660,903	120,911,447	12.08%	9.66%
Hankang Funds[10]	–	–	–	26,460,000	15,433,047	5,685,935	47,578,982	4.75%	3.80%
Pivotal Chi Limited	–	–	–	–	21,164,582	1,137,187	22,301,769	2.23%	1.78%
3H Fund[11]	–	–	–	–	–	31,272,645	31,272,645	3.12%	2.50%
Epiphron Capital Fund II, L.P.	–	–	–	–	–	6,823,123	6,823,123	0.68%	0.55%
Other shareholders[12]	–	34,500,001	–	–	–	–	34,500,001	3.45%	2.76%
Investors taking part in the Global Offering	–	–	–	–	–	–	–	–	20.00%
Total	**194,461,950**	**274,586,514**	**55,500,000**	**125,976,000**	**145,506,500**	**205,262,271**	**1,001,293,235**	**100.0%**	**100.00%**

Notes:

1. Based on the assumption that each of the Preferred Shares will be converted into one Share upon the Global Offering becoming unconditional. All Preferred Shares will automatically be converted into Shares on a one-to-one basis on the Listing Date and thereby turning us into a net asset position.

2. Calculated after taking into account the Shares to be issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised and no additional Shares are issued under the Pre-IPO Incentivisation Plans.

3. As at the Latest Practicable Date, 20,000,000 Class A ordinary shares were held by Dr. Jisong Cui and Premier Trust, Inc. as trustees of The Jisong Cui 2019 Irrevocable Trust, of which Dr. Jisong Cui's immediate family members are the beneficiaries.

4. As at the Latest Practicable Date, 19,536,218 Class A ordinary shares were held by Dr. Renbin Zhao and Premier Trust, Inc. as trustees of Grandview Irrevocable Trust, of which Dr. Renbin Zhao's immediate family members are the beneficiaries.

5. TMF (Cayman) Ltd. is the trustee of Lakeview Trust and Summit Trust and manages Golden Autumn Group Limited and Strausberg Group Limited, each a special purpose vehicle established for the purpose of holding Shares under the Pre-IPO Incentivisation Plans. As at the Latest Practicable Date, Golden Autumn Group Limited held 74,161,525 Class B ordinary shares and Strausberg Group Limited held 62,348,263 Class B ordinary shares.

6. As at the Latest Practicable Date, the relevant Preferred Shares were held by GIC Private Limited through its interest in controlled corporation, Highbury Investment.

7. Vivo Capital includes Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. As at the Latest Practicable Date, (i) Vivo Capital Fund VIII, L.P. held 74,733,339 shares consisting of 69,737,297 Series C Preferred Shares and 4,996,042 Series D Preferred Shares, and (ii) Vivo Capital Surplus Fund VIII, L.P. held 10,319,779 shares consisting of 9,629,885 Series C Preferred Shares and 689,894 Series D Preferred Shares.

8. As at the Latest Practicable Date, Mr. Hebert Kee Chan Pang indirectly held 161,444,332 shares consisting of 104,807,145 Preferred Shares held through King Bridge, 55,500,000 Series A Preferred Shares held through Success Growth and 1,137,187 Series D Preferred Shares held through Sun Bridge.

9. The LVC Entities include Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP. As at the Latest Practicable Date, Loyal Valley Capital Advantage Fund LP held 58,366,157 shares consisting of 24,250,544 Series C Preferred Shares and 34,115,613 Series D Preferred Shares. Loyal Valley Capital Advantage Fund II LP held 45,487,484 Series D Preferred Shares. LVC Lion Fund LP held 17,057,806 Series D Preferred Shares.

10. Hankang Funds include Hankang Fund I, L.P., Hankang Fund II, LP and Hankang Fund III, LP. As at the Latest Practicable Date, (i) Hankang Fund I, L.P. held 26,460,000 Series B Preferred Shares, (ii) Hankang Fund II, LP held 15,433,047 Series C Preferred Shares, and (iii) Hankang Fund III, LP held 5,685,935 Series D Preferred Shares.

11. As at the Latest Practicable Date, the relevant Preferred Shares were held by 3H Fund. 3H Fund Health Investment Fund I, L.P., through its wholly owned subsidiary, Flywin Inc., held the controlling interest in 3H Fund.

12. Other shareholders include Dr. Zemin Zhang, our INED with 7,777,778 Class B ordinary shares, representing ownership percentage of 0.78% as at the Latest Practicable Date, and other senior management and employees of our Company, who are Independent Third Parties.

(3) Principal terms of the Pre-IPO Investments and Pre-IPO Investors' rights

The below table summarises the principal terms of the Pre-IPO Investments:

	Series A	Series B1	Series B2	Series B3	Series C	Series D1	Series D2
Cost per Preferred Share paid	N/A	US$0.06	RMB0.38	RMB0.38	US$0.38	US$0.88	US$0.88
Corresponding valuation of the Company (approximation)[(1)]	N/A	US$29 million	RMB230 million	RMB220 million	US$275 million	US$860.5 million	US$880.5 million
Date of the agreement	January 30, 2016	January 30, 2016	December 18, 2016	October 1, 2017	January 24, 2018	November 28, 2018	June 6, 2019
Funds raised by the Group (approximation)	N/A[(2)]	US$3.8 million	RMB21 million	RMB10 million	US$55 million	US$160.5 million	US$20 million
Date on which investment was fully settled	March 6, 2016	May 6, 2016	March 7, 2017	November 14, 2017	February 8, 2018	June 12, 2019	June 22, 2019
Discount to the Offer Price[(3)]	N/A	94.54%	95.04%	95.04%	65.39%	19.86%	19.86%

	Series A	Series B1	Series B2	Series B3	Series C	Series D1	Series D2
Lock-Up Period	Our Pre-IPO Investors are subject to lock-up arrangements at the time of Listing. Under the current arrangements, the shares of the Company that are subject to lock-up arrangements represent 100% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 80.00% of the issued share capital of the Company immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans). For further information about shareholder lock-up arrangements, please refer to the section headed "Underwriting" in this prospectus.						
Use of Proceeds from the Pre-IPO Investments	We utilised the proceeds for the principal business of the Group companies as approved by the Board, including, but not limited to, research and development activities, the growth and expansion of the Company's business and general working capital purposes in accordance with the budget approved by the Board. As at the Latest Practicable Date, approximately 30% of the net proceeds from the Pre-IPO Investments has been utilised.						
Strategic benefits	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.						

Notes:

1. The corresponding valuation of the Company is calculated based on the capitalisation of the Company of the relevant time which includes shares issued for the Pre-IPO Incentivisation Plans.

2. The consideration included (1) 100% shareholding in Ocean Prominent held by King Bridge and (2) the creditor's right of King Bridge on the US$1,484,771.50 loan borrowed by Ocean Prominent from King Bridge. Please also refer to the subsection headed "Major Corporate Development and Shareholding Changes of our Group – Our Company – (ii) Series A and Series B1 Financing" in this section for further details.

3. The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$8.56 per Share, being the mid-point of the indicative Offer Price range of HK$8.18 to HK$8.95, assuming the conversion of the Preferred Shares into Shares on a one-to-one basis has completed prior to Listing.

(4) Special Rights of the Pre-IPO Investors

Our Company and the Pre-IPO Investors entered into the Shareholders Agreement, pursuant to which certain shareholder rights were agreed among the parties.

Pursuant to the Shareholders Agreement, the Series D Share Purchase Agreement and the then memorandum and articles of association of the Company, certain Pre-IPO Investors have, among other rights, (i) the right to elect Directors and the right of participation in the meetings of the Board, (ii) registration rights including demand and piggyback registration rights, (iii) the right to financial information of the Company, (iv) redemption rights, (v) conversion rights, (vi) pre-emptive rights and (vii) liquidation rights.

The relevant redemption rights were terminated immediately prior to the first submission of the listing application form and the other relevant documents by our Company to the Stock Exchange for the purpose of the Global Offering. All other shareholders' special rights granted under the foregoing documents will be qualified by the Company's compliance with all applicable rules and regulations and automatically terminated upon the completion of a qualified IPO defined as an initial public offering or sale of shares by the Company to the public in an offering pursuant to which such securities will be listed on an internationally-recognized securities exchange, for example, the Global Offering, as provided under the Shareholders Agreement or pursuant to the resolutions in writing of the Shareholders dated October 8, 2019 and the deed of consent and waiver executed by certain Shareholders in relation to the rights under the Shareholders Agreement dated October 9, 2019.

(5) Information about the Pre-IPO Investors

Our Pre-IPO Investors include certain Sophisticated Investors. The background information of our Pre-IPO Investors is set out below.

1. Each of Success Growth, King Bridge and Sun Bridge is a special purpose vehicle incorporated for the purpose of investing in the Company. As at the Latest Practicable Date, each of Success Growth, King Bridge and Sun Bridge was ultimately and wholly owned by Mr. Hebert Pang Kee Chan, one of our Substantial Shareholders and a professional investor in his personal capacity. Mr. Pang has over 16 years of investment experience and over 20 years of experience in the finance industry. He is also one of the founding partners and investment committee members of Advantech Capital L.P. ("**Advantech Capital**"), a private equity fund launched in 2016 with a fund size of US$560 million, focusing on innovation-driven growth capital in China and healthcare and technology sectors. The investment of Advantech Capital includes Micro-Tech (Nanjing) Co, Ltd. (a leading China endoscopic medical device suppliers whose equity interests are listed on STAR Board in Shanghai recently with stock code: 688029) and Zai Lab Limited (a company whose shares are listed on the Nasdaq with ticker symbol ZLAB). Also, Mr. Pang is a sophisticated investor and has extensive investment experiences in industries such as advanced manufacturing, alternative energy, consumer products and services and healthcare. His personal investments in biotech or pharmaceutical industry comprises of companies and biotech funds in China and in the United States, such as 3E Bioventure Capital, Aravive, Inc. (a Nasdaq listed company which is a clinical stage biotechnology company focused on developing innovative therapies that target important survival pathways for cancer) and CASI Pharmaceuticals, Inc. (a Nasdaq listed company focused on developing and accelerating the launch of innovative therapeutics and pharmaceutical products). Whilst Mr. Pang may from time to time provide advice and recommendations on matters related to finance at the request of the Board, he does not currently hold any role in the Board or senior management team in the Group and is not involved in the daily operations of the Company.

2. The general partner of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P. is Vivo Capital VIII, LLC, which is managed by Vivo Capital LLC, a healthcare-focused investment firm formed in 1996 with over US$3 billion under management. Funds under Vivo Capital LLC's management have made investments in private and public healthcare companies in the U.S. and the Greater China Region.

3. Pivotal Chi Limited, a Sophisticated Investor and an Independent Third Party, is an investment holding company incorporated in the BVI on April 3, 2017, which is an indirect subsidiary of Nan Fung International Holdings Limited ("**Nan Fung**"). The principal activities of Nan Fung and its subsidiaries ("**Nan Fung Group**") are property investment and development, hotel operation, investment holding and trading, building management, provision of construction contracting services, provision of properties related services, money lending and financing. Nan Fung Group has been developing properties in Hong Kong since 1965 and since then, Nan Fung Group has also invested in commercial and residential projects in other jurisdictions including the PRC, Macau, Singapore, Japan, Malaysia, the United Kingdom and the United States. As at 31 March 2018, Nan Fung Group's investment property portfolio was valued at HK$75,518 million. Nan Fung Group has also invested in funds and companies in the life sciences industry in areas such as therapeutics, medical devices and diagnostics. Its portfolio companies in the life sciences industry include Bio-Cancer Treatment International Limited, Galera Therapeutics, Inc. and Karuna Therapeutics, Inc. (a company whose shares are listed on the NASDAQ Global Market, stock code: KRTX). The ultimate holding company of Nan Fung International Holdings Limited is Chen's Group International Limited, which is wholly owned by the estate of the late Dr. Chen Din Hwa, a Hong Kong industrial tycoon.

4. Hankang Capital Management Limited ("**Hankang Capital**") is the general partner of Hankang Fund I, LP, Hankang Fund II, LP and Hankang Fund III, LP, each registered as an exempted limited partnership in the Cayman Islands on September 25, 2017, October 17, 2017 and January 10, 2018, respectively. Mr. Quanhong Yuan, a Non-executive Director of our Company, is the beneficial owner of Hankang Capital through his shareholding in Hankang Biotech Limited. Hankang Capital is a venture capital firm focusing on biotech opportunities in China. Hankang Capital focuses on the in-depth research in major diseases and unmet medical needs, conducting forward-looking research, and investing in start-ups with first-tier teams and technology platforms in advance to help them become leading companies through value-added services.

5. The LVC Entities, which include Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP, are private equity funds established in 2018 by Loyal Valley Capital, a private equity firm with over 30 investors that mainly focuses on the following segments: new consumer (media, entertainment and education), healthcare and also covers specialty industrials and

financial services. With total assets under management of more than US$900 million, the LVC Entities have invested in a number of healthcare companies such as Shanghai Junshi and Shanghai Henlius Biotech, Inc. The LVC Entities are ultimately controlled by Mr. Lijun Lin, one of our Non-executive Directors and Substantial Shareholders.

6. 3H Fund, an Independent Third Party, is a limited liability company incorporated under the laws of the BVI on November 12, 2018 as an investment vehicle for investing in our Company. Flywin Inc. holds the controlling interest in Excel Sage Limited with a 54.55% interest. Flywin Inc. is a limited liability company incorporated under the laws of the BVI and is wholly owned by 3H Health Investment Fund I, L.P. ("**3H Health Investment Fund**"), a Sophisticated Investor and an investment fund with assets under management of US$165 million specializing in investments in equity and equity related securities of companies in the life sciences and healthcare sectors and technologies, products and services related to, or have a strong nexus with, such sectors. 3H Health Investment Fund is an exempted limited partnership registered under the laws of the Cayman Islands on December 8, 2015 and has offices in Hong Kong and Shanghai. It is managed by 3H Health Investment GP I Ltd and has invested in a number of companies such as CanSino Biologics Inc. (a company whose shares are listed on the Stock Exchange, stock code: 06185) and HeMo Bioengineering Limited.

7. Highbury Investment is a private limited company incorporated in Singapore. Highbury Investment is 100% owned by GIC (Ventures) Private Limited and managed by GIC Special Investments Private Limited, which in turn is wholly owned by GIC Private Limited ("**GIC**"). GIC is a global investment management company established in 1981 to manage Singapore's foreign reserves. GIC invests in over 40 countries worldwide in equities, fixed income, foreign exchange, commodities, money markets, alternative investments, real estate and private equity. With its current portfolio size of more than US$100 billion, GIC is amongst the world's largest fund management companies.

8. Epiphron Capital Fund II, L.P., an Independent Third Party, is a dedicated single investment private equity fund established in the Cayman Islands on November 7, 2018 with four investors and forms part of a stable of five funds under the Epiphron Cayman brand with an aggregated investment amount of approximately US$21 million, all of which invest in biotechnology, healthcare and medical device companies.

(6) Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans), the following shareholders, (i) Dr. Jisong Cui, our CEO, Chairperson of our Board, one of our Executive Directors, the sole shareholder of Sunland, (ii) Dr. Renbin Zhao, one of our

Executive Directors and the sole shareholder of Sunny View and her close associates, (iii) TMF (Cayman) Ltd., (iv) Mr. Lijun Lin, one of our Non-executive Directors, (v) Mr. Hebert Pang Kee Chan holding interests through King Bridge, Success Growth and Sun Bridge, (vi) Mr. Quanhong Yuan, one of our Non-executive Directors and (vii) Dr. Zemin Zhang, one of our INEDs, will hold (directly or indirectly) approximately 9.12%, 12.43%, 10.91%, 10.04%, 12.89%, 4.56% and 0.62% of the total issued Shares, respectively, and such Shares will not be counted towards the public float.

Save as disclosed above in this section and the sections headed "Substantial Shareholders" and "Business – De Minimis Connected Transactions" in this prospectus, to the best of the Directors' knowledge, all other investors and Shareholders of the Company are not connected persons of our Company. As a result, an aggregate of approximately 39.43% of the Shares (upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans) with a market capitalisation of approximately HK$4,224.45 million (based on the Offer Price of HK$8.56, being the mid-point of the indicative Offer Price range) held by our shareholders will count towards the public float; hence, over 25% of the Company's total issued Shares will be held by the public upon completion of the Global Offering as required under 8.08(1)(a) of the Listing Rules.

Other than those granted under the Pre-IPO Incentivisation Plans, there are no options or warrants outstanding. The principal terms of the Pre-IPO Incentivisation Plans are set out in the section headed "Statutory and General Information – D. Pre-IPO Incentivisation Plans" in Appendix V to this prospectus.

COMPLIANCE WITH INTERIM GUIDANCE AND GUIDANCE LETTERS

The Joint Sponsors confirm that the investments by the Pre-IPO Investors are in compliance with the Guidance Letter HKEX-GL29-12 issued on January 2012 and updated in March 2017 by the Stock Exchange, the Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and the Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that InnoCare Beijing Nuocheng and InnoCare Beijing Tiancheng have obtained the requisite government approvals which they shall obtain in all material respects in respect of their transfer of equity interests as described above in this section.

The transfer of equity interests described above have been properly and legally completed and settled.

M&A Rules

On 8 August 2006, six PRC regulatory authorities, including MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry & Commerce of the PRC, China Securities Regulatory Commission and SAFE, jointly issued the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules"), which became effective on 8 September 2006, and was amended on 22 June 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals from MOFCOM or the department of commerce at the provincial level when (i) a foreign investor acquires equity in a domestic enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from MOFCOM is required.

The acquisition of 20% equity interest in InnoCare Beijing Nuocheng by InnoCare HK which was an independent third party in October 2014 is subject to the M&A Rules and Regulation on the Implementation of the Law of the People Republic of China on Chinese-Foreign Equity Joint Ventures (2014 Revision) (中華人民共和國中外合資經營企業法實施條例(2014修訂)), and InnoCare Beijing Nuocheng has obtained the approval from the relevant commercial department and the new business license pursuant to the aforementioned rule and regulation. Immediately after consummation of the aforementioned acquisition, InnoCare Beijing Nuocheng has converted into a sino-foreign joint venture enterprise. Thereafter InnoCare HK acquired the remaining 80% equity interest in InnoCare Beijing Nuocheng through acquisition and capital increase in June 2016 and April 2017 ("**Subsequent Acquisitions**"). Our PRC Legal Adviser advised that since InnoCare Beijing Nuocheng was a sino-foreign joint venture enterprise at the time of the Subsequent Acquisitions, MOFCOM approval is not required under the M&A Rules.

SAFE Circular 37

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 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 residents" under SAFE Circular 37 is defined as PRC legal entities, other economic organisations, 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 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.

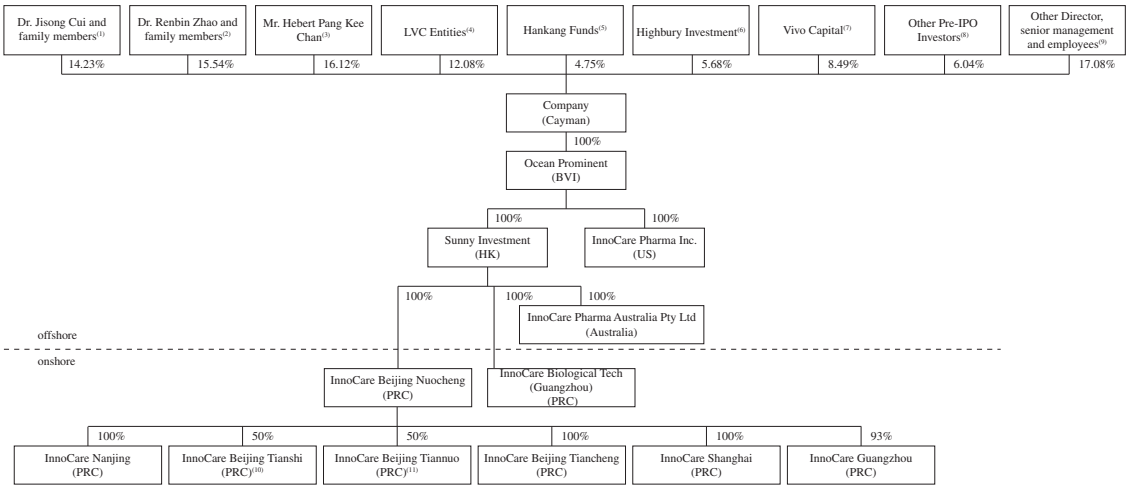
As at the Latest Practicable Date, Dr. Jisong Cui and Dr. Renbin Zhao, are not PRC citizens who are required to conduct registration pursuant to the requirements of SAFE Circular 37.

PRE-IPO INCENTIVISATION PLANS

On September 6, 2016, our Company adopted the 2015 Pre-IPO Incentivisation Plan and 2016 Pre-IPO Incentivisation Plan, and on November 28, 2018, our Company adopted the 2018 Pre-IPO Incentivisation Plan in order to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons. The principal terms of the Pre-IPO Incentivisation Plans are set out in the section headed "Statutory and General Information – Pre-IPO Incentivisation Plans". Pursuant to the Pre-IPO Incentivisation Plans, the maximum number of Shares in respect of which awards may be granted shall not exceed 274,586,514 Shares. As at the Latest Practicable Date, an aggregate of 138,076,726 Shares have been issued to directors, senior management and employees of the Group or their affiliates pursuant to share awards already vested, and 136,509,788 Shares have been reserved and are currently held by Golden Autumn Group Limited and Strausberg Group Limited for further grant or vesting of awards under the Pre-IPO Incentivisation Plans. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., established for the purpose of holding Shares pursuant to the Pre-IPO Incentivisation Plans.

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following chart depicts our shareholding structure as at the Latest Practicable Date:



Notes:

1. Sunland is wholly owned by Dr. Jisong Cui, one of our Executive Directors and our Chairperson and CEO, which holds 94,129,916 shares (representing approximately 9.40% of the Company's shareholding prior to Listing). Further, 20,000,000 shares (representing approximately 2.00% of the Company's shareholding prior to Listing) are held by Dr. Jisong Cui and Premier Trust, Inc. as trustees of The Jisong Cui 2019 Irrevocable Trust, of which Dr. Jisong Cui's immediate family members are the beneficiaries. Stanley Holdings Limited is held by the immediate family members of Dr. Jisong Cui which holds 28,333,866 shares (representing approximately 2.83% of the Company's shareholding prior to Listing). As such, Dr. Jisong Cui and her immediate family members collectively hold 142,463,782 shares (representing approximately 14.23% of the Company's shareholding prior to Listing). For additional information, please refer to the subsection in this section headed "Pre-IPO Investments – Capitalisation of the Company" and the section headed "Substantial Shareholders".

2. Sunny View is wholly owned by Dr. Renbin Zhao, one of our Executive Directors, which holds 108,260,375 shares (representing approximately 10.81% of the Company's shareholding prior to Listing). Further, 19,536,218 shares (representing approximately 1.95% of the Company's shareholding prior to Listing) are held by Dr. Renbin Zhao and Premier Trust, Inc. as trustees of Grandview Irrevocable Trust, of which Dr. Renbin Zhao's immediate family members are the beneficiaries. Wellesley Hill Holdings Limited is held by the immediate family members of Dr. Renbin Zhao, which holds 27,778,300 shares (representing approximately 2.77% of the Company's shareholding prior to Listing). As such, Dr. Renbin Zhao and her immediate family members and close associates collectively hold 155,574,893 shares (representing approximately 15.54% of the Company's shareholding prior to Listing). For additional information, please refer to the subsection in this section headed "Pre-IPO Investments – Capitalisation of the Company" and the section headed "Substantial Shareholders".

3. Mr. Hebert Pang Kee Chan's aggregate shareholding in the Company is held indirectly through King Bridge, Success Growth and Sun Bridge.

4. The LVC Entities, which include Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP are ultimately controlled by Mr. Lijun Lin, one of our Non-executive Directors, through the Lin Family Trust.

5. Through his shareholding in Hankang Biotech Limited, Mr. Quanhong Yuan, one of our Non-executive Directors, is the beneficial owner of Hankang Capital Management Limited, which in turn is the general partner of the Hankang Funds, which include Hankang Fund I, L.P., Hankang Fund II, LP and Hankang Fund III, LP.

6. Highbury Investment is owned by GIC (Ventures) Private Limited and managed by GIC Special Investments Private Limited, which in turn is wholly-owned by GIC Private Limited.

7. Vivo Capital consists of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P.

8. Other Pre-IPO Investors are Independent Third Parties, including Pivotal Chi Limited holding 22,301,769 Preferred Shares, Excel Sage Limited holding 31,272,645 Preferred Shares and Epiphron Capital Fund II, L.P. holding 6,823,123 Preferred Shares, representing approximately 2.23%, 3.12% and 0.68% of the Company's shareholding prior to Listing, respectively. For additional information on the Pre-IPO Investors, please refer to the subsections headed "Pre-IPO Investments" and "Pre-IPO Investments – Capitalisation of the Company" in this section.

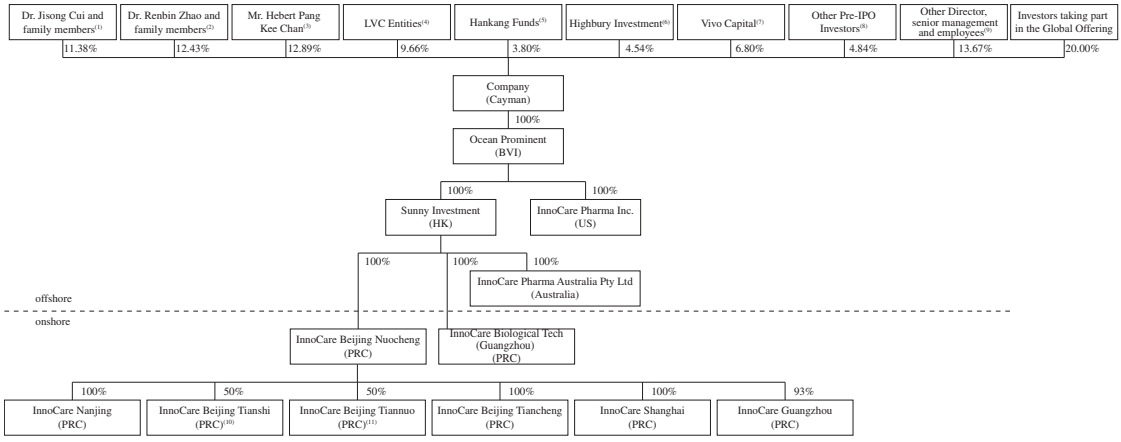
9. Other Director, senior management and employees who own interests in the Company include (i) Dr. Zemin Zhang (our independent Non-executive Director) holding 7,777,778 Class B ordinary shares and (ii) other senior management and employees or their affiliates collectively holding 163,232,011 Class B ordinary shares of the Company pursuant to the Pre-IPO Incentivisation Plans.

10. InnoCare Beijing Tianshi, one of the Company's joint ventures, was established under the laws of the PRC on April 22, 2016, with an initial registered capital of RMB2,000,000 contributed by InnoCare Beijing Nuocheng and Shanghai Junshi, each holding 50% of the equity interest in InnoCare Beijing Tianshi whose principal business activities include research and development of biomedical technology.

11. InnoCare Beijing Tiannuo, one of the Company's joint ventures, was established under the laws of the PRC on October 25, 2017, with an initial registered capital of RMB2,000,000 contributed by InnoCare Beijing Nuocheng and Chengdu ConMed Biosciences (康諾亞生物醫藥科技(成都)有限公司), each holding 50% of the equity interest in InnoCare Beijing Tiannuo whose principal business activities include research and development of biomedical technology.

OUR STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following chart depicts our shareholding structure immediately following the completion of the Global Offering, assuming that all of the Preferred Shares have been converted to ordinary shares of the Company on a one-to-one basis and the Over-allotment Option is not exercised and no shares are issued pursuant to the Pre-IPO Incentivisation Plans:



Notes:

1. Sunland is wholly owned by Dr. Jisong Cui, one of our Executive Directors and our Chairperson and CEO, which holds 94,129,916 shares (representing approximately 7.52% of the Company's shareholding after Listing). Further, 20,000,000 shares (representing approximately 1.60% of the Company's shareholding after Listing) are held by Dr. Jisong Cui and Premier Trust, Inc. as trustees of The Jisong Cui 2019 Irrevocable Trust,

of which Dr. Jisong Cui's immediate family members are the beneficiaries. Stanley Holdings Limited is held by the immediate family members of Dr. Jisong Cui which holds 28,333,866 shares (representing approximately 2.26% of the Company's shareholding after Listing). As such, Dr. Jisong Cui and her immediate family members collectively hold 142,463,782 shares (representing approximately 11.38% of the Company's shareholding after Listing). For additional information, please refer to the subsection in this section headed "Pre-IPO Investments – Capitalisation of the Company" and the section headed "Substantial Shareholders".

2. Sunny View is wholly owned by Dr. Renbin Zhao, one of our Executive Directors, which holds 108,260,375 shares (representing approximately 8.65% of the Company's shareholding after Listing). Further, 19,536,218 shares (representing approximately 1.56% of the Company's shareholding after Listing) are held by Dr. Renbin Zhao and Premier Trust, Inc. as trustees of Grandview Irrevocable Trust, of which Dr. Renbin Zhao's immediate family members are the beneficiaries. Wellesley Hill Holdings Limited is held by the immediate family members of Dr. Renbin Zhao, which holds 27,778,300 shares (representing approximately 2.22% of the Company's shareholding after Listing). As such, Dr. Renbin Zhao and her immediate family members and close associates collectively hold 155,574,893 shares (representing approximately 12.43% of the Company's shareholding after Listing). For additional information, please refer to the subsection in this section headed "Pre-IPO Investments – Capitalisation of the Company" and the section headed "Substantial Shareholders".

3. Mr. Hebert Pang Kee Chan's aggregate shareholding in the Company is held indirectly through King Bridge, Success Growth and Sun Bridge.

4. The LVC Entities, which include Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP are ultimately controlled by Mr. Lijun Lin, one of our Non-executive Directors, through the Lin Family Trust.

5. Through his shareholding in Hankang Biotech Limited, Mr. Quanhong Yuan, one of our Non-executive Directors, is the beneficial owner of Hankang Capital Management Limited, which in turn is the general partner of the Hankang Funds, which include Hankang Fund I, L.P., Hankang Fund II, LP and Hankang Fund III, LP.

6. Highbury Investment is owned by GIC (Ventures) Private Limited and managed by GIC Special Investments Private Limited, which in turn is wholly-owned by GIC Private Limited.

7. Vivo Capital consists of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P..

8. Other Pre-IPO Investors are Independent Third Parties, including Pivotal Chi Limited holding 22,301,769 Shares, Excel Sage Limited holding 31,272,645 Shares and Epiphron Capital Fund II, L.P. holding 6,823,123 Shares, representing approximately 1.78%, 2.50% and 0.55% of the Company's shareholding after Listing, respectively. For additional information on the Pre-IPO Investors, please refer to the subsections headed "Pre-IPO Investments" and "Pre-IPO Investments – Capitalisation of the Company" in this section.

9. Other Director, senior management and employees who hold interests in the Company include (i) Dr. Zemin Zhang (our INED) holding 7,777,778 Shares and (ii) other senior management and employees or their affiliates collectively holding 163,232,011 Shares of the Company pursuant to the Pre-IPO Incentivisation Plans.

10. InnoCare Beijing Tianshi, one of the Company's joint ventures, was established under the laws of the PRC on April 22, 2016, with an initial registered capital of RMB2,000,000 contributed by InnoCare Beijing Nuocheng and Shanghai Junshi, each holding 50% of the equity interest in InnoCare Beijing Tianshi whose principal business activities include research and development of biomedical technology.

11. InnoCare Beijing Tiannuo, one of the Company's joint ventures, was established under the laws of the PRC on October 25, 2017, with an initial registered capital of RMB2,000,000 contributed by InnoCare Beijing Nuocheng and Chengdu ConMed Biosciences (康諾亞生物醫藥科技(成都)有限公司), each holding 50% of the equity interest in InnoCare Beijing Tiannuo whose principal business activities include research and development of biomedical technology.

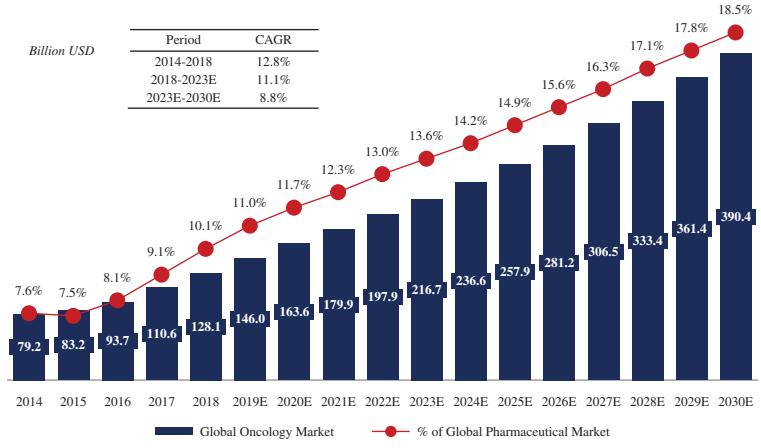
The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. We believe that the sources of the information in this section and other sections of this prospectus are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information from official and non-official sources has not been independently verified by us, the Joint Global Coordinators, Joint Sponsors, Joint Bookrunners, Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. We confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have an impact on the information in this section in any material respect. Unless otherwise noted, the amounts related to market size in China in this section used an exchange rate of US$1 = RMB6.5.

OVERVIEW OF ONCOLOGY DRUG MARKET

Global Oncology Drug Market

The global oncology drug market is a sector of the biopharmaceutical market focusing on the discovery and commercialization of medicines for the treatment of cancer. The global oncology drug market has expanded significantly in the past, and is projected to further expand at an accelerated pace as shown in the following diagram. Growth in the global oncology drug market is primarily driven by the growing patient pool, increased affordability of healthcare service and the emergence of innovative and advanced therapies, such as molecularly-targeted and immuno-oncology therapies:

Historical and Forecasted Global Oncology Drug Market, 2014-2030E



Source: Frost & Sullivan Analysis

The field of cancer treatment has developed significantly in the past century, progressing from surgery to immunotherapy. Main treatment methods today include surgery, radiotherapy, chemotherapy, molecularly-targeted therapy, and immuno-oncology therapy. Molecularly-targeted therapy and immuno-oncology therapy have revolutionized cancer treatment and are expected to further propel the growth of global oncology drug markets.

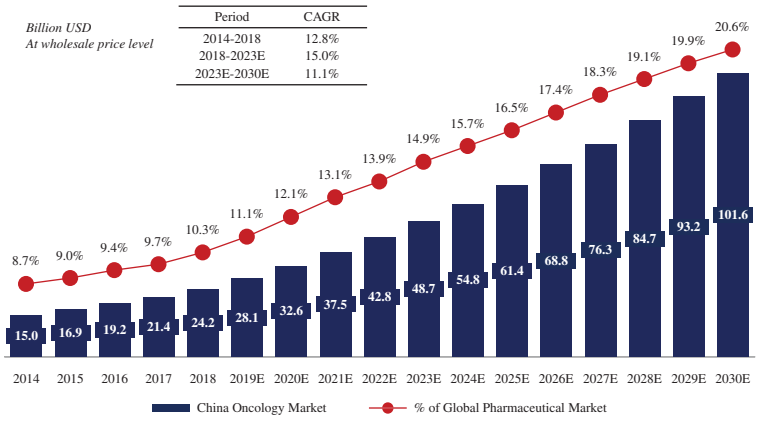
Molecularly-targeted therapy is an important pillar of cancer treatment. By targeting specific biologic pathways for the purpose of inhibiting the growth of cancer cells, molecularly-targeted therapy is generally less harmful to normal cells than conventional chemotherapy. Therefore, molecularly-targeted oncology drugs often have fewer side effects and are better tolerated than chemotherapy drugs. The global molecularly-targeted oncology drug market is expected to grow due to identification of new targets, better accessibility to diagnostic tools and the emergence of combination therapies.

An increasing trend in the oncology area is the emergence of combination therapies, which offer low toxicity and robust efficacy associated with molecularly-targeted and immuno-oncology therapies. There is a wide academic and industry understanding that these combination therapies have the potential to improve efficacy, treatment response rate and durability as compared to single-agent therapies.

China's Oncology Drug Market

China's oncology drug market experienced rapid growth in the past and is expected to continue to grow, as illustrated by the following chart. Growth in China's oncology drug market is primarily driven by an aging population and growing cancer incidence, increased awareness of cancer and paradigm shift of cancer treatment from chemotherapy to molecularly-targeted and immuno-oncology therapies.

Historical and Forecasted China Oncology Drug Market, 2014-2030E

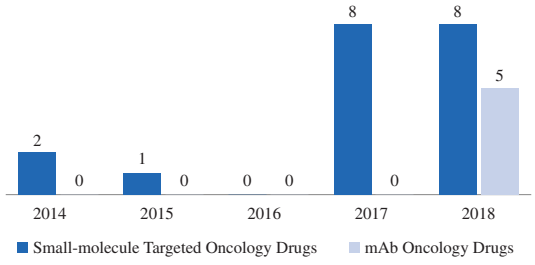


Source: Frost & Sullivan Analysis

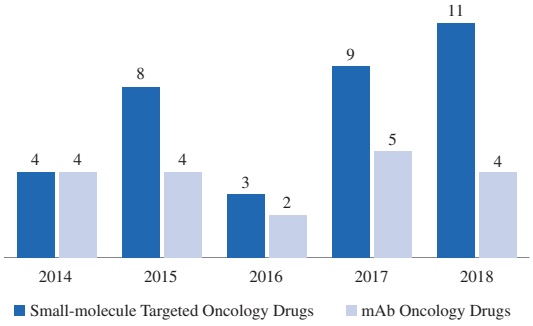
There is significant potential for growth in China's small-molecule targeted oncology drug market and immuno-oncology drug market. There were 35 small-molecule targeted oncology drugs and 19 monoclonal antibody ("mAbs") oncology drugs approved in the U.S. from 2014 to 2018, with the number of small-molecule targeted oncology drug showing an upward trend since 2016, suggesting small-molecule targeted oncology drugs to remain an important pillar of cancer treatment. In comparison, there were only 19 small-molecule targeted oncology drugs and 5 mAb oncology drugs approved in China from 2014 to 2018. The difference in the number of marketed small-molecule targeted oncology drugs and mAb oncology drugs between the U.S. and China suggests significant room for growth in these markets in China. Top oncology drugs globally such as pembrolizumab, ibrutinib, palbociclib and osimeritinib, were recently approved in China, indicating China is at its early stage of adopting small-molecule targeted oncology drugs and immuno-oncology drugs. China's small-molecule targeted oncology drug market reached US$1.8 billion in 2018, and is expected to reach US$4.2 billion in 2023 and further to US$10.3 billion in 2030.

The following charts show the number of approved small-molecule targeted oncology drugs and mAb oncology drugs in the U.S. and in China from 2014 to 2018:

Number of NMPA Approved Small-molecule Targeted Oncology Drugs and mAb Oncology Drugs, 2014-2018



Number of FDA Approved Small-molecule Oncology Targeted Drugs and mAb Oncology Drugs, 2014-2018



Source: Frost & Sullivan Analysis

The growing opportunity and potential for China's oncology drug market is largely attributable to the following factors:

Large and Increasing Patient Pool

Cancer incidence in China has increased steadily in the past five years, climbing from 3.8 million in 2014 to 4.3 million in 2018. The incidence number is expected to grow at an accelerated pace, and is projected to reach 4.9 million by 2023 and 5.7 million in 2030, which is primarily attributable to the change of life style, stress, and an aging population in China. The large and growing cancer patient pool in China not only generates substantial market demand for cancer treatments, but also provides a favourable clinical trial environment.

Increasing Healthcare Expenditure and Affordability

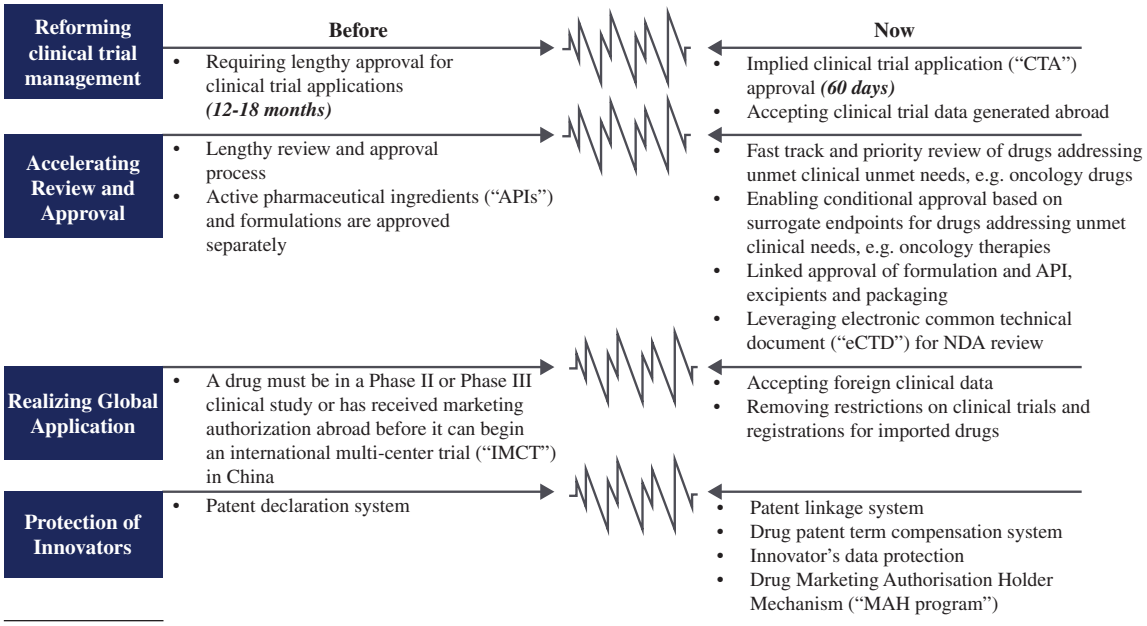
Healthcare expenditure in China is expected to grow due to continued urbanization and strong governmental support. The rapid economic development in China contributes to continuing influx of migrants from rural to urban areas. The median per capita disposable income of urban residents is significantly higher than that of the rural residents, which suggests a greater ability to pay for better healthcare and drugs.

Furthermore, the Chinese government has designated the pharmaceutical industry as one of China's "pillar industries" in 2016, aiming to accomplish a series of healthcare reforms by 2030 ("Healthy China 2030"). Currently, the medical insurance schemes offered by the Chinese government are the largest payors of healthcare expenditure in China. With stronger governmental support, China's pharmaceutical expenditures may grow at an even faster pace.

In addition, the expansion of the National Reimbursement Drug List ("NRDL") is expected to make oncology treatments more accessible, contributing to an increasing market size of oncology drugs. The NRDL sets forth a list of reimbursable drugs for patients covered by the urban employee and resident basic medical insurance schemes, both of which are managed and/or subsidized by the Chinese government. The NRDL comprises two drug catalogues, the List A catalogue and the List B catalogue. Whereas the List A catalogue generally includes low-priced and clinically necessary drugs that are fully-reimbursed, the List B catalogue consists of higher-priced or new drugs, which generally require a 10% to 30% co-payment from the patients. Since 2000, five versions of the NRDL have been published, and each new version added more drugs to the list. The 4th NRDL, promulgated in 2017, further expanded the scope of reimbursement and included 14 additional oncology drugs into the List B catalogue. The 4th NRDL also transferred some oncology drugs from List B to List A, increasing affordability of the drugs. Moreover, NRDL is also dynamically adjusted to include oncology drugs to meet unmet needs. The 4th NRDL has been expanded in two rounds of negotiations in July 2017 and September 2018. In September 2018, 17 drugs were added into the List B catalogue, all of which are oncology drugs. The 5th NRDL was published in August 2019 to remove 150 drugs and add 148 drugs. Consideration was given to the scope of reimbursement and the ratio of traditional Chinese medicine to western medicine to meet current medical demands. The 5th NRDL was then adjusted in the negotiation that occurred in November 2019 to add 70 drugs with an average price cut of 60.7%, which mainly consist of oncology, chronic disease, and rare disease drugs. Moreover, the contracts of 27 existing drugs were successfully extended with an average price cut of 26.4%.

Transformation of Drug Approval Process in China

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"), which has shifted the regulatory landscape of China's pharmaceutical market. The Opinions aim to accelerate drug development and approval process in China, and to encourage the innovation of drug and medical devices, as illustrated in the following diagram:



Source: Frost & Sullivan Analysis

BTK Inhibitors

Overview of BTK Inhibitors

Bruton's Tyrosine Kinase ("BTK") is a key component of the B-cell receptor signaling pathway, which is an important regulator of cell proliferation and cell survival in various lymphomas (mainly NHL). BTK inhibitors block B-cell receptor ("BCR") induced BTK activation and its downstream signaling. Successful blockage of BTK activation would result in growth inhibition and cell death of B-cells.

BTK inhibitors have fewer side effects as compared to traditional treatments. Whereas the first generation of BTK inhibitors, ibrutinib, may induce off-target effects, the second generation of BTK inhibitors, including acalabruitnib, zanubrutinib and other drug candidates at the clinical stage, have shown superior efficacy and less off-target activities.

Johnson & Johnson/Abbvie's IMBRUVICA® (ibrutinib), AstraZeneca's CALQUENCE® (acalabrutinib) and BeiGene's BRUKINSA™ (zanubrutinib) were the only three BTK inhibitors approved globally. Ibrutinib was first approved by the U.S. FDA in 2013 for the second-line treatment of patients with MCL. Since 2013, ibrutinib has received supplemental U.S. FDA approvals for the treatment of patients with CLL/SLL, WM (2L), MZL (2L) and cGVHD (2L). Acalabrutinib and zanubrutinib are second-generation BTK inhibitors which received U.S. FDA approvals in October 2017 and November 2019, separately for the second-line treatment of MCL and are yet to be approved by the NMPA for commercial launch in China. Ibrutinib was launched in China in 2017 for the treatment of r/r CLL/SLL, r/r MCL and WM, and was included in the NRDL in late 2018. It was the only BTK inhibitor marketed in China as of January 31, 2020.

Global BTK Inhibitor Pipeline

The following table illustrates the current status of key BTK inhibitors approved or under clinical development worldwide. Orelabrutinib faces competition from first generation BTK inhibitors such as ibrutinib, and second generation BTK inhibitors, such as acalabruitnib, zanubrutinib and other drug candidates at the clinical stage, which have shown efficacy and less off-target activities as compared to first generation BTK inhibitors. Albeit not through head-to-head studies and as observational results only, we believe Orelabrutinib has demonstrated improved target selectivity, occupancy and safety profile than that of the existing BTK inhibitors based on reported data, while showing comparable efficacy.

Company	Drug Name	FDA or NMPA Approval Date	List Price Per Year	Approved Indication	Global Revenue (Million USD)[1]	Clinical Trial of Various Indications
Johnson & Johnson/ Abbvie	IMBRUVICA (Ibrutinib)	2013.11	$179,026[2]	MCL, CLL/SLL, WM, MZL, cGVHD	2016: 2,218; 2017: 3,196; 2018: 4,454	1L DLBCL; r/r DLBCL; 1L FL; r/r FL; r/r MZL; r/r CNSL
		2017.8	$104,209[3]	MCL, CLL/SLL, WM		
AstraZeneca	CALQUENCE (Acalabrutinib)	2017.10	$178,753[4]	MCL	2016: 0; 2017: 3; 2018: 62	r/r CLL/SLL; r/r WM; r/r MZL; r/r DLBCL; 1L MCL; r/r MCL
		2019.11	$178,753[4]	CLL/SLL		
BeiGene	BRUKINSA (Zanubrutinib)	2019.11	$157,375.8[5]	MCL		1L CLL/SLL; r/r CLL/SLL; r/r WM; 1L WM; r/r MZL; r/r FL; r/r DLBCL
		New drug applications (NDA) for zanubrutinib in patients with r/r MCL and r/r CLL/SLL have been accepted by NMPA.				
INNOCARE	ICP-022 (Orelabrutinib)	NDA for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020.				r/r CLL/SLL; r/r MCL; r/r MZL; r/r CNSL; r/r WM; 1L CLL/SLL[6]; r/r non-GCB DLBCL (double mutation); FL (combo)[7]; B-cell malignancies; SLE
ACEA	AC0010 (abvertinib)					Pre-treated R/R B-cell lymphoma
Sinomab	SN1011	Transferred from Suzhou Sinovent for techniques and applications of a BTK inhibitor with indications related to immunological diseases				SLE
Hengrui	SHR1459 (TG-1701)	TG Therapeutics obtain worldwide rights, excluding Asia but including Japan, for the development of SHR-1459), as monotherapy and in combination therapy				r/r Mature B Cell Neoplasms; RA; r/r Non Hodgkin Lymphoma/ r/r Chronic Lymphocytic Leukemia
Gilead/Ono	GS/ONO -4059					r/r B-NHL; RA; Sjogren's Syndrome
Roche	GDC-0853					r/r B-NHL; SLE; RA; Urticaria
Sunesis	SNS-062					r/r B-NHL
Zhejiang DTRM	DTRMWXHS -12					TN/r/r B-NHL; MCL
ArQule	ARQ 531					r/r B-NHL
Biogen	BIIB068					SLE
Centarurus	CT-1530					r/r B-NHL
Hangzhou Acea	AC0058					SLE
Loxo Oncology	LOXO-30					r/r NHL
Merck	M-7583					B-NHL, MCL, DLBCL
Principia Biopharma	PRN-1008					Pemphigus
Taiho	TAS-5315					RA
Takeda	TAK 020					RA
Humanwell	WXFL 10230486					RA
Principia Biopharma	PRN473					RA
Merck	Evobrutinib					RA; Multiple Sclerosis
Avila/ Celgene	AVL-292					r/r B-NHL, CLL, WM
BMS	BMS-986142					RA

Phase I | Phase II | Phase III

■ China clinical trial status □ Global clinical trial status ⋯ Upon IND approval, we may skip phase I and phase II trials and initiate registrational trial in China

★ Refers to our company's registrational trials

Notes:

(1) The global revenue of IMBRUVICA (ibrutinib) refers to the sum of Johnson & Johnson's sales revenue outside of the U.S. and Abbvie's sales revenue in the U.S.

(2) The price of IMBRUVICA is around $12,612 per bottle (90 capsules) in the United States. The list price per year for IMBRUVICA in the United States refers to the average cost for MCL/MZL, CLL/SLL, WM and eGVHD patients on a 365-day-basis based on the recommended dosage for each patient.

(3) The price of IMBRUVICA is around RMB48,600 per bottle (90 capsules) in China. The list price per year for IMBRUVICA in China refers to the average cost for MCL and CLL/SLL patients on a 365-day-basis based on the recommended dosage for each patient.

(4) The price of CALQUENCE (acalabrutinib) is around $14,692 per bottle (60 capsules) in the United States. The list price per year for CALQUENCE in the United States is calculated on a 365-day-basis based on the recommended dosage for each patient.

(5) The price of BRUKINSA (zanubrutinib) is around $12,935 for a 30-day supply in the United States. The list price per year for BRUKINSA in the United States is calculated on a 365-day-basis based on the recommended dosage for each patient.

(6) Upon IND approval, our company may initiate a registrational trial for orelabrutinib as a first-line therapy for CLL/SLL patients in China.

(7) Patient enrollment has not begun for the Phase I trial of orelabrutinib in combination with MIL62 for FL patients in China.

(8) Only highest clinical trial status is listed for all drugs listed in the chart above.

Source: Frost & Sullivan Analysis

Biologics for B-cell NHL treatment

The following table illustrates current cell and gene therapy products, with CAR-T as a product type example, that target the treatment of B-cell NHL.

	Company	Product	Target	Clinical Trial Status	Indication
1	JW Therapeutics	CAR-T	CD19	Phase II	R/R B-cell NHL
2	CARSGEN	CAR-T	CD19	Phase II	R/R B-cell NHL
3	Hrain Biotechnology	CAR-T	CD19	Phase I	R/R Leukemia R/R B-cell NHL
4	Fosun Kite	CAR-T	CD19	Phase I	R/R B-cell NHL
5	Galaxy Biomed	CAR-T	CD19	Phase I	R/R B-cell NHL
6	Shanghai Cell Therapy Group	CAR-T	CD19	Phase I	R/R B-cell NHL

The following table illustrates biologics that target CD-20 for B-cell NHL as of December 31, 2019.

Pipelines of Monoclonal Antibody Targeting CD20 for B-cell NHL (Clinical Trial/NDA)			
Code / Generic Names	**Manufacturer**	**Indication**	**Clinical Phase**
IBI301	Innovent	DLBCL	NDA
Obinutuzumab	Roche	FL, DLBCL	NDA
SCT400	Sinocelltech	DLBCL	NDA
HS006	Hisun	DLBCL	Phase III
GB241	Genor BioPharma	DLBCL	Phase III
TQB2303	Chia-tai-Tian-Qing	DLBCL	Phase III
WBP263	Hualan Bio	DLBCL	Phase III
SIBP02	Shanghai Institute Of Biological Products	DLBCL	Phase III
LZM002C	Livzon Mabpharm	NHL (DLBCL, FL, MCL, MZL)	Phase I
H02	New Era Pharma	FCL, FNHL, DLBC-NHL	Phase I
MIL62	Mabworks	FL, MZL	Phase II
B001	Shanghai Pharma (SPH)	NHL(1), CLL/SLL	Phase I
BAT4306	Bio-thera	NHL(1)	Phase I
304R	3SBio	NHL(1)	Phase I
WLB302	Shenzhen Main Luck	NHL(1)	Phase I

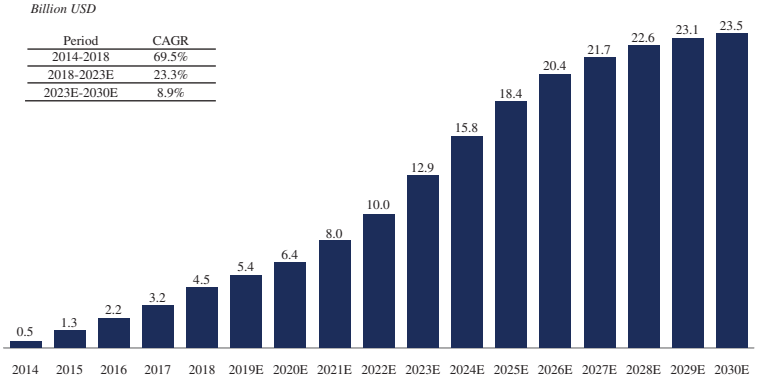
Source: China clinical trials, Frost & Sullivan Analysis

Note:

(1) Specific NHL subtype not publicly disclosed.

The global sales of BTK inhibitors reached US$4.5 billion in 2018, and is expected to reach US$12.9 billion in 2023 at a CAGR of 23.3% since 2018 and US$23.5 billion in 2030 at a CAGR of 8.9% since 2023, as illustrated by the following chart. Since many indications of NHL subtypes were approved from 2014 to 2018 for BTK inhibitor, its market size expanded vigorously over such period. As the market of BTK inhibitor for NHL patients matures, the growth of the BTK inhibitor market is expected to slow down.

Historical and Forecasted Market Size of Global BTK Inhibitors Market 2014-2030E



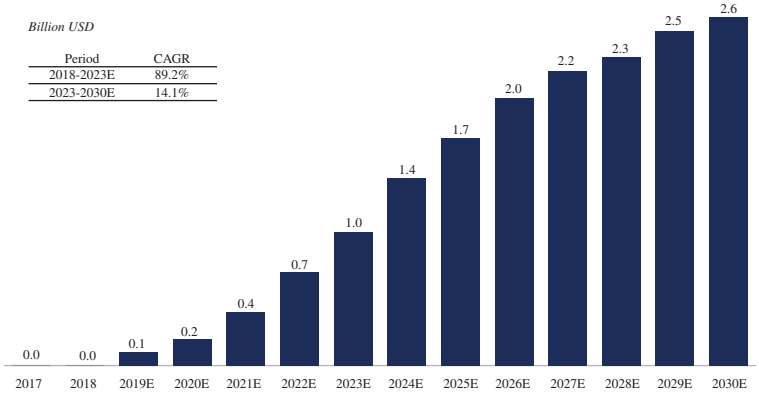
Source: Frost & Sullivan Analysis

China BTK Inhibitor Market

For a comparison of orelabrutinib and other BTK inhibitors candidates at clinical stage in China, please refer to the section headed "Business – Clinical Stage Candidates – Orelabrutinib (ICP-022) – Market Opportunity and Competition."

Sales of BTK inhibitors in China is expected to reach US$1.0 billion in 2023 at a CAGR of 89.2% since 2018 and US$2.6 billion in 2030 at a CAGR of 14.1% since 2023, as illustrated by the following chart. Similar to the global market, the growth for BTK inhibitors sales is expected to slow down as such market matures, which is primarily attributable to the high penetration rate of BTK inhibitors for NHL patients, which is approaching the peak level due to gradually saturated demand, and emerging competitors in the NHL market.

Historical and Forecasted Market Size of China BTK Inhibitors Market 2017-2030E



Source: Frost & Sullivan Analysis

Overview of Lymphomas

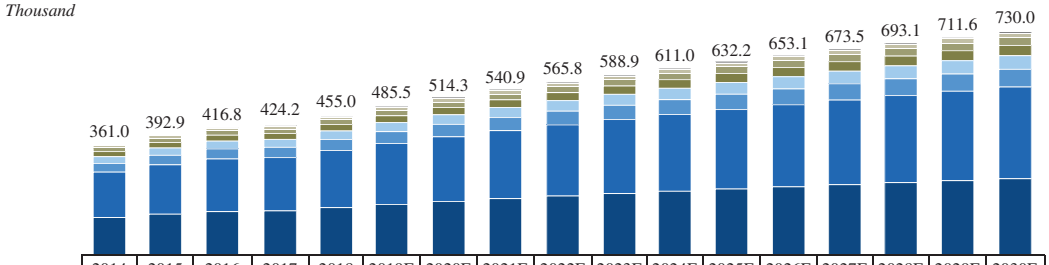
Lymphomas are hematologic cancers involving lymphoceles of the immune system. They can be broadly categorized into non-Hodgkin's lymphomas (NHL), and Hodgkin Lymphoma (HL). NHL consists of a heterogeneous group of malignancies arising from lymphoid tissues, and accounts for around 90% of lymphoma.

Depending on the origin of the cancer cells, NHL can be characterized as either B-cell, T-cell or other types of lymphomas. B-cell lymphomas account for approximately 85% of NHLs and consist of various distinct diseases involving B-cells at different stages of maturation or differentiation. B-cell lymphomas can also be categorized into aggressive NHL, such as Diffuse Large B-Cell Lymphoma (DLBCL), Mantle Cell Lymphoma (MCL), and Burkitt's Lymphoma (BL), and indolent NHL, such as Chronic Lymphocytic Leukemia (CLL), Small Lymphocytic Lymphoma (SLL), Follicular Lymphoma (FL), Marginal Zone Lymphoma (MZL), CNSL and WM. The most common NHL subtypes, both globally and in China, are DLBCL, FL, MZL, CLL/SLL and MCL. Among all subtypes of NHL, DLBCL, MZL and FL are the top three subtypes in China, and DLBCL alone accounts for around 40% of NHL incidence.

Global NHL prevalence reached 2.42 million in 2018 and is expected to increase to 2.79 million in 2023 at a CAGR of 2.8% from 2018, and 3.3 million in 2030 at a CAGR of 2.4% from 2023. Global new cases of NHL has grown from 486,145 in 2014 to 530,622 in 2018, and is projected to reach approximately 592,000 in 2023 at a CAGR of 2.2% from 2018, and to reach approximately 687,000 in 2030 at a CAGR of 2.1% from 2023.

In China, NHL prevalence reached 454,982 in 2018 and is projected to reach approximately 589,000 in 2023, representing a CAGR of 2.3% from 2018, and approximately 730,000 in 2030, representing a CAGR of 3.1% from 2023. The following chart shows the historical and forecasted NHL prevalence in China by the subtypes:

Historical and Forecasted Prevalence of NHL Subtypes in China

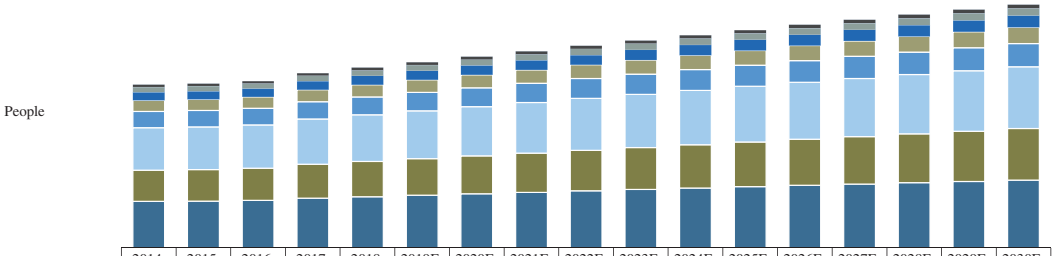


	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
WM	2.5	2.7	2.9	3.0	3.2	3.4	3.6	3.8	4.0	4.1	4.3	4.4	4.6	4.7	4.9	5.0	5.1
CNSL	7.2	7.9	8.3	8.5	9.1	9.7	10.3	10.8	11.3	11.8	12.2	12.6	13.1	13.5	13.9	14.2	14.6
MCL	12.3	13.4	14.2	14.4	15.5	16.5	17.5	18.4	19.2	20.0	20.8	21.5	22.2	22.9	23.6	24.2	24.8
CLL/SLL	16.6	18.1	19.2	19.5	20.9	22.3	23.7	24.9	26.0	27.1	28.1	29.1	30.0	31.0	31.9	32.7	33.6
FL	22.0	24.0	25.4	25.9	27.8	29.6	31.4	33.0	34.5	35.9	37.3	38.6	39.8	41.1	42.3	43.4	44.5
MZL	28.5	31.0	32.9	33.5	35.9	38.4	40.6	42.7	44.7	46.5	48.3	50.0	51.6	53.2	54.7	56.2	57.7
DLBCL	148.0	161.1	170.9	173.9	186.5	199.1	210.8	221.8	232.0	241.5	250.5	259.2	267.8	276.1	284.1	291.8	299.3
Others	123.9	134.7	143.0	145.5	156.1	166.5	176.4	185.5	194.1	202.0	209.5	216.9	224.0	231.0	237.7	244.1	250.4

Source: Frost & Sullivan Analysis

In the United States, the total number of addressable NHL patients for orelabrutinib reached 162,764 in 2018 and is expected to increase to approximately 219,687 by 2030, as shown in the chart below:

Breakdown of Orelabrutinib Addressable NHL Patients in the U.S., 2014-2030E



	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
r/r WM	2,242	2,252	2,284	2,387	2,456	2,526	2,595	2,664	2,733	2,799	2,865	2,930	2,995	3,057	3,118	3,179	3,239
r/r CNSL	4,529	4,552	4,617	4,827	4,970	5,112	5,255	5,397	5,538	5,674	5,810	5,944	6,079	6,206	6,333	6,459	6,585
r/r DLBCL Double-hit[1]	7,359	7,392	7,492	7,829	8,054	8,280	8,504	8,728	8,951	9,164	9,375	9,586	9,796	9,994	10,191	10,386	10,580
r/r MCL	10,058	10,112	10,258	10,729	11,049	11,369	11,688	12,007	12,326	12,631	12,936	13,240	13,543	13,831	14,118	14,403	14,687
r/r MZL	14,723	14,784	14,980	15,649	16,096	16,542	16,985	17,428	17,868	18,288	18,706	19,121	19,533	19,923	20,310	20,693	21,073
r/r FL	38,335	38,528	39,075	40,858	42,063	43,267	44,469	45,669	46,867	48,014	49,157	50,297	51,432	52,510	53,581	54,647	55,706
TN CLL/SLL	28,079	28,458	29,103	30,686	31,855	33,040	34,241	35,457	36,690	37,900	39,124	40,362	41,614	42,837	44,071	45,318	46,577
r/r CLL/SLL	42,118	42,333	42,935	44,895	46,221	47,546	48,868	50,189	51,507	52,770	54,028	55,283	56,532	57,719	58,899	60,073	61,240

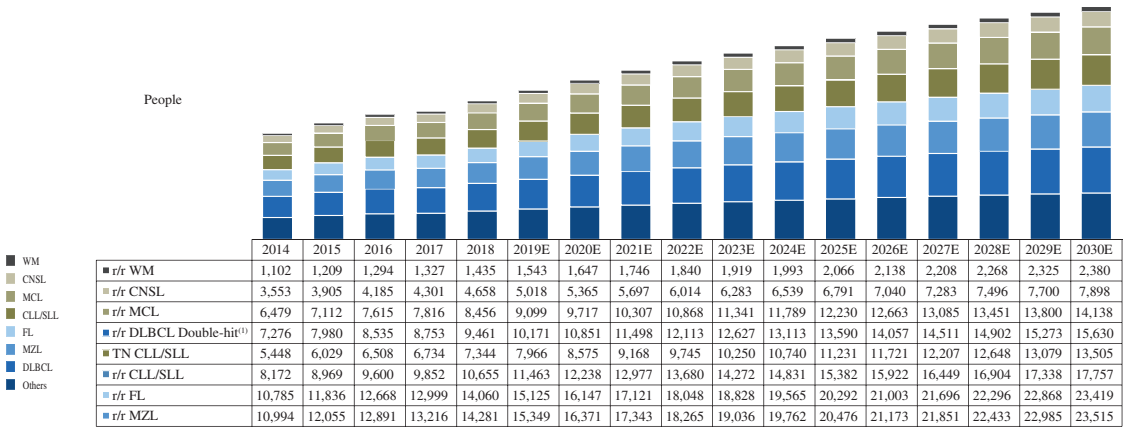
Abbreviation: r/r = relapsed and refractory; TN = Treatment-Naïve
Source: Frost & Sullivan Analysis
Note:

* The addressable patients of each indication for orelabrutinib is calculated based on the relapse and refractory rate of these NHL subtypes. For CLL/SLL, in particular, treatment naïve patients are also included into the total number.

(1) The number of addressable DLBCL double-hit patients is calculated based on the percentage of non-GCB DLBCL (double mutation) patients in the DLBCL double-hit patients.

In China, the total number of addressable NHL patients for orelabrutinib reached 70,350 in 2018 and is expected to increase to approximately 118,242 by 2030, as shown in the chart below:

Breakdown of Orelabrutinib Addressable NHL Patients in China, 2014-2030E



	2014	2015	2016	2017	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
r/r WM	1,102	1,209	1,294	1,327	1,435	1,543	1,647	1,746	1,840	1,919	1,993	2,066	2,138	2,208	2,268	2,325	2,380
r/r CNSL	3,553	3,905	4,185	4,301	4,658	5,018	5,365	5,697	6,014	6,283	6,539	6,791	7,040	7,283	7,496	7,700	7,898
r/r MCL	6,479	7,112	7,615	7,816	8,456	9,099	9,717	10,307	10,868	11,341	11,789	12,230	12,663	13,085	13,451	13,800	14,138
r/r DLBCL Double-hit(1)	7,276	7,980	8,535	8,753	9,461	10,171	10,851	11,498	12,113	12,627	13,113	13,590	14,057	14,511	14,902	15,273	15,630
TN CLL/SLL	5,448	6,029	6,508	6,734	7,344	7,966	8,575	9,168	9,745	10,250	10,740	11,231	11,721	12,207	12,648	13,079	13,505
r/r CLL/SLL	8,172	8,969	9,600	9,852	10,655	11,463	12,238	12,977	13,680	14,272	14,831	15,382	15,922	16,449	16,904	17,338	17,757
r/r FL	10,785	11,836	12,668	12,999	14,060	15,125	16,147	17,121	18,048	18,828	19,565	20,292	21,003	21,696	22,296	22,868	23,419
r/r MZL	10,994	12,055	12,891	13,216	14,281	15,349	16,371	17,343	18,265	19,036	19,762	20,476	21,173	21,851	22,433	22,985	23,515

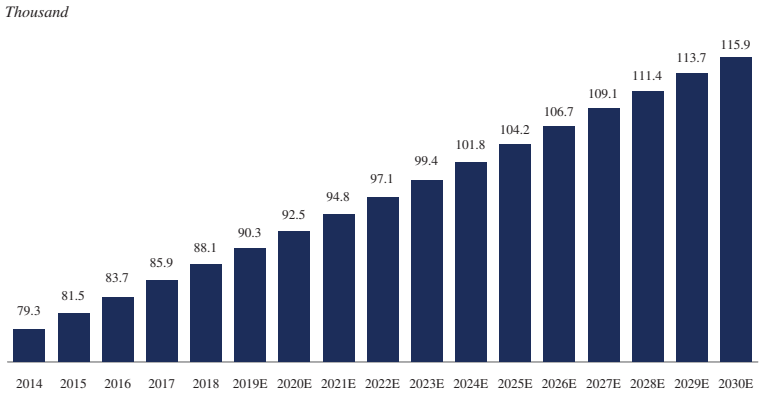
Abbreviation: r/r = relapsed and refractory; TN = Treatment-Naïve
Source: Frost & Sullivan Analysis
Note:

* The addressable patients of each indication for orelabrutinib is calculated based on the relapse and refractory rate of these NHL subtypes. For CLL/SLL, in particular, treatment naïve patients are also included into the total number.

(1) The number of addressable DLBCL double-hit patients is calculated based on the percentage of non-GCB DLBCL (double mutation) patients in the DLBCL double-hit patients.

The new cases of NHL in China has reached 88,090 in 2018, and is expected to increase to approximately 99,000 in 2023, representing a CAGR of 2.4% from 2018, and to approximately 116,000 in 2030 at a CAGR of 2.2% from 2023, as shown in the chart below:

Historical and Forecasted NHL New Cases in China



Source: Frost & Sullivan Analysis

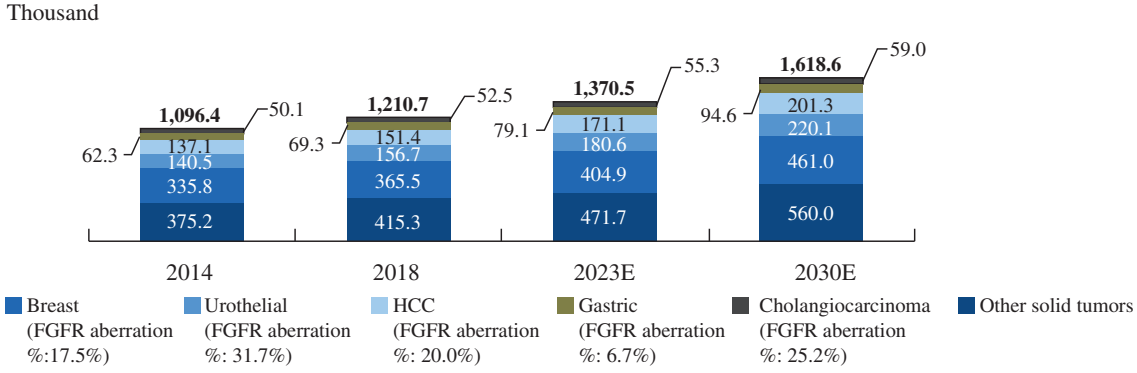
Conventional methods of treating lymphomas vary subject to the specific type or histology, but generally comprise chemotherapy, CD20 antibody therapy, and, less frequently, radiation. Significant progress has been accomplished in the development of new therapies for lymphomas, including BTK inhibitors, PI3K inhibitors (idelalisib and copanlisib) and Bcl-2 inhibitor (venetoclax). There is significant potential for molecularly-targeted drug candidates as compared to conventional therapies, as they demonstrate improved efficacy, fewer side effects and better tolerability which lead to higher patient satisfaction. Despite their improvements as compared to conventional therapies, current small molecularly-targeted therapies have shown adverse events, some of which are related to mechanism of action, such as cytopenias, pneumonitis and infection, while the others are believed to be attributable in part to the currently approved BTK inhibitors' off-target effects, such as diarrhea, bleeding and atrial fibrillation, indicating significant unmet medical needs. Most recently, a cell-based therapy, YESCARTA, was approved for the treatment of DLBCL. YESCARTA is a CD-19 directed genetically modified autologous T-cell immuno-oncology therapy.

FGFR Inhibitors

Overview of FGFR Inhibitors

Fibroblast growth factor receptors (FGFRs) are transmembrane tyrosine kinase receptors that are highly conserved and widely expressed. FGFR is a family of highly homologous receptors, including FGFR1-4. FGFR aberration is prevalent in solid tumor patients, accounting for approximately 7.1% of all solid tumor patients. The cancers most commonly affected by FGFR aberration were urothelial carcinoma (31.7%), cholangiocarcinoma (25.2%), hepatocellular carcinoma (20.0%), breast carcinoma (17.5%) and gastric carcinoma (6.7%). The following diagram shows number of new cases of FGFR mutation and their FGFR aberration rate by cancer types globally:

Number of New Cases of FGFR Mutation by Cancer Types Globally, 2014-2030E



Source: Frost & Sullivan Analysis

Specific FGFR aberrations have been observed more frequently in certain types of carcinoma: FGFR1 amplification is more common in breast, squamous cell lung, ovarian and urothelial cancers, FGFR2 fusions in endometrial and gastric cancers and cholangiocarcinoma, FGFR3 mutations in urothelial cancer, and FGFR4 pathway overactivation in hepatocellular carcinoma.

Pan-FGFR Inhibitors

Overview of pan-FGFR Inhibitors

There is evidence that some specific FGFR aberrations may have different sensitivity or resistance to different FGFR inhibitors. As a result, pan-FGFR inhibitors that have the potential to inhibit the activity of FGFR1-4 may cover a wider range of indications as compared to inhibitors targeting a specific FGFR homolog.

As of January 31, 2020, there was no marketed pan-FGFR inhibitor in China. In 2019, the U.S. FDA approved the first pan-FGFR inhibitor, Balversa (erdafitinib) to treat patients with metastatic urothelial carcinoma who are susceptible to FGFR3 or FGFR2 genetic alterations. It is the only approved pan-FGFR inhibitor globally.

The following table illustrates the FGFR1-4 or FGFR1/2/3 inhibitors that are currently at clinical stage in China and globally, ranked by highest NMPA status:

Target	Drug Name and Drug Code	Company	Current NMPA status	Lead Indications (China)	Current Global status (except China)	Lead Indications (Global)
FGFR1-4	JNJ-42756493	Janssen	Phase III	Urothelial carcinoma	Marketed, 2019.4	locally advanced or metastatic urothelial carcinoma that has susceptible FGFR3 or FGFR2 genetic alterations
	ICP-192	InnoCare Pharma	Phase I/IIa	Urothelial carcinoma, cholangiocarcinoma	NA	NA
	EOC317	Bayer, Edding Pharm	Phase I	Solid tumor	NA	NA
	HZB-1006	Wuxi AppTec, ZBO pharmaceutical	Phase I	HCC	NA	NA
	TAS-120	Taiho Oncology, Inc.	NA	NA	Phase III	Advanced cholangiocarcinoma, FGFR2 Gene Rearrangements
	BAY 1163877	Bayer	NA	NA	Phase II/III	Transitional cell carcinoma
	ODM-203	Orion	NA	NA	Phase II	Solid tumor
	LY-2874455	Eli Lilly and Company	NA	NA	Phase I	Advanced cancer
	PRN-1371	Principia Biopharma	NA	NA	Phase I	Solid tumors; metastatic urothelial carcinoma; renal pelvis; ureter
FGFR1/2/3	HMPL-453	Hutchison Medi Pharma	Phase I/II	Solid tumors	Phase I	Solid Tumor
	BGJ-398, NVP-BGJ398	Novartis, BridgeBio Pharma	Phase I	Solid tumor	Phase III	Cholangiocarcinoma
	BPI-17509	Betta	Phase I	Solid tumor	NA	NA
	HH-185, 3D185	HaiHe, Medicilon	Phase I	Solid tumor	NA	NA
	INCB-54828, INCB-054828	Incyte	NA	NA	Phase III	Unresectable, cholangiocarcinoma
	AZD-4547	AstraZeneca	NA	NA	Phase II/III	Squamous cell lung carcinoma
	CH-5183284, Debio-1347, FF-284	Roche, Debiopharm Group	NA	NA	Phase II	Solid tumor
	E-7090	Eisai	NA	NA	Phase I	Solid tumors

Source: Frost & Sullivan Analysis

Overview of Therapeutic Areas of Interest

Urothelial Cancer

Urothelial cancer (UC) is a type of cancer that starts from the urothelial cells on the urinary tract. Symptoms include blood in the urine, pain with urination and lower back pain. FGFR aberrations were found in 31.7% of UC cases. Though UC can be treated at an early stage, the treatment method depends on the clinical stage of the cancer and the degree of metastasis.

The global new cases of UC increased from 443,072 in 2014 to 494,454 in 2018, which is projected to reach approximately 570,000 in 2023 at a CAGR of 2.9% from 2018, and to approximately 694,000 in 2030 at a CAGR of 2.9% from 2023. The global prevalence of UC increased from 2.2 million in 2014 to 2.4 million in 2018, and is expected to reach 2.8 million in 2023 at a CAGR of 3.0% from 2018, and to 3.5 million in 2030 at a CAGR of 2.9% from 2023.

In China, the new cases of UC grew from 64,806 in 2014 to 74,043 in 2018, and is expected to reach approximately 86,000 in 2023 at a CAGR of 3.2% from 2018, and to approximately 107,000 in 2030 at a CAGR of 3.0% from 2023. The prevalence of UC in China increased from 312,000 in 2014 to 398,900 in 2018, and is expected to reach approximately 520,700 in 2023 at a CAGR of 5.5% from 2018, and to approximately 709,300 in 2030 at a CAGR of 4.5% from 2023.

UC is the ninth most frequently diagnosed cancer and the seventh leading cause of male cancer incidence in China. UC imposes unique challenges as it is more common in adults aged over 50 years and recurs frequently. Muscle-invasive UC is also more difficult to treat and is associated with lower five-year survival rate. Current treatment options for muscle-invasive UC include first-line treatment such as cystectomy, radiotherapy, chemotherapy and checkpoint inhibitors such as atezolizumab and pembrolizumab, and second-line treatment such as chemotherapy with gemcitabine and cisplatin. Chemotherapy remains the standard treatment for UC but is limited by its side effects.

Hyperphosphatemia is an electrolyte disorder where the patients have an elevated level of phosphate in the blood. Studies have shown that hyperphosphatemia is a class-specific mechanism-based adverse event associated with pan-FGFR inhibitors, which is observed in all patients. Pan-FGFR inhibitors interfere with the FGF23 pathway, which is correlated to the phosphate level in the blood. The intervention of FGF23 on the proximal renal tubule will result in an increased level of phosphate reabsorption, and reduce renal production of vitamin D. Hyperphosphatemia is also believed to be a pharmacodynamic (PD) marker for FGFR inhibition.

Cholangiocarcinoma

Cholangiocarcinoma (CCA) is a type of cancer that forms along the bile ducts, which is an uncommon malignancy with a high rate of fatality. For patients with unresectable tumors or metastatic cancer cells, the median survival length is shorter than 12 months. Extrahepatic cholangiocarcinoma is one of the major sub-types of CCA, which develops outside the liver, accounting for 90% of CCA.

The new cases of CCA increased from 198,792 in 2014 to 208,150 in 2018 globally, and is projected to reach approximately 219,000 in 2023 at a CAGR of 1.1% from 2018 and to reach approximately 234,000 in 2030 at a CAGR of 0.9% from 2023. The global prevalence of CCA increased from 212,600 in 2014 to 238,400 in 2018, which is expected to reach approximately 264,200 in 2023 at a CAGR of 1.8% from 2018, and to approximately 285,300 in 2030 at a CAGR of 1.1% from 2023.

In China, the new cases of CCA reached 87,295 in 2018, which is expected to increase to approximately 94,000 in 2023 at a CAGR of 1.6% from 2018, and to approximately 104,000 in 2030 at a CAGR of 1.4% from 2023. FGFR aberrations were found in 25.2% of CCA cases. The prevalence of CCA in China increased from 84,400 in 2014 to 92,800 in 2018, which is expected to reach approximately 103,500 in 2023 at a CAGR of 2.2% from 2018, and to approximately 118,400 in 2030 at a CAGR of 1.9% from 2023.

CCA is a very aggressive type of tumor and considered incurable unless fully resected during early stage through surgery. Stage IIIB – IV CCA is managed through a combination of chemotherapy, radiotherapy and palliative care. The use of chemotherapy drugs is associated with many side-effects, including a decrease in patients' white blood cell counts, strokes and even kidney failure. The efficiency of cytotoxic chemotherapy is also short-lived, and the patients will eventually develop drug resistance. For stage IIIB – IV CCA patients, current treatments have not shown significant improvement in overall survival rate.

As a result, new therapies for CCA treatments are being studied, including targeted therapies and precision medicine. Some molecular targets for precision medicine have been identified, including tyrosine kinase receptors, metabolic enzymes, and transcription factors.

FGFR4 Inhibitors

Overview of FGFR4 Inhibitors

Fibroblast growth factor receptor 4 (FGFR4), coupled with its ligand, FGF19, regulates bile acid metabolism in hepatocytes and liver regeneration following injury. Aberrant activation of FGFR4 signaling is a major cause of a subset of hepatocellular carcinoma (HCC) patients. For these patients, FGF19 is overexpressed in hepatocytes, which results in autocrine signaling and tumor growth. FGFR4 inhibitors, by binding to the kinase domain of FGFR4, prevent downstream pathway activation and thereby hinder tumor growth.

As of January 31, 2020, there was no marketed FGFR4 inhibitors globally. The following table illustrates the FGFR4 inhibitors that are currently at clinical stage in China and globally ranked by highest NMPA status:

Name Code	Company	Current NMPA status	Lead Indications (China)	Current Global Status (except China)	Lead Indications (Global)
ICP-105	InnoCare Pharma	Phase I	HCC	NA	NA
BLU-554, CS3008	Blueprint Medicines, Cstone	Phase I	HCC	Phase I	HCC
FGF-401	Novartis, Everest Medicines	NA	NA	Phase I/II	HCC
H3B-6527	H3 Biomedicine	NA	NA	Phase I	Advanced HCC, Intrahepatic Cholangiocarcinoma, Bile Duct Cancer
INCB62079	Incyte	NA	NA	Phase I	HCC, Cholangiocarcinoma, Esophageal Cancer, Ovarian Cancer, Solid Tumors

Source: Frost & Sullivan Analysis

Hepatocellular Carcinoma

Liver cancer is the fourth most common cancer and the second leading cause of death from cancer in China in 2018, and hepatocellular carcinoma (HCC) is the most common type of liver cancer. HCC is one of the most lethal cancers, which is ranked as the third-most-common cause of cancer-related deaths worldwide.

FGFR4 signaling is aberrantly activated in approximately 20% of HCC patients. Global HCC patients with overexpression of FGF19/FGFR4 reached 151,394 in 2018, and is projected to increase to approximately 201,000 in 2030.

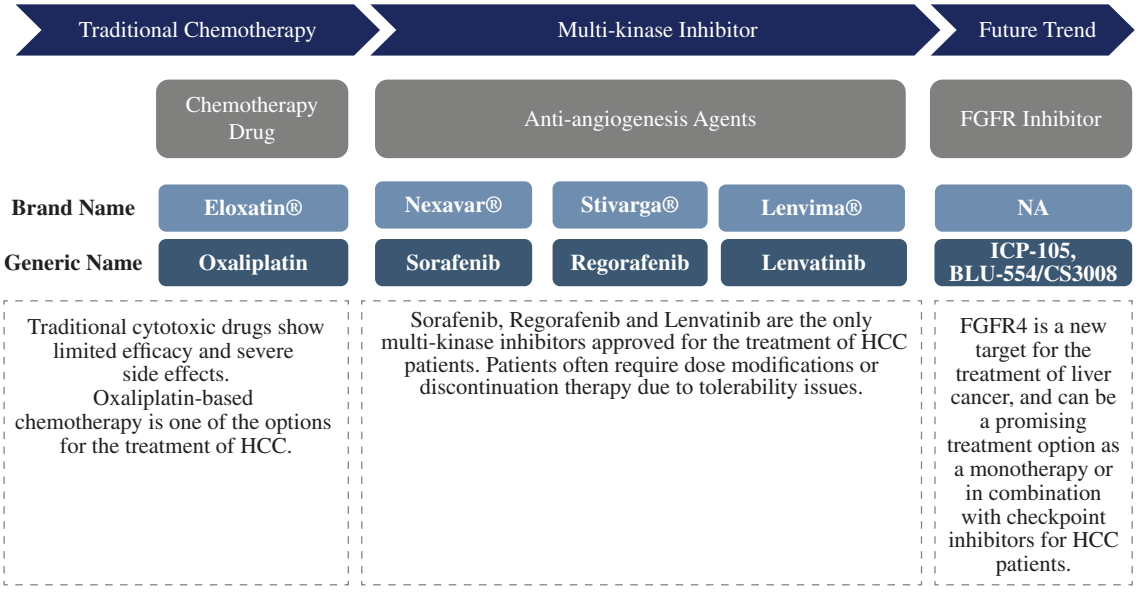
HCC usually occurs in patients with chronic liver inflammation. The risk of HCC is higher for patients affected by hepatitis B or hepatitis C. As one of the major causes of liver cancer, hepatitis virus infection accounts for 80% of liver cancer and cirrhosis incidence in 2017 in China.

Global new cases of HCC reached 756,972 in 2018, and are expected to increase to approximately 856,000 in 2023 at a CAGR of 2.5% from 2018, and to 1.0 million in 2030 at a CAGR of 2.3% from 2023. The global prevalence of HCC increased from 568,900 in 2014 to 782,300 in 2018, which is expected to reach 1.1 million in 2023 at a CAGR of 7.9% from 2018, and to 1.9 million in 2030 at a CAGR of 7.4% from 2023.

In China, the new cases of HCC reached 360,181 in 2018, and are projected to grow to approximately 407,000 in 2023 at a CAGR of 2.5% from 2018, and to approximately 473,000 in 2030 at a CAGR of 2.2% from 2023. The prevalence of HCC in China increased from 337,500 in 2014 to 505,500 in 2018, which is expected to reach approximately 754,200 in 2023 at a CAGR of 8.3% from 2018, and to 1.2 million in 2030 at a CAGR of 6.9% from 2023.

As the understanding of liver cancer pathogenesis evolves, the treatment landscape of HCC has advanced significantly, progressing from traditional chemotherapy to multi-kinase inhibitors, FGFR inhibitors and combination therapies with checkpoint inhibitors. HCC places a substantial economic burden upon a significant number of patients in China, which generates strong market demand for new types of treatment with higher accessibility and enhanced affordability. The following diagram illustrates the paradigm shifts of treatments for HCC:

Evolution of Systematic Therapy for HCC



Source: Frost & Sullivan Analysis

AUTOIMMUNE DISEASES

Autoimmune diseases involve a condition where the body's immune system mistakenly attacks the body itself. Currently, there are about 100 different types of autoimmune disorders, including systemic lupus erythematosus, rheumatoid arthritis and psoriasis. Studies have shown that autoimmune disorders arise due to the breakage of immune tolerance to self-antigens, which leads to unregulated immune activation and tissue damage, and eventually to autoimmune disease with B-cell and T-cell dysfunctions.

Most of the current therapies for autoimmune diseases can only alleviate symptoms such as pain and inflammatory responses but are not able to cure them. As a result, therapies for autoimmune diseases require high safety profile for chronic use. Treatments for autoimmune diseases include anti-inflammatory agents and targeted therapies. Targeted therapy is an emerging area for the treatment of the autoimmune diseases, and therapies targeting IL-1, IL-6, IL-17 and IL-23, antibodies targeting CD20 and CD22, and BTK inhibitors are under development.

Potential of BTK Inhibitors to Treat Autoimmune Diseases

BTK inhibitors block BCR induced BTK activation and downstream signaling, the abnormal activation of which induces B-cell dysfunction and transforms them into auto-reactive B-cells. In addition, BTK is an important enzyme for macrophage function, which is crucial to the pathogenesis of systemic lupus erythematosus (SLE) and other B-cell mediated autoimmune diseases. Such pivotal roles indicate that BTK could potentially be a valuable therapeutic target in various autoimmune diseases, including SLE, rheumatoid Arthritis (RA), multiple sclerosis (MS), pemphigus, psoriasis vulgaris (PV) and lupus nephritis (LN).

As of January 31, 2020, there were no approved BTK inhibitors for autoimmune diseases globally. As of January 31, 2020, clinical trials for SLE, RA, sjögren's syndrome, MS and pemphigus vulgaris were being conducted globally. The table below summarizes the current development status of BTK inhibitors for autoimmune diseases:

Product Candidate	Company	Indication	Clinical Status
China			
ICP-022	Innocare	SLE/RA	Phase 1
HWH-486	Humanwell Healthcare Group	RA	Phase 1
SHR-1459	Hengrui	RA	Phase 1
Global			
Fenebrutinib	Roche	Urticaria	Phase 2
Fenebrutinib	Roche	SLE	Phase 2
Fenebrutinib	Roche	RA	Phase 2
Evobrutinib	Merck	SLE	Phase 2
Evobrutinib	Merck	RA	Phase 2
Evobrutinib	Merck	MS	Phase 3
CC-292	Celgene	RA	Phase 2
BMS-986142	Bristol-Myers Squibb	SS	Phase 2
BMS-986142	Bristol-Myers Squibb	RA	Phase 2
AC0058	ACEA	SLE	Phase 1
Acalabrutinib	AstraZeneca	RA	Phase 2
TAK-020	Takeda	Autoimmune Disease	Phase 1
BIIB-068	Biogen	SLE	Phase 1
PRN-1008	Principia	Immune Thrombocytopenic Purpura	Phase 2
PRN-1008	Principia	Pemphigus Vulgaris	Phase 3
TAS-5315	Taiho	RA	Phase 2
GS-4059	Gilead/Ono	RA	Phase 1
GS-4059	Gilead/Ono	SS	Phase 2
ABBV-105	Abbvie	RA	Phase 2
ABBV-105	Abbvie	SLE	Phase 2
SN1011	SinoMab	SLE	Phase 1

Source: Frost & Sullivan Analysis

Systemic Lupus Erythematosus

Overview of Systemic Lupus Erythematosus

SLE is an autoimmune disease, in which the patient's immune system mistakenly attacks healthy tissues and organs in the body, potentially leading to serious organ complications and even death. SLE may evolve from initial symptoms such as joint pains, muscle pains and fatigue to organ damages, which may involve organs like eyes, skin, lung and kidney. The typical onset age for SLE patients is between 15 and 45, and the average life expectancy reduction is 12.4 years. The average life expectancy reduction for SLE patients with renal damage is up to 23.7 years. Studies show that young women are more frequently affected by SLE. As it impacts young women more frequently, SLE imposes more burden on patients with loss of working time and productivity and other associated social economic losses. The diagnostic tests of SLE include clinical findings on the organs such as joints, skin, kidney and central nervous system, and the examination of serological parameters, particularly antibodies to dsDNA.

The direct costs of SLE can reach around US$70,000 per patient per annum. The indirect costs, which include economic productivity loss and diminished social functions, such as childcare and domestic activities, amount to around US$18,000 per patient per annum. In addition, SLE treatment-related expenditures are often further compounded by patients' development of organ complications, such as lupus nephritis and chronic diseases. As a result, SLE patients have urgent needs for effective treatments.

Global SLE prevalence reached 7.6 million in 2018, and is expected to increase to 8.6 million in 2030 at a CAGR of 1.0% from 2018. Primarily driven by an expanding patient pool and an increase in available therapeutic options, the global SLE therapeutic market reached US$1.2 billion in 2018, and is expected to further grow at an accelerated pace, potentially reaching US$12.0 billion in 2030 at a CAGR of 21.2% from 2018.

The prevalence of SLE in China reached 1.0 million in 2018, and is projected to increase to 1.1 million in 2030 at a CAGR of 0.6% from 2018. China's SLE market reached RMB1.4 billion in 2018, and is projected to increase to RMB14.9 billion in 2030 at a CAGR of 21.7% from 2018.

Treatment Paradigm Shifts

The current treatment objective for SLE is to induce remission and suppress symptoms. Both the type and seriousness of the symptoms are taken into account when determining the treatment option for each patient. The most prevalent treatments include non-steroidal anti-inflammatory drugs ("NSAIDs"), corticosteroids, antimalarial drugs and biological therapies.

Considering the high economic burden and the low treatment compliance rate of the current therapeutic options for SLE, there is an urgent need for new types of drugs with superior efficacy and more convenient administration regimen. Various BTK inhibitors are

being developed at clinical stages for SLE, including orelabrutinib, GDC-0853, BIIB068, M2951 and ABBV-105. The following diagram shows the characteristics of the traditional and emerging therapies for SLE:

Traditional Therapy	Therapy Categories	Common Drugs (FDA Approved)	Features
Early Stage	NSAIDS	• Ibuprofen • Naproxen	The drugs can be used to control the symptoms of SLE.
	Antimalarial drugs	• Hydroxychloroquine	
	Immunomodulatory drugs	• Thalidomide	
	Corticosteroids	• Prednisone	
Moderate Stage	Immunomodulatory drugs (Combined with Glucocorticoid)	• Methotrexate • Azathioprine	The drugs are used for remission induction and consolidation therapy. The conditions can be controlled rapidly.
Late Stage	Immunomodulatory drugs	• Cyclophosphamide • Ciclosporin • Mycophenolate mofetil	

Emerging Therapy	Typical Product	Features
Biologics	• mAbs (Belimumab)	Belimumab is a BLyS inhibitor, which showed statistically significant, albeit modest, efficacy for the treatment of SLE. It also needs to be administered by injection. It represents a step forward in advance against SLE.
Small Molecule	BTK Inhibitor	There is no approved BTK inhibitor for the treatment of SLE patients. BTK signaling significantly impacts multiple key effector pathways that contribute to the pathogenesis of SLE. Both B-cell activation and FcR signaling have important implications for the treatment of SLE patients.

Source: Frost & Sullivan Analysis

The following table illustrates the current status of BTK inhibitors for SLE treatment at clinical stage:

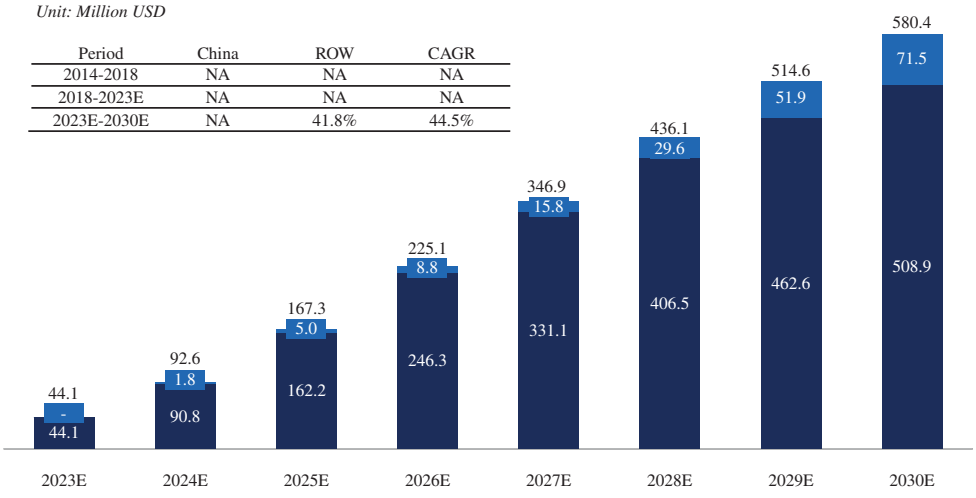
Drug Name	Company	Global Clinical Stage (Except China)	China Clinical Stage
Fenebrutinib	Roche	Phase II	NA
Evobrutinib	Merck KGaA	Phase II	NA
ABBV-105	AbbVie	Phase II	NA
AC0058	ACEA Pharma	Phase I	NA
ICP-022	InnoCare Pharma	NA	Phase I
BIIB068	Biogen	Phase I	NA
SN1011	SinoMab	Phase I	NA

Source: Frost & Sullivan Analysis

Potential Addressable SLE Market of BTK Inhibitors

Based on the current development stage of various drug candidates in the pipeline, BTK inhibitor is expected to be first approved for the treatment of SLE in 2023 globally and in 2024 in China. The global sales of BTK inhibitor in the indication of SLE is expected to grow from US$44.1 million in 2023 to US$580.4 million in 2030 at a CAGR of 44.5%, taking into account (i) the likelihood of moderate to severe SLE patients to employ treatment with BTK inhibitors and (ii) the average price of such inhibitors based on currently marketed products. Similarly, the market size of BTK inhibitors in the indication of SLE in China is expected to grow from US$1.8 million in 2024 to US$71.5 million in 2030, at a CAGR of 84.0%.

Historical and Forecasted Market Size of Global and China BTK Inhibitors in SLE, 2014-2030E



Note: The Procedure listed above is a general approval pathway. In reality, approval pathway may vary case by case.

Other autoimmune disease areas

Rheumatoid Arthritis

Rheumatoid arthritis (RA) is an autoimmune disorder that causes chronic inflammation of the joints and other areas of the body. The current treatment for RA is not able to permanently cure the disease.

Global RA prevalence reached 38.9 million in 2018 and is expected to increase to 41.2 million in 2023 at a CAGR of 1.2% from 2018, and to 45.0 million in 2030 at a CAGR of 1.3% from 2023. Global RA market grew steadily to US$62.8 billion in 2018, which is expected to reach US$69.9 billion in 2023 at a CAGR of 2.2% from 2018, and to US$74.9 billion in 2030 at a CAGR of 1.0% from 2023.

The prevalence of RA in China reached 5.9 million in 2018 and is projected to reach 6.1 million in 2023 at a CAGR of 0.7% from 2018, and to 6.4 million in 2030 at a CAGR of 0.8% from 2023. China's RA market expanded to RMB11.5 billion in 2018, potentially reaching RMB28.0 billion in 2023 at a CAGR of 19.6% from 2018, and RMB83.3 billion in 2030 at a CAGR of 16.8% from 2023.

Multiple Sclerosis

Multiple sclerosis (MS) is a demyelinating disease, which potentially damages the patient's brain and spinal cord. MS may cause a wide range of symptoms, including but not limited to vision problems and movement disorders.

Global MS prevalence reached 2.7 million in 2018 and is expected to increase to 3.1 million in 2023 at a CAGR of 2.8% from 2018, and 3.7 million in 2030 at a CAGR of 2.7% from 2023. Global MS market expanded to US$23.0 billion in 2018, and is expected to reach US$30.8 billion in 2023 at a CAGR of 6.0% from 2018, and US$48.9 billion in 2030 at a CAGR of 6.8% from 2023.

The prevalence of MS in China reached 46,218 in 2018 and is projected to further grow to approximately 52,000 in 2023 at a CAGR of 2.4% from 2018, and to approximately 60,000 in 2030 at a CAGR of 2.1% from 2023. China MS market grew to US$0.2 billion in 2018, and is projected to increase to US$0.5 billion in 2023 at a CAGR of 17.4% from 2018, and to US$2.1 billion in 2030 at a CAGR of 20.8% from 2023.

Psoriasis

Psoriasis is an autoimmune disease that accelerates the life cycle of skin cells, causing the cells to grow rapidly on the surface of the skin, and to form red skin patches. The current therapies for psoriasis are not able to permanently cure the disease, and the major goal of current treatments is to reduce the growth rate of the skin cells.

Global psoriasis prevalence reached 69 million in 2018 and is expected to increase to 73 million in 2023 at a CAGR of 1.0% from 2018, and 78 million in 2030 at a CAGR of 0.9% from 2023. Global psoriasis market expanded to US$21.9 billion in 2018 and is expected to reach US$33.9 billion in 2023 at a CAGR of 9.2% from 2018, and US$45.4 billion in 2030 at a CAGR of 4.3% from 2023.

The prevalence of psoriasis in China reached 6.6 million in 2018 and is projected to further grow to 6.7 million in 2023 at a CAGR of 0.5% from 2018, and to 6.9 million in 2030 at a CAGR of 0.2% from 2023. China psoriasis market grew to US$615.4 million in 2018 and is projected to increase to US$2,118.3 million in 2023 at a CAGR of 28.0% from 2018, and to US$7,783.8 million in 2030 at a CAGR of 20.4% from 2023.

Lupus Nephritis

Lupus nephritis (LN) is the inflammation of the kidneys caused by SLE, which is a common complication for SLE patients. As a type of glomerulonephritis, the patients' nephrons become inflamed, resulting in the kidneys' inability to properly remove the waste from the patients' blood.

Global LN prevalence reached 2.60 million in 2018 and is expected to grow to 2.73 million in 2023 at a CAGR of 1.0% from 2018, and 2.91 million in 2030 at a CAGR of 0.9% from 2023. Global LN market reached US$538.0 million in 2018, and is expected to grow to US$1,086.5 million in 2023 at a CAGR of 15.1% from 2018, and US$4,255.1 million in 2030 at a CAGR of 21.5% from 2023.

LN prevalence in China reached 406,233 in 2018 and is projected to further grow to approximately 423,000 in 2023 at a CAGR of 0.8% from 2018, and to approximately 436,000 in 2030 at a CAGR of 0.4% from 2023. China LN market reached US$97.7 million, and is expected to reach US$144.6 million in 2023 at a CAGR of 8.2% from 2018, and US$683.5 million in 2030 at a CAGR of 24.8% from 2023.

REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the Global Offering, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the worldwide and China oncology drug markets. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We have included certain information from the Frost & Sullivan Report in this prospectus because we believe such information facilitates an understanding of the oncology drug market for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB550,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful listing or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the Global Offering. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

PRC LAWS AND REGULATIONS

Regulations on Company Establishment and Foreign Investment

The PRC Company Law (中華人民共和國公司法), as amended in 2018, applies to the establishment, operation and management of both PRC domestic companies and foreign-invested Enterprises. Investment in the PRC by foreign investors are also regulated by the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated on April 12, 1986 and amended on October 31, 2000 and September 3, 2016, the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, the Sino-foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), promulgated on July 1, 1979 and most recently amended on September 3, 2016, and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated on October 8, 2016 and amended on July 30, 2017 and June 29, 2018. Under these laws and regulations, the establishment of a wholly foreign-owned enterprise is subject to the approval of, or the filing with the MOFCOM or its local counterpart, and such wholly foreign-owned enterprises must register and file with the appropriate administrative bureau of industry and commerce. On January 1, 2020, the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises was terminated and replaced by the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法).

The Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**FIL**"), which was promulgated by the National People's Congress On March 15, 2019, and came into effect on January 1, 2020, provides that the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organisations ("**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The "pre-establishment national treatment" refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that granted to domestic investors and their investments; the "negative list" refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council. After the FIL came into effect, the FIL replaced the Foreign-Owned Enterprise Law and the Sino-foreign Equity Joint Venture Enterprise Law of the PRC.

Foreign investment in China is subject to the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (外商投資產業指導目錄(2017年修訂)) issued on June 28, 2017 and effective from July 28, 2017, and the Special Administrative Measures for

the Access of Foreign Investment (Negative List) (2018 Version) (外商投資准入特別管理措施(負面清單)(2018年版)) issued on June 28, 2018 and effective from July 28, 2018, which together comprise the encouraged foreign-invested industries catalogue and the special administrative measures for the access of foreign investments to the restricted or the prohibited foreign-invested industries. The latter sets out restrictions such as percentage of shareholding and qualifications of senior management. According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises, foreign investments that are not subject to special access administrative measures are only required to complete an online filing with the MOFCOM or its local counterpart. The Catalogue of Industries for Encouraging Foreign Investment (2019 Version), or the 2019 Catalogue, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Revision), or the 2019 Negative list, which were issued on June 30, 2019 and effective from July 30, 2019, further reduced restrictions on the foreign investment and replaced the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Version).

According to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Rules, jointly promulgated by MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation (SAT), the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the SAFE on August 8, 2006, which became effective on September 8, 2006 and was amended by MOFCOM on June 22, 2009, a foreign investor (1) acquiring an equity interest in a non-foreign-invested PRC enterprise or subscribing to additional shares in a non-foreign-invested PRC enterprise, (2) purchasing and operating the assets of non-foreign-invested PRC enterprises through establishment of a foreign-invested enterprise, or (3) purchasing the assets of a non-foreign-invested PRC enterprise and operating such assets through establishment of a foreign-invested enterprise with such assets must comply with the PRC laws and regulations and complete registration/filing with relevant departments. Particularly, any PRC company, enterprise or individual who try to acquire any domestic enterprise affiliated with such company, enterprise or individual through an offshore company established or controlled by such company, enterprise or individual shall comply with relevant foreign investment industry policies and be subject to approval of the MOFCOM.

Laws and regulations of the PRC in relation to Drugs

Drug Regulatory Regime

We operate our business in China through InnoCare Beijing Nuocheng and its PRC subsidiaries under a legal regime consisting of the NPCSC, the State Council and several ministries and agencies under its authority including, among others, the NMPA, and the National Health Commission, or the NHC. The predecessors of the NMPA and NHC are China Food and Drug Administration (CFDA), and the National Health and Family Planning Commission of the PRC, or the NHFPC, respectively, both of which were established in accordance with the Institutional Reform Program of the State Council (國務院機構改革方案)

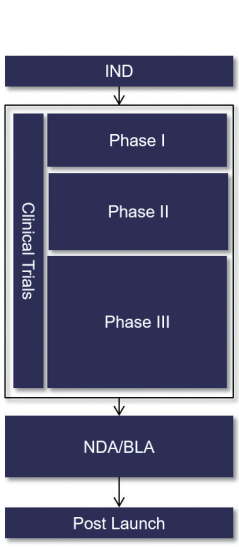
promulgated by the NPC on March 17, 2018. The NMPA is a newly established regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical equipment under the supervision of State Administration for Market Regulation, or the SAMR, a newly established institution for supervising and administrating the market in China.

The NMPA has set up the Center for Drug Evaluation, or the CDE and other institutions. According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (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) issued by the NMPA on March 17, 2017 and effective as from May 1, 2017, the approval for an investigational new drug application, or the IND, should be issued by the CDE in the name of the NMPA.

In addition, according to the Administration of Quality of Drug Clinical Practice (GCP Administration) (藥物臨床試驗質量管理規範) issued by the NMPA on August 6, 2003 and effective as from September 1, 2003 and the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見) issued by the General Office of the CPC Central Committee and the General Office of the State Council on and effective as from October 8, 2017, the institutions for drug clinical trials should establish an independent ethics committee and the clinical trial schemes are subject to examination, approval and signing with approval opinions by the ethics committee before implementation, in order to protect the rights and interests of human subjects in clinical trials. For a multi-centre clinical trial conducted in the PRC, after ethical review by the leader unit of clinical trial, other member units should recognise the review results of the leader unit and should not conduct repeated review.

The CDE recently announced two batches of List of Overseas Drugs in Urgent Need, which include the List of the First Batch of Oversea New Drugs in Urgent Need for Clinical Purposes and the Second Batch of Oversea New Drugs in Urgent Need for Clinical Purposes (the "**Priority Drug Lists**" (臨床急需境外新藥名單)). According to the Announcement on Matters Relating to the Evaluation and Approval of Overseas Drugs in Urgent Need (關於臨床急需境外新藥審評審批相關事宜的公告) issued by the NMPA and National Health Commission, with regard to a new drug included in Priority Drug Lists, the applicant may directly submit its NDA application as well as relevant materials. The CDE will set up a special channel to expedite the evaluation process. With respect to the drug varieties that have not been ascertained and officially declared, the applicants may communicate with the CDE at any time and make an NDA submission as soon as possible.

The following flow chart summarizes and compares the registration procedures in China and the U.S.:



	NMPA	FDA
	Record-keeping system No longer than 60 Days	Record-keeping system No longer than 30 Days
	Phase I must initiate in three years after IND issued.	Phase I must initiate in three years after IND issued.
	Phase II can be exempted for biosimilar and other drug in exempted list in practice.	Phase II requirement is flexible and depends on communication between applicant and FDA.
	For most drug innovative drug candidates, phase III clinical trials need to show a solid result based on sufficient clinical data.	Phase III requirement is flexible and depends on communication between applicant and FDA especially end of Phase IIA meeting (EOP2A).

Business Days	Standard View	Priority view
Clinical Trials	90	80
Manufacturing	150	120

Follow ICH-E2E regime:
- Safety specification
- Pharmacovigilance plan

Standard View	Priority view	Fast Track
10 Months	6 months	60 days

Follow ICH-E2E regime:
- Safety specification
- Pharmacovigilance plan

Note: The Procedure is a general approval pathway. In reality, approval pathway may vary case by case.
Source: Frost & Sullivan analysis.

Pharmaceutical Product Development

In the PRC, the NMPA monitors and supervises the administration of pharmaceutical products, as well as medical devices and equipment. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The PRC Drug Administration Law (中華人民共和國藥品管理法) promulgated by the SCNPC in 1984, as amended in 2001, 2013 and 2015, and the Implement Measures of the PRC Drug Administration Law (中華人民共和國藥品管理法實施條例) promulgated by the State Council effective in September 2002 and amended on February 6, 2016 and March 2, 2019, have laid down the legal framework for the administration of pharmaceutical products, including the research, development and manufacturing of new drugs. The PRC Drug Administration Law applies to entities and individuals engaged in the research, production, trade, application, supervision and administration of pharmaceutical products. It regulates and prescribes a framework for the administration of pharmaceutical manufactures, pharmaceutical trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products. The Implementing Measures of the PRC Drug Administration Law serves to provide detailed implementation regulation for the PRC Drug Administration Law.

The 12th session of the standing committee of the 13th NPC approved the amendment to the Drug Administration Law on August 26, 2019. The revised Drug Administration Law (the "Revised Drug Administration Law") took effect on December 1, 2019 and brought a series of good changes to the drug supervision and administration system, including but not limited to

making it clear what kind of drugs shall be encouraged, changing the clinical trial approval to implied license and prescribing a preferential examination and approval system for certain drugs. According to the Revised Drug Administration Law, drugs refer to articles which are used in the prevention, treatment and diagnosis of human diseases and intended for the regulation of the physiological functions of human beings, for which indications or functions, usage and dosage are specified, including traditional Chinese drugs, chemical drugs and biological products.

Nonclinical Research and Animal Testing

The NMPA promulgated the Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory (藥物非臨床研究質量管理規範) in 2003, which were revised on July 27, 2017, and has conducted the Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory, or GLP Certification since 2003. On April 16, 2007, the NMPA issued the Circular on Measures for Certification of Good Laboratory Practice and for Nonclinical Laboratory (藥物非臨床研究質量管理規範認證管理辦法), or NMPA Circular 214, which provides that the NMPA decides whether an institution is qualified for undertaking pharmaceutical nonclinical research upon the evaluation of the institution's organisational administration, its research personnel, its equipment and facilities and its operation and management of nonclinical pharmaceutical projects. If all the requirements are met, a GLP Certification will be issued by the NMPA and the result will be published on the NMPA's website.

The State Science and Technology Commission promulgated the Regulations for the Administration of Affairs Concerning Experimental Animals (實驗動物管理條例) in November, 1988, which were amended by the State Council in January 2011, July 2013 and March 2017. The State Science and Technology Commission and the State Bureau of Quality and Technical Supervision jointly promulgated the Administration Measures on Good Practice of Experimental Animals (實驗動物質量管理辦法) in December 1997. The State Science and Technology Commission and other regulatory authorities promulgated the Administrative Measures on the Certificate for Experimental Animals (Trial) (實驗動物許可證管理辦法(試行)) in December 2011. All of these laws and regulations require a Certificate for Use of Laboratory Animals for performing experimentation on animals.

Approval and Reform for Clinical Trials of New Drugs

According to the Administrative Measures for Drug Registration (藥品註冊管理辦法) promulgated by the NMPA in July 2007 and effective from October 1, 2007, the PRC Drug Administration Law and Implementing Measures of the PRC Drug Administration Law, new drug application is subject to clinical trials. Upon completion of nonclinical research, clinical trials must be conducted for the application of a new drug registration, and applicants must apply for approval of IND from the NMPA, or the CDE before conducting clinical trials.

The Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (關於改革藥品醫療器械審評審批制度的意見), or the Reform Opinions, promulgated by the State Council on August 9, 2015 established a framework for

reforming the evaluation and approval system for drugs, medical devices and equipment. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

The Circular Concerning Several Policies on Drug Registration Evaluation and Approval (關於藥品註冊審評審批若干政策的公告), or the Several Policies Circular, promulgated by the NMPA on November 11, 2015 further clarified the measures and policies regarding simplifying and accelerating the approval process of drugs on the basis of the Reform Opinions. The circular further provides that the IND of new drugs is subject to one-off umbrella approval, and the declaration review or approval by stages will no longer be adopted.

The Opinions on Encouraging the Prioritised Evaluation and Approval for Drug Innovations (關於鼓勵藥品創新實行優先審評審批的意見) promulgated by the NMPA on December 21, 2017 further clarified that a fast track IND or drug registration pathway will be available to the innovative drugs.

According to the Circular on Adjusting Evaluation and Approval procedures for Clinical Trials for Drugs (關於調整藥物臨床試驗審評審批程序的公告) promulgated by the NMPA on July 24, 2018, within 60 days after the acceptance of and the fees paid for the IND, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

Drug Clinical Trial Registration

According to the Administrative Measures for Drug Registration, upon obtaining the approval of its IND and before conducting a clinical trial, an applicant shall file a registration form with the NMPA containing various details, including the clinical study protocol, the name of the principal researcher of the leading institution, names of participating institutions and researchers, an approval letter from the ethics committee, and a sample of the Informed Consent Form, with a copy sent to the competent provincial administration departments where the trial institutions will be located. The Announcement on Drug Clinical Trial Information Platform (關於藥物臨床試驗信息平台的公告) announced by the NMPA on September 6, 2013, provides that, instead of the aforementioned registration field with the NMPA, all clinical trials approved by the NMPA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of the IND in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrolment in the trial. If the registration is not completed within one year after the approval of the IND, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the IND shall automatically expire.

Phases of Clinical Trials and the Communication with the CDE

According to the Administrative Measures for Drug Registration, a clinical trial consists of Phases I, II, III and IV. Phase I refers to the initial clinical pharmacology and safety evaluation studies in humans. Phase II refers to the preliminary evaluation of a drug candidate's therapeutic effectiveness and safety for particular indications in patients, to provide evidence and support for the design of Phase III clinical trials and to settle the administrative dose regimen. Phase III refers clinical trials undertaken to confirm the therapeutic effectiveness and safety on patients with target indications, to evaluate the overall benefit-risk relationships of the drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug's post-marketing study to assess the therapeutic effectiveness and adverse reactions when the drug is widely used, to evaluate the overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose.

However, according to the Technical Guiding Principles for Clinical Trials of Anti-tumor Drugs (抗腫瘤藥物臨床試驗技術指導原則) issued by the NMPA on May 15, 2012, the clinical study staging of anti-tumor drugs is not a fixed developmental sequence. The rapid development of anti-tumor drug research theories and technologies is likely to have an impact on future anti-cancer drug development models. Therefore, applicants can actively explore more scientific and rational research methods and promptly seek advice from the drug registration department under the NMPA. According to Opinions of the NMPA on Encouraging Drug Innovation and Implementing Priority Review and Approval, conditional approval of a new drug before completion of a confirmatory Phase III trial may be appropriate if clinical data from an early-stage clinical trials reveals predictable clinical benefits or significantly outperforms the current treatments available in the market. For example, in practice if the efficacy of a drug can be verified in a Phase II clinical trial and its according clinical benefits are predictable, then after completion of a Phase II clinical trial and subject to communication with the CDE, an NDA could be submitted for conditional approval with Phase I and II clinical trials as registrational trials. For such submissions, a confirmatory Phase III trial is required to be implemented post-approval to provide additional evidence of efficacy and safety for the drug candidate. If such confirmatory Phase III trial fails to generate satisfactory results, the approval for a new drug could be suspended. Please also see the section headed "Risk Factors – Risks Relating to Extensive Government Regulation" for details on relevant risks.

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol.

According to the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (藥物研發與技術審評溝通交流管理辦法), or the Communication Measures, promulgated by the NMPA on September 30, 2018, during the research and development periods and in the registration applications of, among others, the

innovative new drugs, the applicants may propose to conduct communication meetings with the CDE. The communication meetings can be classified into three types. Type I meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II meetings are held during the key research and development periods of drugs, mainly including meetings before the IND, meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a marketing application for a new drug, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Sampling and Collecting Human Genetic Resources Filing

The Interim Administrative Measures on Human Genetic Resources (人類遺傳資源管理暫行辦法), promulgated by the Ministry of Science and Technology and the MOH on June 10, 1998, aimed at protecting and fair utilizing human genetic resources in the PRC. On July 2, 2015, the Ministry of Science and Technology issued the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南), or the Service Guide, which became effective on October 1, 2015. According to the Service Guide, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organisation of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry of Science and Technology promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (關於優化人類遺傳資源行政審批流程的通知), simplifying the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the People's Republic of China on the Administration of Human Genetic Resources promulgated by the State Council on June 10, 2019 and implemented on July 1, 2019, further stipulates that in order to obtain marketing authorisation for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the two parties shall file the type, quantity and usage of the human genetic resource to be used with the administrative department of science and technology under the State Council before clinical trials.

Sample Manufacturing Practice

According to the Administrative Measures for Drug Registration, all facilities and techniques used in the manufacture of drug samples for clinical trial use in the PRC must conform to GMP guidelines as established by the NMPA.

International Multi-Center Clinical Trials Regulations

According to the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (國際多中心藥物臨床試驗指南(試行)), or the Multi-Center Clinical Trial Guidelines, promulgated by the NMPA on January 30, 2015 and effective from March 1, 2015, international multi-centre clinical trial applicants may simultaneously perform clinical trials in different centres using the same clinical trial protocol. Where the applicants plan to implement the International Multi-centre clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the PRC Drug Administration Law, the Implementing Regulations of the PRC Drug Administration Law and the Administrative Measures for Drug Registration, execute the GCP, make reference to universal international principles such as the ICH-GCP, and comply with the laws and regulations of the countries involved in the International Multi-Center clinical trials. Where the applicants plan to use the data derived from the International Multi-Center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) and Administrative Measures for Drug Registration and other related laws and regulations.

According to the Technical Guiding Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (接受藥品境外臨床試驗數據的技術指導原則) promulgated by the NMPA on July 6, 2018, the basic principles for accepting overseas clinical trial data include: (1) applicants shall ensure the authenticity, integrity, accuracy and traceability of overseas clinical trial data; (2) the process of generating overseas clinical trial data shall comply with the relevant requirements of the Good Clinical Practice (GCP) of International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH); (3) applicants shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system with the requirements, and the accuracy and integrity of statistical analysis of data; and (4) to ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home and abroad and forthcoming clinical trials in China, the applicants may, prior to implementing pivotal clinical trials, contact the CDE to ensure the compliance of pivotal clinical trial's design with the essential technical requirements for drug registration in China.

New Drug Application

According to the Administrative Measures for Drug Registration, drug registration applications include domestic new drug application, domestic generic drug application and imported drug application. Drugs are classified as chemical drugs, biological products and traditional Chinese medicine or natural drugs. When Phases I, II and III of clinical trials have been completed, the applicant may apply to the NMPA for approval of a new drug application. The NMPA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE of the NMPA.

According to the Opinions on Encouraging the Prioritised Evaluation and Approval for Drug Innovations, for new drugs which are developed for severe, life-threatening diseases currently lacking effective treatment and have great significance for meeting clinical needs, if, based on early-stage clinical trial data, the clinical benefits of such drugs can be reasonably predicted or decided and such drugs have distinctive advantages comparing with existing treatments, such new drugs may obtain a conditional approval for marketing before the completion of Phase III clinical trials undertaken to confirm its therapeutic effectiveness.

Special Examination and Fast Track Approval for Antineoplastic Drugs under Current Reform Frame

According to the Provisions on the Administration of Special Examination and Approval of Registration of New Drugs (新藥註冊特殊審批管理規定) promulgated by the NMPA on January 7, 2009, special examination and approval for new drugs registration applications applies when (1) the effective constituent of a drug extracted from plants, animals, and minerals, as well as the preparations thereof, have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw materials for medicines as well as the preparations thereof and the biological product have not been approved for marketing, either in China or aboard; (3) new drugs with distinctive clinical treatment advantages for diseases such as AIDS, malignant tumor or other rare diseases; or (4) new drugs for diseases that currently lacking effective treatment. Under the circumstances set out in (1) and (2), drug registration applicants may make special approval applications in submitting applications for clinical trials of new drugs; under the circumstances set out in (3) and (4), drug registration applicants may make special approval applications only in applying for production.

According to the Opinions on Reform of the Review & Approval System of Drugs and Medical Devices (關於改革藥品醫療器械審評審批制度的意見), a special review & approval system shall be adopted for innovative drugs to accelerate the review & approval of innovative drugs for prevention and treatment of AIDS, cancer, major infectious diseases, rare diseases and other diseases.

Announcement on Several Policies Pertaining to the Review & Approval of Drug Registration (關於藥品註冊審評審批若干政策的公告) further specifies that efforts shall be made to accelerate the review & approval of registration application for several categories of innovative drugs including those for prevention and treatment of cancer and other diseases. From December 1, 2015 onwards, applicants may apply to the CDE for accelerated review.

According to the Opinions on Encouraging the Priority Review & Approval for Drug Innovations (關於鼓勵藥品創新實行優先審評審批的意見), registration applications for cancer-combating drugs with noticeable clinical strength will be included in the scope of priority review & approval.

According to the Announcement on Matters Concerning the Optimisation of Drug Registration Review & Approval (關於優化藥品註冊審評審批有關事宜的公告) jointly issued by the NMPA and the National Health Commission on May 23, 2018 and effective from the same date, the CDE will prioritise the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of priority review & approval so as to speed up review & approval.

The reform for chemical drugs' registration classification

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

Pilot Plan for the Marketing Authorisation Holder System

The Reform Opinions provides a pilot plan for the marketing authorisation holder system, or the MAH system.

Under the authorisation of the NPCSC, the General Office of the State Council issued the Pilot Plan for the Drug Marketing Authorisation Holder Mechanism (藥品上市許可持有人制度試點方案) on May 26, 2016, which provides a detailed pilot plan for the MAH system, for drugs in 10 provinces in China. Under the MAH system, domestic drug research and development institutions and individuals in the pilot regions are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorisation holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and GMP-certified, and are also located within the pilot regions. Drugs that qualify for the MAH System are: (1) new drugs (including biological products approved as category I and VII drugs and biosimilars under the Administrative Measures for Drug Registration) approved after the implementation of the MAH System; (2) generic drugs approved as category III or IV drugs under the Reform Plan for Registration Category of Chemical Medicine (化學藥品註冊分類改革工作方案) issued by the NMPA on March 4, 2016; (3) previously approved generics that have passed equivalence assessments against original drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the pilot regions, but which have moved out of the pilot regions due to corporate mergers or other reasons.

The Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorisation Holder System (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), or the MAH Circular, promulgated by the NMPA on August 15, 2017, clarified the

legal liability of the marketing authorisation holder, who is responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assumes the full legal liability for nonclinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring. According to the MAH Circular, the marketing authorisation holder shall submit a report of drug manufacturing, marketing, prescription, techniques, pharmacovigilance, quality control measures and other situations to the NMPA within 20 working days after the end of each year.

The Decision of Extending the Pilot Period of Authorizing the State Council to Carry out the Pilot Plan for the Drug Marketing Authorisation Holder Mechanism in Certain Places (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), promulgated by SCNPC on October 26, 2018, extended the term of the MAH system to November 4, 2019.

The PRC Drug Administration Law was revised by the NPCSC on August 26, 2019 and came into effect on December 1, 2019, provides that (1) the MAH system will be applicable throughout the country; (2) the legal representative and the key person-in-charge of a drug marketing authorisation holder shall be fully responsible for the quality of drugs.

Monitoring Periods for New Drugs

According to the Implementing Regulations of the Drug Administration Law and the Administrative Measures for Drug Registration, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of not more than five years for new drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of such new drugs. During the monitoring period of a new drug, no approval shall be granted to any other manufacturer to produce or import the said drug. The only exception is that if, prior to the commencement of the monitoring period, the NMPA has already approved any other IND of the same drug may proceed along drug registration application, review and approval procedures. Where regulations are conformed to, the NMPA shall approve the production or import of the same drug, and the monitoring of such drug produced by the domestic manufacturers should be conducted together with the drug already in the monitoring period.

Packaging of Pharmaceutical Products

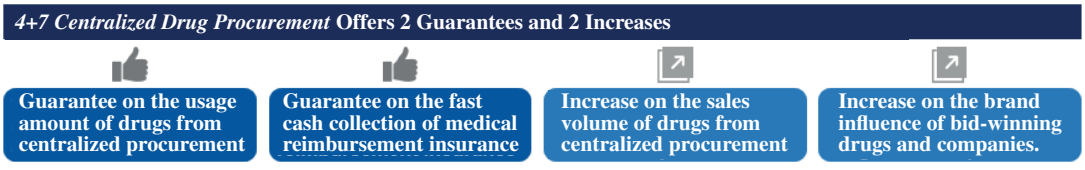
According to the Measures for The Administration of Pharmaceutical Packaging (藥品包裝管理辦法) promulgated on February 12, 1988 and effective from September 1, 1988, pharmaceutical packaging must comply with national and professional standards. If there is no national or professional standard available, an applicant can formulate and implement its own standards after obtaining the approval of the provincial administration or bureau of standards. The applicant must reapply if it needs to change its own packaging standards. Drugs that have not been developed and approved for packaging standards must not be sold or marketed in the PRC (except for drugs for the military). According to the GCP Administration, the applicant shall be responsible for the proper packaging and labelling of drugs for clinical trials and in double-blinded clinical trials, the test drug shall be consistent with the control drug or placebo in appearance, odour, packaging, labelling, and other features.

Centralized Drug Procurement and Use

According to the Notice of Issuing the Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State issued by the General Office of the State Council (關於印發國家組織藥品集中採購和使用試點方案的通知) on January 1, 2019, and the Opinions on the Medical Insurance Supporting Measures for the Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State issued by the State Medical Insurance Administration (關於國家組織藥品集中採購和使用試點醫保配套措施的意見) ("**4+7 Centralized Drug Procurement**") on February 28, 2019, eleven pilot cities including Beijing, Tianjin, Shanghai, Chongqing and Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an, are selected as the pilot cities for the centralized procurement and use of drugs under the organization of the State. The scope of drugs to be procured in a centralized manner includes selected varieties from the generic names corresponding to generic drugs passing consistency evaluation of quality and efficacy. On the basis of the procurement submitted by public medical institutions in the pilot regions, the total procurement shall be estimated at 60%-70% of total annual drug consumption of all public medical institutions in the pilot regions, and the centralized drug purchasing prices shall be formed by conducting quantity-specific procurement, pegging procurement to prices and trading procurement for prices. After completing the purchases by the public medical institutions in the pilot regions, the public medical institutions shall use the selected drugs as the priority, and the quantity of the selected drugs used during the pilot procurement period shall be no less than that of the non-selected drugs.

According to the Implementation Opinions on Expanding the Regional Scope in the Pilot Program of Centralized Drug Procurement and Use Organized by the State (關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見) issued by several authorities including the National Healthcare Security Administration and NMPA, among others, on September 25, 2019, mode of centralized procurement of drugs with quantity for centralized procurement and use of drugs organized by the State is being promoted throughout the country and such mode is applicable to 25 designated generic drugs in the pilot program of centralized drug procurement and use of drugs organized by the State.

The following diagram illustrates the advantages and goals of 4+7 Centralized Drug Procurement:



Under 4+7 Centralized Drug Procurement, the healthcare institutions procure the bid-winning drugs with priority, and the doctors have to prescribe the bid-winning drugs so as to satisfy the required quantity commitment. As a result, the sales volume of the bid-winning drugs will significantly increase in the short run, which enables the drugs to gain a substantial

market share. Despite of the erosion effect of the average selling price, in the medium run, winning bidders are expected to continue obtaining a higher market share. Given that winning bidders are awarded with the guaranteed procurement, such pharmaceutical companies may be able to reduce their sales and marketing expenses.

Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations. On March 17, 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (關於深化醫藥衛生體制改革的意見), On December 27, 2016, the State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (關於印發"十三五"深化醫藥衛生體制改革規劃的通知), On April 25, 2017, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2017 (深化醫藥衛生體制改革2017年重點工作任務), Highlights of these healthcare reform policies and regulations include (1) establishing a basic healthcare system to cover both urban and rural residents and providing the Chinese people with safe, effective, convenient and affordable healthcare services, (2) improving the healthcare system through the reform and development of a graded hierarchical healthcare system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision, and (3) improving the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population. On May 23, 2019, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2019 (深化醫藥衛生體制改革2019年重點工作任務), highlighting the following policies and regulations (1) reinforcing the degree of cancer prevention and treatment, accelerating the registration and approval of anti-cancer new drugs at home and abroad and remaining the temporary channel of imperative anti-cancer drugs importation open, (2) consolidating and improving the basic medicine system and establishing an inventive and restrictive mechanism for preferential use. Improving the dynamic adjusting mechanism of the NRDL and incorporating the eligible therapeutic drugs listing in the National Essential Drug List into the NRDL first in accordance with the procedure.

Pursuant to the Notice of the Ministry of Human Resources and Social Security on Issuing the National Drug Catalogue for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance ("2017 Edition") (關於印發國家基本醫療保險、工傷保險和生育保險藥品目錄(2017年版)的通知), the competent social insurance departments of the provinces (autonomous regions and municipalities directly under the Central Government) shall make adjustments to the drugs of Class B in strict accordance with the current laws, regulations, and documents. The quantity adjusted by each province (autonomous region or municipality directly under the Central Government) (including those drugs to be included in or removed from the NRDL and those within the scope of limited payment) shall not exceed 15% of the quantity of national drugs of Class B.

According to the Notice of the National Healthcare Security Administration and Ministry of Human Resources and Social Security on Issuing the National Drug Catalogue for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (關於印發國家基

本醫療保險、工傷保險和生育保險藥品目錄的通知), which came into effect on January 1, 2020 (the "Notice"), all places shall implement the NRDL in a strict manner, and shall not have the discretion to formulate the catalogue or increase the drugs of Class B in any form, or adjust the scope of limited payment. For those drugs that were already added to Class B of the provincial catalogue in accordance with the 2017 Edition, the drugs shall be gradually removed within 3 years. Priority shall be given to adjusting the scope of payment for the drugs that were listed in the First Batch of National Key Monitored Drugs for Rational Use (chemical and biological products) (第一批國家重點監控合理用藥藥品目錄(化藥及生物製品)), which was issued and implemented on June 11, 2019.

Pursuant to the Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (城鎮職工基本醫療保險用藥範圍管理暫行辦法), jointly issued by several authorities including the Ministry of Labor and Social Security and the Ministry of Finance on May 12, 1999, among others, the NRDL shall be adjusted every two years in principle, and the provincial reimbursement drug list ("PRDL") shall be adjusted accordingly. The NRDL is permitted to be expanded to include new drugs once per year, while provincial governments are not entitled to expand their PRDLs on their own. The 5th NRDL was published in August 2019 to remove 150 drugs and add 148 drugs. Consideration was given to the scope of reimbursement and the ratio of traditional Chinese medicine to western medicine to meet current medical demands. The 5th NRDL was then adjusted in the negotiation that occurred in November 2019 to add 70 drugs with an average price cut of 60.7%, which mainly consist of oncology, chronic disease, and rare disease drugs. Moreover, the contracts of 27 existing drugs were successfully extended with an average price cut of 26.4%.

Chronic Diseases Prevention and Treatment

According to the Guiding Opinion of the General Office of the State Council on Promoting the Construction of the Hierarchical Healthcare System (國務院辦公廳關於推進分級診療制度建設的指導意見), or the Hierarchical Healthcare System Opinion, issued by the General Office of the State Council on September 8, 2015, and the Notice on Promoting Pilot Work for Hierarchical Healthcare System (關於推進分級診療試點工作的通知) jointly promulgated by the NHFPC and the State Administration of Traditional Chinese Medicine on August 19, 2016, the hierarchical healthcare system is expected to be gradually improved. The Hierarchical Healthcare System Opinion further clarified that several chronic diseases, including hypertension, diabetes, cancer and cardiovascular and cerebrovascular diseases, are pilot diseases under the hierarchical healthcare system. Primary health institutions, rehabilitation hospitals, and nursing institutions can provide treatments, rehabilitation and nursing services to patients with chronic diseases, patients in rehabilitation, elderly patients and advanced tumor patients who have clear diagnosis and stable disease conditions.

On January 22, 2017, the General Office of the State Council promulgated the Mid and Long-Term Plan for Chronic Disease Prevention and Treatment in China (2017-2025) (中國防治慢性病中長期規劃(2017-2025)), or the Chronic Disease Plan. One of its objectives is to raise up the overall 5-year survival rate in cancer patients by 5% by 2020 and 10% by 2025.

It also points out that the hierarchical healthcare system of chronic diseases, such as tumor, shall be promoted. The social participation in regional medical services, as well as social investments in the field of chronic disease prevention and treatment is also encouraged.

PRC Coverage and Reimbursement

Coverage of the National Medical Insurance Program

The national medical insurance program was first adopted according 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 enrol their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. On July 10, 2007, the State Council issued 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), further enlarged the coverage of the basic medical insurance program, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In addition, on January 3, 2016, the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (國務院關於整合城鄉居民基本醫療保險制度的意見) issued by the State Council 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 other than rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

Medical Insurance Catalogue

Program participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知), or the Medical Insurance Coverage Notice, jointly issued on May 12, 1999 by several authorities including, among others, the Ministry of Labour and Social Security and the Ministry of Finance, provides that a pharmaceutical product listed in the medical insurance catalogue must be clinically necessary, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) be set forth in the pharmacopoeia of the PRC, (2) satisfy the standards promulgated by the NMPA, and (3) be approved by the NMPA for imported pharmaceutical products.

The National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (國家基本醫療保險、工傷保險和生育保險藥品目錄), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. The MOHRSS (According to the above institutional reform, the functions

with respect to change the NRDL have been transferred to the PRC National Health Insurance Bureau), together with other government authorities, has the power to determine which medicines are listed in the NRDL. Medicines listed in the NRDL are divided into two parts, List A and List B. List A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while List B drugs are clinical treatments with good efficacy and slightly higher prices compared to List A drugs.

On July 13, 2017, the MOHRSS announced that the 2017 NRDL would be expanded to include an additional 36 drugs classified as List B medicines, 18 of which are anti-cancer drugs. On September 30, 2018, the PRC National Health Insurance Bureau announced that another 17 anti-cancer drugs were included into the 2017 NRDL classified as List B Medicines. Since 2017, the NRDL has reflected an emphasis on drugs that treat cancer. The 5th NRDL was promulgated in August 2019 to remove 150 drugs and add 148 new drugs, and was adjusted in November 2019 to add 70 drugs.

According to the Medical Insurance Coverage Notice, a PRDL must be made by the labour administration departments of the provincial governments in the PRC. Provincial evaluation institutions and expert groups select the drugs to be listed in the PRDL. Provincial governments are required to include all List A drugs listed in the NRDL in their PRDL, but have discretion to adjust upwards or downwards by no more than 15% the number of List B drugs listed in the NRDL to be listed in the PRDL based on local economic levels, medical demands, and medication practices.

According to the Medical Insurance Coverage Notice, patients purchasing List A drugs listed in the NRDL are entitled to reimbursement of the entire amount of the purchase price through the basic medical insurance program. Patients purchasing List B drugs listed in the NRDL are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price through the basic medical insurance program.

The NRDL must be adjusted every two years in principle, and the PRDL must be adjusted based on the adjustment of the NRDL. The PRDL can only be adjusted according to the respective adjustment of the NRDL, and all adjustments to the List A drugs in the NRDL are required to be made in the PRDL. The NRDL is permitted to be expanded for new drugs once every year, while provincial governments are not permitted to expand the PRDL for new drugs.

The Opinions on Promoting Drug Pricing Reform (推進藥品價格改革的意見), which was promulgated by the NDRC, the NHFPC, the NMPA, the MOFCOM and certain other departments on May 4, 2015, and came into effect on June 1, 2015, set forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. The prices of patent drugs and exclusively produced drugs are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that

are purchased by the government in a centralised manner, and AIDS antiviral drugs and contraceptives provided by the government for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned above, the prices for other drugs may be determined by manufacturers and operators on their own on the basis of production or operation costs and market supply and demand. In addition, the 2017 NRDL proposed to explore the development of a negotiation mechanism for drugs to be listed in the NDRL. The MOHRSS will, in accordance with relevant criteria, negotiate for the drugs proposed to be negotiated as determined by experts upon review. Those eligible drugs will be included in the payment scope of the medical insurance fund.

According to the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices, to support the clinical application of new drugs, (1) the dynamic adjustment mechanism applicable to the catalogue of drugs by medical insurance will be improved, (2) the establishment of a negotiation mechanism regarding payment standards for drugs covered by medical insurance will be explored, (3) new drugs will be promptly incorporated according to applicable provisions into the payment scope covered by basic medical insurance, and (4) research and development of new drugs will be supported.

Intellectual Property Rights

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (與貿易有關的知識產權協議), the Paris Convention for the Protection of Industrial Property (保護工業產權巴黎公約), the Madrid Agreement Concerning the International Registration of Marks (商標國際註冊馬德里協議) and the Patent Cooperation Treaty (專利合作協議).

Patents

According to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984, as amended on September 4, 1992, August 25, 2000 and December 27, 2008, and effective from October 1, 2009 and the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the State Council on June 15, 2001 and as amended on December 28, 2002 and January 9, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates. Any individual or entity that utilises a patent or conducts any other activity in infringement of a patent without prior authorisation of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the PRC Patent Law, for public health purposes, the State Intellectual Property Office of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, according to the Patent Law, any organisation or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法), promulgated by the SCNPC in September 1993, as amended in November 4, 2017 and April 23, 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Trademarks

According to the Trademark Law of the PRC (中華人民共和國商標法), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and effective from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (互聯網域名管理辦法) issued by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017 and effective from November 1, 2017, and the Implementing Rules on Registration of Domain Names (中國互聯網絡信息中心域名註冊實施細則) issued by China Internet Network Information Center on May 28, 2012, which became effective on May 29, 2012. The MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Product Liability

The Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. Manufactures shall not be liable when they are 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 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.

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

Environmental Protection

Construction Project Environment Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018 respectively, the Administrative Regulations on the Environmental Protection of Construction Project (建設項目環境保護管理條例), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing. The composition of assessment reports and assessment forms shall be undertaken by institutions qualified for assessment of environmental impact engaged by enterprises planning to construct projects.

Water Pollution and Pollutant Discharge

According to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated by the SCNPC on May 11, 1984 and amended on May 15, 1996, February 28, 2008 and June 27, 2017, and effective from January 1, 2018, the

Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018 respectively, the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) promulgated by the SCNPC on October 29, 1996 and amended on December 29, 2018, and the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法), promulgated by the SCNPC on October 30, 1995 and amended on December 29, 2004, June 29, 2013, April 24, 2015 and November 7, 2016, 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.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (城鎮排水與污水處理條例), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可管理辦法), which was promulgated on January 22, 2015 and came into force on March 1, 2015. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

Hazardous Chemicals

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

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

According to the Administrative Regulations on Precursor Chemicals (易制毒化學品管理條例), effected on November 1, 2005 and amended on July 29, 2014 and February 6, 2016 and September 18, 2018, the state applies the classified administration and licensing system to the production, distribution, purchase, transportation and import and export of precursor chemicals. An entity that is to purchase any precursor chemical in Category II or III shall, prior to the purchase, report the type and quantity in demand for record, with the public security authority of the local people's government at the county level.

Fire Prevention

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "Fire Prevention Law") was adopted on April 29, 1998, amended on October 28, 2008 and April 23, 2019. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the emergency management authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire and rescue department of such a people's government is responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards.

Foreign Exchange Control

According to the PRC Regulation for the Foreign Exchange (中華人民共和國外匯管理條例), or the Foreign Exchange Regulations promulgated by the PRC State Council on January 29, 1996, which was amended on January 14, 1997 and August 5, 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (結匯、售匯及付匯管理規定), or the Settlement Regulations promulgated by the People's Bank of China on June 20, 1996 and effective from July 1, 1996, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends.

According to the Circular of SAFE on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資匯管理政策的通知) and its appendix, the Operating Rules for Foreign Exchange Issues with Regard to Direct Investment under Capital Account (資本項目直接投資外匯業務操作規程), promulgated on November 19, 2012 and amended on May 4, 2015 by the State Administration of Exchange Control, or the SAFE, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved. Later, on February 13,

2015, the SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), effective from June 1, 2015, which prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

The Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors (外國投資者境內直接投資外匯管理規定), or the FDI Provisions, which were promulgated by the SAFE on May 11, 2013 and became effective on May 13, 2013, and as amended on October 10, 2018, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated by the SAFE on Mach 30, 2015 and effective from June 1, 2015, and the Circular on the Reform and Standardisation of the Management Policy of the Settlement of Capital Projects (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

The 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 (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or the SAFE Circular 37, on July 4, 2014. The SAFE Circular 37 requires PRC residents to register with the local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Failure to comply with the SAFE registration requirements could result in liability under PRC law for evasion of foreign exchange controls. The Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment provides that the bank instead of SAFE can directly handle the initial foreign exchange registration and amendment registration under SAFE Circular 37.

According to the Measures for the Administration of Overseas Investment (境外投資管理辦法) promulgated by the MOFCOM on September 6, 2014 which became effective on October 6, 2014, overseas investment means the enterprises legally incorporated in the PRC which own the non-financial enterprises or obtain the ownership, control, operation management rights and other interests of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. MOFCOM and the provincial commercial administration authorities are responsible for the management and supervision of the overseas investments. MOFCOM and the provincial commercial administration authorities will implement filing administration and approval respectively according to the different types of overseas investments.

According to the Administrative Measures for Overseas Investment by Enterprises (企業境外投資管理辦法) promulgated by the National Development and Reform Commission on December 26, 2017, which became effective on March 1, 2018, overseas investment means any investment activity in which a domestic enterprise of the PRC obtains overseas ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset, interest or providing financing and guarantee. To conduct overseas investment, certain procedures (such as approval and record-filing of overseas investment project) shall be complied with according to the relevant circumstances of the overseas investment project.

Labour and Social Insurance

According to the PRC Labour Law (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994 and effective from January 1, 1995, and amended on August 27, 2009 and December 29, 2018 respectively, the PRC Labour Contract Law (中華人民共和國勞動合同法), which was promulgated by the SCNPC on June 29, 2007 and effective from January 1, 2008, and amended on December 28, 2012 and effective from July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (中華人民共和國勞動合同法實施條例), which was promulgated by the State Council on September 18, 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labour safety and sanitation, strictly abide by State rules and standards, provide education regarding labour safety and sanitation to its employees, provide employees with labour safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and effective from July 1, 2011, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to open social insurance account and housing provident fund account within 30 days from the date of establishment, and employers are also required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Dividend Distribution

According to the PRC Company Law, the PRC Foreign-Owned Enterprise Law and the Implementing Rules for the PRC Foreign-Owned Enterprise Law, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. A foreign-invested enterprise is required to set aside at least 10% of its respective accumulated profits each year to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. These wholly foreign-owned companies may also allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. Amounts allocated to these reserve funds and staff welfare and bonus funds reduce the amount distributable as cash dividends. Upon approval of the competent governmental authorities, foreign investors may utilise RMB dividends to invest or re-invest in enterprises established in China.

According to the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) promulgated by the SAFE on January 26, 2017, (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Employee Stock Incentive Plan

On February 15, 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Stock Option Rules, which prescribed that PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organisations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. Moreover, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with local branches of SAFE before exercising rights.

Enterprise Income Tax

According to the EIT Law promulgated by the National People's Congress on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) promulgated by the State Council on December 6, 2007, which became effective on January 1, 2008, and amended on April 23, 2019, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises". Besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行税收協議股息條款有關問題的通知) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (國家税務總局關於税收協議中"受益所有人"有關問題的公告) issued by the SAT on February 3, 2018 and effective from April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

OVERVIEW

We are a clinical stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancer and autoimmune diseases. Led by a well-known management team of seasoned industry executives, we have built a biopharmaceutical platform with strong in-house R&D capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates are targeting both evidence-based and novel biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. In less than four years, our team has discovered and developed a pipeline of nine drug candidates, including one candidate with an NDA for r/r CLL/SLL and an NDA for MCL submitted and accepted for review by the NMPA, two candidates under clinical evaluation in Phase I/II trials and six candidates at the IND-enabling stage. Our strategy is to rapidly advance our clinical programs and seek approval to commercialize our product candidates in China. At the same time, we are expanding clinical trials globally including the United States for promising indications to maximize the commercial value of our assets.

We strategically focus on therapies for the treatment of cancer and autoimmune diseases – two large therapeutic areas with significant market opportunity and synergies. The global oncology drug market reached US$128.1 billion in 2018, and the global market size of autoimmune drugs reached US$113.7 billion in 2018, according to Frost & Sullivan. Our pipeline features three highly-differentiated and/or novel clinical stage oncology candidates covering major cancer indications, including orelabrutinib (Bruton Tyrosine Kinase (BTK) inhibitor), ICP-192 (pan-fibroblast growth factor receptor (pan-FGFR) inhibitor) and ICP-105 (fibroblast growth factor receptor 4 (FGFR4) inhibitor). We are currently studying these drug candidates as monotherapies and exploring their potential in combination with standard of care or other therapeutics. We are also developing multiple drug candidates for the treatment of autoimmune diseases caused by B-cell or T-cell dysfunctions, including orelabrutinib and ICP-330 (Tyrosine Kinase 2 (TYK2) inhibitor).

Our clinical stage candidates include the following:

- **Orelabrutinib (ICP-022)**: a potential best-in-class, highly selective and irreversible BTK inhibitor currently being evaluated in a broad clinical program in China and the U.S. for the treatment of various B-cell malignancies and autoimmune diseases. We are assessing orelabrutinib in registrational trials for two lead indications, relapsed and refractory (r/r) chronic lymphocytic leukemia or small lymphocytic lymphoma (CLL/SLL) and r/r mantle cell lymphoma (MCL). The NDA for r/r CLL/SLL was submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020.

We are also evaluating orelabrutinib in three Phase II studies for patients with r/r marginal zone lymphoma (MZL), r/r central nervous system lymphoma (CNSL) and r/r Waldenstrom's Macroglobulinemia (WM) in China, and have initiated a Phase I study of orelabrutinib in combination with MIL62, a next-generation CD20 antibody for follicular lymphoma (FL) patients in China.

We are currently communicating with the relevant authority to finalize study protocols for orelabrutinib as a first-line therapy for CLL/SLL patients in a Phase III study in China. We also plan to initiate a Phase II study to investigate orelabrutinab in patients with r/r non-GCB diffuse large B-cell lymphoma (DLBCL) sub-population with double mutations as a monotherapy in China.

Separately, we have initiated a Phase I basket trial for B-cell malignancies in the U.S.

We also plan to evaluate orelabrutinib as a potential therapy for the treatment of autoimmune diseases. We are currently obtaining approval from the relevant authority to start patient enrollment for a Phase Ib/IIa trial of orelabrutinib in combination with standard of care treatment for systemic lupus erythematosus (SLE) in China.

- **ICP-192**: a potential best-in-class, potent and selective pan-FGFR inhibitor that we are developing for the treatment of various types of solid tumors. ICP-192 is one of the most advanced clinical stage pan-FGFR inhibitors being developed in China. We are currently conducting a Phase I/IIa study of ICP-192 to define its MTD and/or OBD and PK/PD in patients with solid tumors. The plasma exposure of ICP-192 at 8 mg QD has exceeded the therapeutic exposure of ICP-192 in pre-clinical efficacy studies in xenograft models. Hyperphosphatemia, a PD marker for FGFR inhibition, was consistently observed in treated patients at dose 8 mg QD. After MTD and/or OBD is identified, we will expand our clinical efforts with the selected regimen in relevant cancer patients to further evaluate the safety and efficacy of ICP-192 to define registration path. We will initially focus the expansion studies on cholangiocarcinoma with FGFR2 fusions and urothelial cancer with FGFR2/3 genetic alterations. We plan to collect further data to assess whether ICP-192 will be a potential treatment option for patients with FGFR mutation in combination with therapeutic agents such as immune checkpoint inhibitors. We also plan to conduct expansion trials for promising indications in the U.S. We expect to initiate the Phase II trials by the second quarter of 2020.

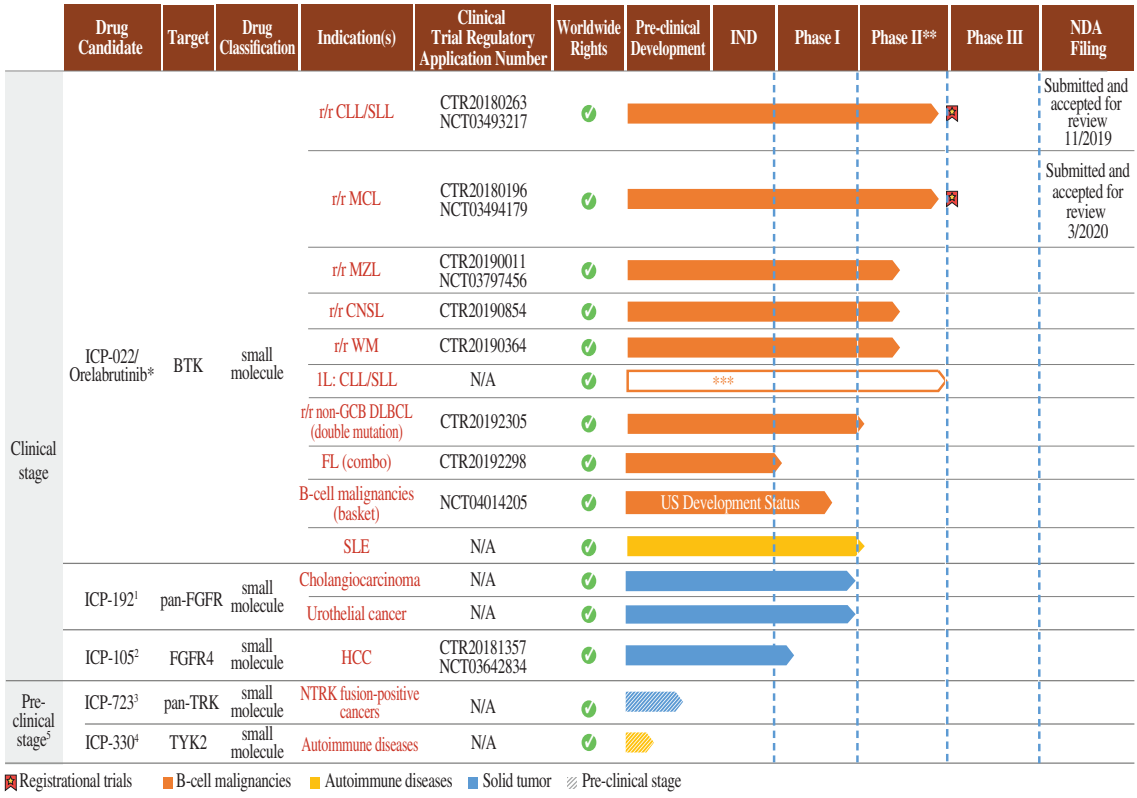
- **ICP-105**: a potential first-in-class, potent and highly selective FGFR4 inhibitor. We are developing ICP-105 primarily for the treatment of advanced hepatocellular carcinoma (HCC) with FGFR4 pathway overactivation. Currently, ICP-105 is under clinical evaluation in a Phase I dose escalation trial to identify the MTD and/or OBD in China. We plan to initiate an open-label Phase IIa study to evaluate the safety and efficacy of ICP-105 in HCC patients with FGFR4 pathway overactivation. We also plan to explore the use of ICP-105 in combination with immune checkpoint inhibitors for the treatment of advanced HCC with FGFR4 pathway overactivation. We expect to complete the Phase I trial in the first or second quarter of 2020.

In addition to our three clinical stage candidates, our pipeline also includes six internally developed drug candidates, which are at IND-enabling stage, including ICP-723 and ICP-330:

- **ICP-723**: a second-generation small-molecule pan-tropomyosin receptor kinase (pan-TRK) inhibitor designed to treat patients with neurotrophic tyrosine receptor kinase (NTRK) fusion-positive cancers, as well as those refractory to the first-generation tyrosine kinases (TRK) inhibitors due to resistant TRK mutations, regardless of tumor types. We plan to submit the IND application for ICP-723 to the NMPA in the first quarter of 2020. Upon IND approval, we will initiate clinical trials in multiple cancer types carrying NTRK fusion in China.

- **ICP-330**: a small-molecule inhibitor of TYK2, a non-receptor tyrosine kinase that mediates immune signaling. We plan to develop ICP-330 for the treatment of various T-cell mediated autoimmune disorders, such as psoriasis, inflammatory bowel disease (IBD) and SLE. We plan to submit the IND application for ICP-330 to the NMPA in the second half of 2020.

The following chart summarizes our pipeline and the development status of each clinical stage candidate and selected IND-enabling stage candidates as at the Latest Practicable Date:



† All development status refers to status in China except when otherwise indicated.

Abbreviations: CLL = Chronic Lymphocytic Leukemia; SLL = Small Lymphocytic Lymphoma; MCL = Mantle Cell Lymphoma; MZL = Marginal Zone Lymphoma; CNSL = Central Nervous System Lymphoma; GCB = Germinal Center B-cell; DLBCL = Diffuse Large B-Cell Lymphoma; WM = Waldenstrom's Macroglobulinemia; FL = Follicular Lymphoma; SLE = Systemic Lupus Erythematosus; HCC = Hepatocellular Carcinoma.

* Denotes our Core Product Candidate, orelabrutinib (ICP-022).

** For indications of r/r CLL/SLL and r/r MCL, the registrational trial for NDA submission is the Phase II clinical trial based on our communications with the NMPA. Confirmatory Phase III clinical trials will be required after we receive conditional approvals from the NMPA based on the results of these two registrational Phase I and Phase II clinical trials. Please refer to the section headed "Regulatory Environment" for further details. Please also see the section headed "Risk Factors – Risks Relating to Extensive Government Regulation" for details on relevant risks.

*** Upon IND approval, we may initiate a registrational trial in China.

1 We expect to initiate the Phase II trials for cholangiocarcinoma and urothelial cancer by the second quarter of 2020.

2 We expect to complete the Phase I trial for HCC in the first or second quarter of 2020.

3 We expect to submit an IND application for NTRK fusion-positive cancers to the NMPA in the first quarter of 2020.

4 We expect to submit an IND application for autoimmune diseases to the NMPA in the second half of 2020.

5 We also have four undisclosed IND-enabling stage candidates currently under development.

We have assembled a well-known management team comprised of seasoned industry executives that collectively cover every step of the drug discovery and development cycle. Our management team brings extensive R&D experience from multinational pharmaceutical companies to InnoCare. Our core team is a united force after working together for over eight years beginning at BioDuro, serving as a key to our future success.

We have built a platform that covers a wide spectrum of drug discovery and development functionalities, including drug target identification and verification, pre-clinical evaluation, clinical trial design and sales and marketing. Our insights on druggability, clinical trials, manufacturing and commercialization feed into early discovery and research to cultivate promising targets with clinical benefit and commercial potential. We also believe our capability of carrying out most of the drug development process in-house improves our efficiency.

We are currently building a 50,000 m^2 manufacturing facility in Guangzhou for commercial scale production with an annual production capacity of one billion pills, which is expected to be completed and ready for use in the fourth quarter of 2020. The facility is designed to comply with good-manufacturing practice (GMP) requirements of the U.S., Europe, Japan and China. To support our near-term product launches, we have assembled our sales and marketing leadership team and are ramping up our commercialization team, which is expected to have 80 to 90 sales representatives by the end of 2020.

OUR STRENGTHS

In-house R&D capability focusing on developing potential best-in-class and/or first-in-class therapeutics globally

We have built a world-class in-house R&D platform that spans the drug discovery and development process. Our team has discovered and developed our current pipeline of nine highly-differentiated and/or novel drug candidates, including one candidate in registrational trials, two candidates in Phase I/II trials and six candidates at the IND-enabling stage.

Our first-tier R&D team has over 150 members led by Dr. Jisong Cui, our co-founder and CEO who brings more than 20 years of industry leadership experience. We have also established state-of-the-art research facilities with an approximately 8,300 m^2 laboratory in Beijing and a 3,350 m^2 laboratory in Nanjing to support our chemistry, biology, *in vivo* pharmacology, DMPK, and CMC studies. Our pre-clinical research covers molecule design and optimization, biochemical and cellular drug activity profiling, drug metabolism and pharmacokinetic analysis, and *in vivo* assessment of drug efficacy and toxicity. In particular, we focus our early discovery efforts on target identification and verification while also covering oncological mechanism research and compound optimization. Our discovery capability is supplemented by support from globally renowned biophysicist Dr. Yigong Shi, our co-founder and President of our Scientific Advisory Board, and cancer genomics expert Dr. Zemin Zhang, our Scientific Advisor. We have entered into exclusive strategic collaboration agreements with Dr. Shi and Dr. Zhang and their laboratories to further strengthen our internal target identification capability by leveraging their expertise in structural biology, single cell sequencing and big data analysis. In the last four years, our pre-clinical research has supported five approved IND/CTA applications relating to our three clinical stage drug candidates. At the same time, we have been granted eight issued patents and filed 90 patent applications in China and globally.

Our clinical development capabilities are backed by a team of 50 members in China led by Dr. Zhixin Rick Xu, our Chief Medical Officer, who brings close to 30 years of clinical drug development experience. We proved our clinical development capabilities by advancing three drug candidates into clinical trials in less than four years. During the last two years, we have initiated seven clinical trials, including two registrational trials. We advanced the orelabrutinib r/r CLL/SLL and r/r MCL registrational trials from ethics committee approvals to completion of the enrollment of 80 r/r CLL/SLL patients and 106 r/r MCL patients within one year. The NDA of orelabrutinib for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020, both in less than one year from enrollment completion.

Potential best-in-class late-stage BTK inhibitor for the treatment of B-cell malignancies

BTK is an evidence-based target for the treatment of B-cell malignancies with three BTK inhibitors approved globally. Currently approved BTK inhibitors, however, have demonstrated common toxicities. Some of these toxicities are believed to be attributable to the currently approved BTK inhibitors' off-target effects, such as diarrhea, bleeding and atrial fibrillation. These toxicities have caused intolerability and limited their clinical use.

Orelabrutinib has demonstrated higher selectivity against BTK in our pre-clinical studies than the reported pre-clinical data of ibrutinib (Imbruvica) and acalabrutinib (Calquence). In a KINOMEscan against 456 kinases, orelabrutinib at a concentration of 1 μM only significantly inhibited BTK (>90%) but not others. In contrast, according to reported pre-clinical data, at the same concentration, ibrutinib significantly inhibited (>90%) not only BTK but also over a dozen other kinases including EGFR, TEC and BMX, which may be associated with adverse events such as diarrhea, bleeding and atrial fibrillation, respectively. Orelabrutinib's high selectivity reduces off-target activity and potentially leads to a superior safety profile, as shown by results from our clinical trials to date. While pre-clinical data are generally insufficient to conclude on clinical benefits, this safety profile makes orelabrutinib a promising candidate for both monotherapy and combination therapies. In addition, the better bioavailability of orelabrutinib tablet enables once-daily administration at low dosage level and near 100% 24-hour BTK occupancy. We plan to pursue orelabrutinib both as a monotherapy and as a backbone of various combination therapies for the treatment of B-cell malignancies.

We are running a broad clinical program for orelabrutinib in both China and the U.S. targeting several B-cell malignancies. Based on our clinical data to date, orelabrutinib was well tolerated and showed excellent anti-tumor activity, and a better safety profile than the reported data of the currently marketed BTK inhibitors. We are conducting two registrational trials in China to evaluate the efficacy and safety of orelabrutinib as a monotherapy for r/r CLL/SLL and r/r MCL. Among the 80 r/r CLL/SLL and 99 r/r MCL patients evaluable for response assessment as of the cut-off dates, August 9, 2019 and September 30, 2019, separately, orelabrutinib demonstrated an overall response rate (ORR) of 88.8% and 85.9%, for r/r CLL/SLL and r/r MCL, respectively. The NDA of orelabrutinib for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020.

In addition, we are conducting three Phase II trials to evaluate orelabrutinib as a monotherapy in a second-line setting for MZL, CNSL and WM in China, and have initiated a Phase I trial for FL in combination with MIL62, a next generation CD20 antibody. We also plan to investigate orelabrutinib in a Phase II trial in China for r/r non-GCB DLBCL sub-population with double mutations as a monotherapy. In addition, we are currently communicating with the relevant authority to finalize study protocols for orelabrutinib as a first-line therapy for CLL/SLL patients in a Phase III study in China.

For TEAEs observed among the 200 patients assessed in our trials of orelabrutinib for r/r MCL, r/r CLL/SLL, r/r MZL, r/r CNSL and r/r WM at the respective data cut-off date for each trial, all diarrheas were Grade 1 or 2 except for one Grade 3 (0.5%) and no clinically relevant atrial fibrillation or flutter was observed. For details please refer to "– Clinical Stage Candidates – Orelabrutinib – Orelabrutinib for B-cell Malignancies – Competitive Advantages of Orelabrutinib – Improved safety and robust efficacy profile". We believe that these adverse events are off-target related and the favorable safety profile as compared with approved BTK inhibitors correlates with the higher selectivity of orelabrutinib.

We are actively pursuing global studies. In the U.S., we have initiated a Phase I basket trial for orelabrutinib as a monotherapy for B-cell malignancies.

Given its large addressable market and the fact that orelabrutinib is expected to be one of the first few BTK inhibitors to be approved in China with best-in-class potential, we believe there is significant market opportunity for orelabrutinib. According to Frost & Sullivan, global prevalence of non-Hodgkin's lymphoma (NHL) patients was approximately 2.4 million in 2018 and is estimated to reach 3.3 million in 2030. Global sales of BTK inhibitors totaled approximately US$4.5 billion in 2018 and is expected to reach US$23.5 billion in 2030. Sales of BTK inhibitors in China is expected to reach US$2.6 billion in 2030.

Potential best-in-class pan-FGFR and first-in-class FGFR4 inhibitors addressing huge unmet medical needs

Aberrant fibroblast growth factor receptor (FGFR) signaling has been observed in a broad range of solid tumors, including liver, gastric, lung, breast, colorectal, urothelial, cholangiocarcinoma, head and neck, endometrial and ovarian cancers. Studies to date show FGFR is an evidence-based target for cancer therapies and FGFR inhibitors have the potential to be an effective treatment option for all cancers caused by aberrant activation of FGFR signaling pathways. According to Frost & Sullivan, the global incidence of aberrant FGFR induced cancers was approximately 1.2 million in 2018, accounting for approximately 7.1% of the global solid tumor incidence, and is expected to reach 1.6 million in 2030.

Specific FGFR aberrations have been observed more frequently in certain types of cancers (e.g., FGFR1 amplification in breast, squamous cell lung, ovarian and urothelial cancers, FGFR2 fusions in endometrial and gastric cancers and cholangiocarcinoma, FGFR3 mutations in urothelial cancer and FGFR4 pathway overactivation in HCC). There is also evidence that some specific FGFR aberrations may have different sensitivity or resistance to different FGFR inhibitors. As such, we are concurrently developing ICP-192 (pan-FGFR inhibitor) and ICP-105 (FGFR4 inhibitor). We also plan to explore the use of ICP-192 or ICP-105 in combination with other therapeutics for the treatment of solid tumors.

ICP-192 (pan-FGFR inhibitor). ICP-192 is a potent, highly selective, irreversible small-molecule pan-FGFR inhibitor developed for the treatment of various types of solid tumors. Our pre-clinical data suggest that ICP-192 has similar inhibition profile towards FGFR1-4 compared to the reported data of erdafitinib (Balversa), the only approved selective pan-FGFR inhibitor globally. In addition, ICP-192 showed greater target selectivity in a KINOMEscan than the reported data of erdafitinib. We believe ICP-192 is a potential best-in-class pan-FGFR inhibitor based on our pre-clinical and clinical data to date. We are currently conducting a Phase I/IIa study of ICP-192 to define its MTD and/or OBD and PK/PD in patients with solid tumors. Preliminary data from the trial showed that ICP-192 was well tolerated by treated patients and no treatment-related DLT was reported. In addition, the plasma exposure of ICP-192 at 8 mg QD has exceeded the therapeutic exposure of ICP-192 in pre-clinical efficacy studies in xenograft models. Hyperphosphatemia, a PD marker for FGFR inhibition, was consistently observed in treated patients at dose 8 mg QD. After MTD and/or OBD is identified, we will expand our clinical efforts with the selected regimen in relevant cancer patients to further evaluate the safety and efficacy of ICP-192 to define registration path. We will initially focus the expansion studies on cholangiocarcinoma with FGFR2 fusions

and urothelial cancer with FGFR2/3 genetic alterations. We also plan to explore ICP-192 in other solid tumors with FGFR genetic alterations. ICP-192 is one of the most advanced pan-FGFR inhibitors under clinical development in China, which together with its best-in-class potential gives us a unique position to fulfill significant unmet medical needs from cancer patients carrying FGFR aberrations.

ICP-105 (FGFR4 inhibitor). ICP-105 is a potent, highly selective FGFR4 inhibitor developed primarily for the treatment of advanced HCC. There is currently no FGFR4 inhibitor on the market worldwide. We are the only China-based biopharmaceutical company that has internally discovered and developed a clinical stage FGFR4 inhibitor. Pre-clinical data of ICP-105 demonstrate strong anti-tumor efficacy in HCC mouse models. We are currently evaluating ICP-105 in a Phase I trial in China as a monotherapy in solid tumor patients. Based on the preliminary clinical data to date, ICP-105 was safe and well tolerated. We plan to initiate a Phase II trial in HCC patients with FGFR4 pathway overactivation once the MTD and OBD for ICP-105 have been identified. According to Frost & Sullivan, the number of new cases of HCC globally was 756,972 in 2018 and is expected to reach 1.0 million in 2030. The number of new cases of HCC in China was 360,181 in 2018 and is expected to reach approximately 473,000 in 2030. FGFR4 signaling is aberrantly activated in approximately 20% of HCC patients. We believe ICP-105 is potentially a first-in-class FGFR4 inhibitor for the treatment of HCC with FGFR4 pathway overactivation in China and as a result is well positioned to address significant unmet medical needs.

Potential first-in-class BTK inhibitor for the treatment of SLE and other autoimmune diseases

SLE is an autoimmune disease that can lead to organ failure and impose a severe economic and social burden upon patients. Studies show that inhibition of BTK signaling significantly impacts multiple key effector pathways that contribute to the pathogenesis of SLE, including B-cell and macrophage functions. Due to the chronic nature of SLE and other autoimmune diseases, therapies must demonstrate a favorable safety profile to support long-term use. The pooled safety data of orelabrutinib from healthy volunteers and patients with B-cell malignancies have shown a favorable safety profile. We are pursuing the development of orelabrutinib as a novel therapy for the treatment of autoimmune diseases given its high selectivity and potentially superior safety profile. Our clinical evaluation in patients with autoimmune diseases is progressing in a stepwise effort with an initial focus on SLE.

Orelabrutinib significantly reduces SLE-associated biomarkers and improves the survival rate in pre-clinical SLE animal models. SLE treatment requires lower dosage of orelabrutinib than cancer treatments to allow chronic use. As a result, we are initiating a Phase Ib/IIa trial to identify the optimal dosing regimen and evaluate the safety, tolerability and biomarker readout of orelabrutinib in combination with standard of care treatment for SLE in China. Approval from the relevant authority is currently being obtained to start patient enrollment for such trial.

Existing treatment options for SLE patients remain limited and are either ineffective, inconvenient or poorly tolerated in a sizeable group of patients. The only approved targeted therapy for SLE, belimumab, has also shown modest efficacy and needs to be administered by injection. Orally administered BTK inhibitors, such as orelabrutinib, could be a promising treatment option for SLE patients.

According to Frost & Sullivan, the global prevalence of SLE was approximately 7.6 million in 2018. SLE places a substantial economic burden on patients with direct costs such as diagnosis, treatment and rehabilitation expenses reaching up to US$70,000 annually per patient. Indirect costs including loss in economic productivity and diminished social functions, such as childcare and domestic activities, can reach up to US$18,000 annually per patient and impose an additional burden upon SLE patients. Global SLE therapeutic market totaled approximately US$12.0 billion in 2030, while China SLE therapeutic market reached RMB14.9 billion in 2030.

Once the optimal dosing regimen is identified, we also plan to develop orelabrutinib for the treatment of other autoimmune diseases, such as lupus nephritis (LN), multiple sclerosis (MS), pemphigus and rheumatoid arthritis (RA). The global prevalence of LN, MS and RA was approximately 44.2 million in 2018.

Well-known team with extensive industry experience and scientific expertise

We have assembled a well-known team of industry executives with extensive experience in multinational pharmaceutical companies. Our success is, to a large extent, the product of our management's leadership and expertise, which cover the full spectrum of the drug development cycle from discovery and research to clinical development and commercialization. Our founding team has worked together for over eight years to achieve one goal—advancing disruptive therapeutic innovation in China. In particular, we believe our co-founders' complementary expertise in industry and academia is the differentiating factor that continues to propel our Company ahead of our peers.

Dr. Jisong Cui, our co-founder, CEO and Chairperson of our Board, brings more than 20 years of leadership experience in drug discovery and development to our Company. Dr. Cui was the former chief executive officer and chief scientific officer at BioDuro LLC. and the previous director and chair of early development team of cardiovascular diseases at Merck Research Laboratories. Dr. Cui has authored more than 50 papers published in peer-reviewed journals and holds three patents.

Dr. Yigong Shi, our co-founder and President of our Scientific Advisory Board, is globally acclaimed for his expertise in structural biology and oncology and has held professorships at Tsinghua University and Princeton University. Dr. Shi has authored more than 180 papers published in peer-reviewed journals.

Dr. Xiangyang Chen, our Chief Technology Officer, has more than 20 years of drug discovery experience and was previously the executive director of medicinal chemistry at BioDuro and former principal scientist at Pfizer.

Dr. Zhixin Rick Xu, our Chief Medical Officer, has close to 30 years of experience in global clinical development of new drugs and was the former senior director at Roche American Clinical Pharmacology and Translational Medicine Center.

Mr. Shaojing Tong, our Chief Financial Officer, has close to 20 years of experience working for investment banks focusing on the global healthcare sector and was previously an executive director in the investment banking research department of UBS AG.

Dr. Richard Liu, our Head of Biology and Procurement, has more than 20 years of drug discovery experience in immunology and was previously the senior director of discovery biology at BioDuro and former senior principal scientist at Bristol-Myers Squibb.

Dr. Renbin Zhao, our Executive Director of Biology and Clinical Development Strategy, has over 15 years of drug discovery experience and was the former director of discovery biology at BioDuro and former principal scientist at Johnson and Johnson (Discovery).

Dr. Charles Wang, our Vice President of Drug Safety and Drug Metabolism and Pharmacokinetics, has more than 20 years of experience in drug safety assessment and was previously the director of nonclinical safety evaluation at GlaxoSmithKline US and the vice president of drug safety at Hua Medicine.

In addition to our core management team, we have also established our Scientific Advisory Board which currently comprises of five top-notch professors and key opinion leaders, including Dr. Yigong Shi (President of our Scientific Advisory Board), a non-executive Director and expert in structural biology and oncology, Dr. Zemin Zhang, an INED and cancer genomic expert who is a professor at Peking University and was the former head of the bioinformatics division at Genentech Inc., USA, Dr. Zhanguo Li, a world-class specialist in rheumatoid immunotherapy and former director of the Clinical Immunology Center/Rheumatism Immunology Department at Peking University People's Hospital, Professor Arnold Levine, a globally recognized leader in cancer research and professor emeritus at the Institute of Advanced Study. In addition, we have recruited James Deng, general manager of Becton Dickinson's Greater China business and the former chief executive officer and president of Novartis Pharmaceuticals China, as our Sales & Marketing Advisor. All members of our Scientific Advisory Board serve to provide advisory services to the Company in particular relating to (i) advice and recommendations of business objectives; (ii) updates and technical insights on research and development strategies and commercialization results; and (iii) recommendations relating to innovative drug target and new drug discovery projects as well as market data and intelligence in the biotech sector.

When selecting candidates to become members of our Scientific Advisory Board, the Company will look for renowned specialists in the biotech sector who are able to provide valuable and unique expertise in various disciplines.

OUR STRATEGIES

Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide. To achieve this vision, we intend to execute the following business strategies.

Rapidly advance orelabrutinib through clinical development in B-cell malignancies and explore global market opportunities

We have initiated a broad clinical program for orelabrutinib in various B-cell malignancies in China. We are developing orelabrutinib in two registrational trials for the treatment of r/r CLL/SLL and r/r MCL. The NDA of orelabrutinib for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020. We will continue our efforts to advance orelabrutinib as a monotherapy in various Phase II clinical trials for other B-cell malignancies, including MZL, CNSL, WM and non-GCB DLBCL sub-population with double mutations in China. We are currently communicating with the relevant authority to finalize study protocols for orelabrutinib as a first-line therapy for CLL/SLL patients in a Phase III study in China. As at the Latest Practicable Date, we have 11 clinical trials ongoing or planned for initiation for orelabrutinib for B-cell malignancies, including two registrational trials.

We have initiated a Phase I basket trial of orelabrutinib in the U.S. for B-cell malignancies. As we continue to advance clinical development in the U.S., we plan to seek ex-China partnerships and out-licensing opportunities to maximize the commercial value of orelabrutinib globally.

We also intend to identify and develop promising combination therapies to leverage its favorable safety profile demonstrated by clinical data to date, we also intend to identify and develop promising combination therapies with orelabrutinib. We have initiated a Phase I trial of orelabrutinib in combination with MIL62, a next-generation CD20 antibody for FL patients in China and plan to explore other promising combination therapies with agents such as BCL-2 and PI3K inhibitors for the treatment of B-cell malignancies.

Advance the development of ICP-192 and ICP-105 for solid tumors with aberrant FGFR signaling in China and worldwide

We plan to develop ICP-192, a potential best-in-class pan-FGFR inhibitor, for the treatment of various types of solid tumors. We are currently conducting a Phase I/IIa study of ICP-192 to define its MTD and/or OBD and PK/PD in patients with solid tumors. After MTD and/or OBD is identified, we will expand our clinical efforts with the selected regimen in relevant cancer patients to further evaluate the safety and efficacy of ICP-192 to define registration path. We will initially focus the expansion studies on cholangiocarcinoma with FGFR2 fusions and urothelial cancer with FGFR2/3 genetic alterations.

We are currently evaluating ICP-105 in a Phase I dose escalation trial in China to identify the MTD and/or OBD in patients with solid tumors. We will continue to advance ICP-105 through clinical trials in China for the treatment of HCC with FGFR4 pathway overactivation.

In addition, we plan to explore ICP-105 or ICP-192 in combination with immune checkpoint inhibitors and other agents to treat solid tumors with FGFR aberrations. Depending on the results of these clinical trials, we intend to expand our clinical development efforts into additional solid tumor indications such as gastric and liver cancers.

Based on clinical trial results in China, we plan to expand the clinical development of ICP-192 and ICP-105 globally by focusing on promising indications and may seek global partnerships as well.

Develop orelabrutinib and other potential candidates for autoimmune diseases

Recognizing the significant market potential in autoimmune diseases and orelabrutinib's potentially favorable safety profile, we are developing orelabrutinib as a novel therapy for the treatment of autoimmune diseases. We are initiating a Phase Ib/IIa trial in China to identify the optimal dosing regimen and evaluate the safety, tolerability and biomarker readout of orelabrutinib for the treatment of SLE. Approval from the relevant authority is currently being obtained to start patient enrollment for such trial. After the optimal dosing regimen is identified, we also plan to initiate subsequent clinical studies to develop orelabrutinib for other autoimmune diseases, such as LN, pemphigus, MS and RA. We may also consider initiating clinical studies of orelabrutinib in combination with biologics drugs for autoimmune diseases. Following the results of the Phase Ib/IIa study, we may expand our clinical trials globally.

In addition to orelabrutinib, we are exploring the possibility of treating autoimmune diseases induced by T-cell dysfunctions with other potential candidates. For example, we are developing ICP-330, a TYK2 inhibitor, for the treatment of various T-cell- mediated autoimmune diseases, such as psoriasis, inflammatory bowel disease (IBD) and SLE.

With both orelabrutinib as a B-cell pathway regulator and ICP-330 as a T-cell pathway regulator in hand, we believe we are well-positioned to provide oral drug solutions for the substantial unmet medical needs in autoimmune diseases.

Enhance our pipeline through in-house discovery and business development efforts

We will continue to develop the six drug candidates that are currently at IND-enabling stage. We will also enrich our product pipeline through a combination of internal discovery and business development efforts. In the long term, we expect to bring one to three compounds into our pipeline every year. To that end, we will continue to focus our in-house discovery efforts on potential best-in-class and/or first-in-class candidates for oncology and autoimmune diseases.

We also plan to pursue in-licensing opportunities that will complement our existing assets and platform, especially orelabrutinib. As our late-stage assets continue to be developed towards commercialization, we will seek assets that allow us to fully leverage and capitalize our manufacturing and commercial platform. A strong emphasis will also be placed on in-licensing late-stage, potential best-in-class or first-in-class assets that have potential combination synergies with our current pipeline.

Build manufacturing and commercialization capabilities

We plan to build in-house manufacturing facilities and commercialization capabilities to support the anticipated launch of orelabrutinib. We believe that robust manufacturing and commercialization capabilities will create synergies and enhance efficiencies that will drive our future growth.

We are in the process of building a 50,000 m^2 manufacturing facility for commercial-scale production in Guangzhou with an annual production capacity of one billion pills. The facility is designed to comply with GMP requirements of the U.S., Europe, Japan and China. We currently estimate that the construction of the manufacturing facility will be completed in the fourth quarter of 2020.

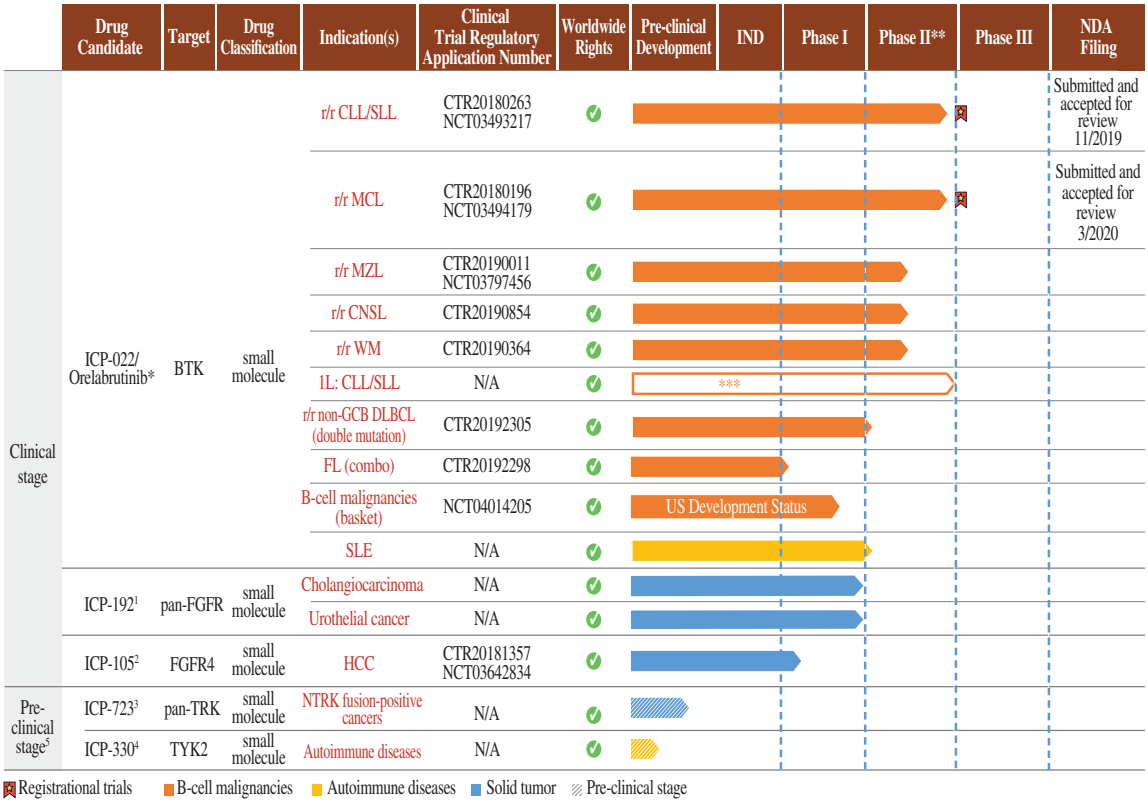
We are also building a commercialization team to support the initial launch of orelabrutinib upon NMPA approval. We expect to develop commercialization capabilities in a phased approach, starting with a team of 80 to 90 sales representatives at launch and covering over 300 nationally leading hospitals. If orelabrutinib is included in the national drug reimbursement list (NRDL), we plan to expand the commercialization team into approximately 150 sales representatives, covering over 800 top hospitals. As additional products are launched from our pipeline, we will continue to expand our sales force. We have recently recruited our sales and marketing leadership, Mr. Yi Zhang and Dr. Zhichao Si, who bring extensive sales and marketing experience in China's hematologic market from Janssen. Our commercialization efforts will also be advised by Mr. James Deng, the general manager of Becton Dickinson Greater China and the former chief executive officer and president of Novartis Pharmaceuticals China.

Maximize the global value of our drug candidates

Our strategy is to collect early data including PK/PD and proof-of-concept data in China by leveraging its large patient population. We will then expand clinical trials globally for promising assets or indications. We will seek strategic collaboration opportunities worldwide to maximize the commercial value of our assets. We may selectively form partnerships with leading biopharmaceutical companies to accelerate our global clinical programs.

OUR DRUG CANDIDATES

Our team has discovered and developed a robust pipeline of three clinical stage candidates for multiple indications and six candidates at IND-enabling stage focused on the treatment of cancer and autoimmune diseases. The following chart summarizes our pipeline and the development status of each clinical stage drug candidate and selected IND-enabling stage candidates as at the Latest Practicable Date:



† All development status refers to status in China except when otherwise indicated.
Abbreviations: CLL = Chronic Lymphocytic Leukemia; SLL = Small Lymphocytic Lymphoma; MCL = Mantle Cell Lymphoma; MZL = Marginal Zone Lymphoma; CNSL = Central Nervous System Lymphoma; GCB = Germinal Center B-cell; DLBCL = Diffuse Large B-Cell Lymphoma; WM = Waldenstrom's Macroglobulinemia; FL = Follicular Lymphoma; SLE = Systemic Lupus Erythematosus; HCC = Hepatocellular Carcinoma.

* Denotes our Core Product Candidate, orelabrutinib (ICP-022).

** For indications of r/r CLL/SLL and r/r MCL, the registrational trial for NDA submission is the Phase II clinical trial based on our communications with the NMPA. Confirmatory Phase III clinical trials will be required after we receive conditional approvals from the NMPA based on the results of these two registrational Phase I and Phase II clinical trials. Please refer to the section headed "Regulatory Environment" for further details. Please also see the section headed "Risk Factors – Risks Relating to Extensive Government Regulation" for details on relevant risks.

*** Upon IND approval, we may initiate a registrational trial in China.

1 We expect to initiate the Phase II trials for cholangiocarcinoma and urothelial cancer by the second quarter of 2020.

2 We expect to complete the Phase I trial for HCC in the first or second quarter of 2020.

3 We expect to submit an IND application for NTRK fusion-positive cancers to the NMPA in the first quarter of 2020.

4 We expect to submit an IND application for autoimmune diseases to the NMPA in the second half of 2020.

5 We also have four undisclosed IND-enabling stage candidates currently under development.

CLINICAL STAGE CANDIDATES

Orelabrutinib (ICP-022)

Orelabrutinib is a potential best-in-class, highly selective and irreversible small-molecule BTK inhibitor that we are investigating in a broad clinical program as a monotherapy and in combination therapies in China and the U.S. Available clinical and pre-clinical data to date demonstrate that orelabrutinib has improved target selectivity, occupancy and safety profile than that of the currently approved BTK inhibitors based on reported data, while maintaining comparable efficacy. While pre-clinical data are generally insufficient to conclude on clinical benefits, we believe orelabrutinib is a promising treatment option for patients with B-cell malignancies and autoimmune diseases.

We are conducting two registrational studies for orelabrutinib, a Phase II study in patients with r/r MCL and a Phase II study in patients with r/r CLL/SLL in China. We are also evaluating orelabrutinib in three Phase II studies in China as a treatment option for patients with r/r MZL, r/r CNSL and r/r WM, and have initiated a Phase I study in China in a combination therapy with MIL62, a next-generation CD20 antibody for FL patients.

We are currently communicating with the relevant authority to finalize study protocols for orelabrutinib as a first-line therapy for CLL/SLL patients in a Phase III study in China. We also plan to initiate a Phase II study to investigate orelabrutinab in patients with r/r non-GCB DLBCL sub-population with double mutations as a monotherapy in China.

Separately, we have initiated a Phase I basket trial for B-cell malignancies in the U.S.

We also plan to evaluate orelabrutinib as a potential therapy for the treatment of autoimmune diseases. We are currently obtaining approval from the relevant authority to start patient enrollment for a Phase Ib/IIa trial of orelabrutinib in combination with standard of care treatment for SLE in China.

While we believe orelabrutinib has the potential to be a globally best-in-class BTK-inhibitor, orelabrutinib faces competition from approved and clinical stage candidates worldwide. In particular, whereas first generation BTK inhibitors such as ibrutinib may induce off-target effects, the second generation of BTK inhibitors, including acalabrutinib and zanubrutinib have shown superior efficacy and less off-target activities. For more information about the competitive landscape of orelabrutinib, please refer to the subsection headed "Industry Overview – BTK Inhibitors".

Orelabrutinib for B-cell Malignancies

We are developing orelabrutinib to address the unmet therapeutic needs of patients with B-cell malignancies and provide them with better treatment options. We believe orelabrutinib is a potential best-in-class BTK inhibitor with reduced side effects and once daily dosing advantage based on available pre-clinical and clinical data to date.

Based on observational results only, Orelabrutinib has demonstrated higher selectivity against BTK based on data from our pre-clinical studies and the reported data of ibrutinib (Imbruvica), acalabrutinib (Calquence) and zanubrutinib. Albeit not through head-to-head studies, the better bioavailability of orelabrutinib tablet enables once-daily administration at low dosage and near 100% 24-hour BTK occupancy in blood.

This combination of high selectivity and sustained BTK occupancy at low dosage reduces off-target activities and potentially results in a superior safety profile for orelabrutinib. For TEAEs observed among the 200 patients assessed in our trials of orelabrutinib for r/r MCL, r/r CLL/SLL, r/r MZL, r/r CNSL and r/r WM at the respective data cut-off date for each trial, all diarrheas were Grade 1 or 2 except for one Grade 3 (0.5%) and no clinically relevant atrial fibrillation or flutter was observed. For details please refer to "– Competitive Advantages of Orelabrutinib – Improved safety and robust efficacy profile". We believe these activities are off-target related and the favorable safety profile correlates with the higher selectivity of orelabrutinib. In addition, all treatment-related infections observed were Grade 1 or Grade 2 except for three Grade 3 or higher infections.

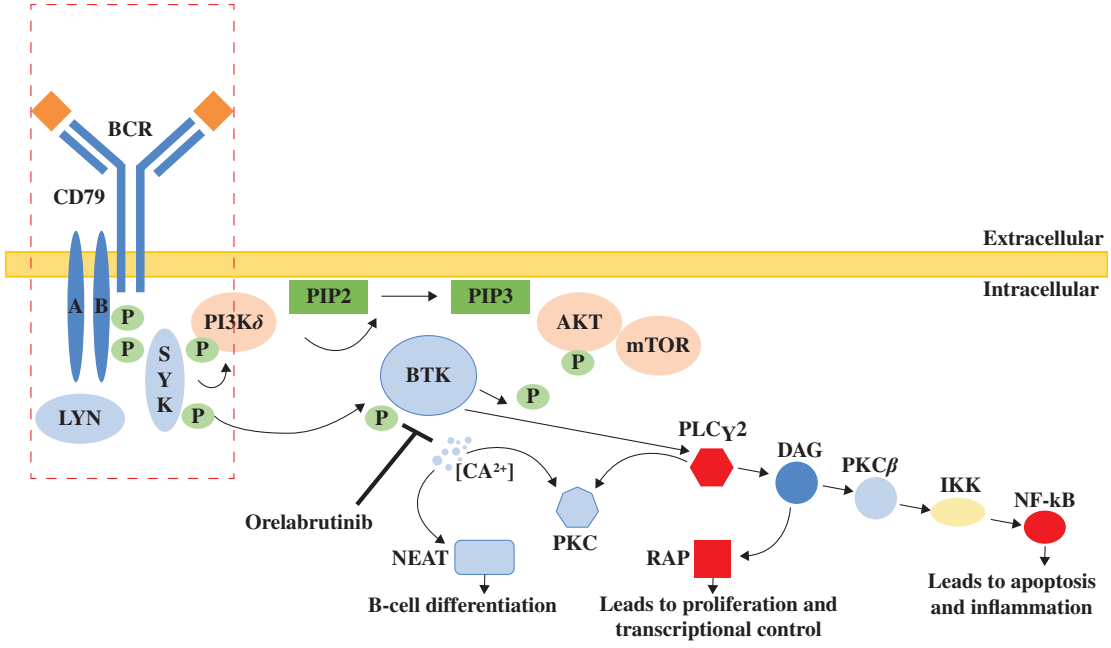
The favorable safety profile along with once-daily dosing also offer a potential advantage for orelabrutinib as a combination therapy option compared to BTK inhibitors that require multiple-daily dosing. The safety, tolerability and efficacy profiles of orelabrutinib have been evaluated in seven clinical trials, including two registrational trials in patients with r/r CLL/SLL and r/r MCL in China.

Mechanism of Action

BTK is a non-receptor tyrosine kinase that plays a key role in signaling in various cell surface receptors, most prominently the B-cell antigen receptor (BCR). The BCR signaling pathway is crucial for the proliferation and survival of leukemic cells in lymphomas. BTK inhibitors selectively block kinase activities and regulate signaling pathways to interfere with B-cell development and thereby control oncogenic progression of various B-cell malignancies.

Orelabrutinib is an orally available potent BTK inhibitor that irreversibly binds to BTK to induce downstream kinase inactivation and cell death. Orelabrutinib was designed with a single ring at the scaffold center instead of a fused bi-cycle core which is common in the three leading competitor molecules in the field. We believe this unique feature conveys higher selectivity for orelabrutinib relative to the currently approved BTK inhibitors which should result in fewer off-target side effects that potentially lead to treatment discontinuation.

The diagram below illustrates the mechanism of action of orelabrutinib in B-cell malignancies:



Adapted from: "Targeting B-Cell receptor signaling for anticancer therapy: the Bruton's tyrosine kinase inhibitor ibrutinib induces impressive responses in B-cell malignancies." by A. Wiestner, *J Clin Oncol.* 2013 Jan 1;31(1):128-30. doi: 10.1200/JCO.2012.44.4281

Market Opportunity and Competition

Lymphomas are blood cancers that develop from lymphocytes, a subtype of hematological cells that are produced in the bone marrow and found in the blood and in lymphoid tissues. Two main types of lymphomas are Hodgkin's lymphoma (HL) and NHL. Depending on the origin of the cancer cells, lymphomas can also be characterized as B-cell or T-cell lymphomas. 85% of all NHLs are B-cell lymphomas that are potentially addressable by BTK inhibitors. NHL comprises a heterogeneous group of malignancies arising from lymphoid tissue and the most common subtypes in China are DLBCL, CLL/SLL, FL, MZL and MCL.

There is significant market potential for BTK inhibitors for treating NHL. According to Frost & Sullivan, the global NHL prevalence reached 2.4 million in 2018 and has grown at a CAGR of 3.0% from 2014 to 2018, and is expected to grow at a CAGR of 2.4% from 2023 to reach 3.3 million by 2030. The NHL prevalence in China reached 454,982 in 2018 and has grown at a CAGR of 5.9% from 2014 to 2018, and is expected to grow at a CAGR of 3.1% from 2023 to reach approximately 730,000 by 2030.

The global BTK inhibitor market grew at a CAGR of 69.5% from 2014 to 2018 reaching US$4.5 billion in 2017, and is expected to further expand at a CAGR of 23.3% from 2018 to 2023, reaching US$12.9 billion in terms of sales in 2023, according to the same source. The BTK inhibitor market in China is expected to reach US$2.6 billion in 2030.

The selection of treatment of NHL depends on the subtypes, disease stage, patient age and general patient health conditions. There are four main treatments options for NHL, including chemotherapy, radiation therapy, immunotherapy and targeted therapy. Current pathobiological studies show that certain types of kinases are crucial to the development of metastatic disease. Such finding contributes to a focus on developing therapies targeting those kinases, including PI3K inhibitors and BTK inhibitors, for NHL treatment.

BTK is an evidence-based target for the treatment of B-cell malignancies. As at the Latest Practicable Date, Johnson & Johnson/Abbvie's ibrutinib (Imbruvica) is the only approved BTK inhibitor in China. Besides ibrutinib, AstraZeneca's acalabrutinib (Calquence) and BeiGene's zanubrutinib (Brukinsa) have been approved by the U.S. FDA. Currently approved BTK inhibitors have demonstrated common toxicities. Some of those toxicities are believed to be inherent to BTK inhibitors' mechanism of action, such as cytopenias, pneumonitis/infection, and others are believed to be attributable to the currently approved BTK inhibitors' off-target effects, such as diarrhea, bleeding and atrial fibrillation. These toxicities have caused intolerability and limited the clinical use of the currently approved BTK inhibitors.

The following table sets forth the clinical status of orelabrutinib and other BTK inhibitor candidates in China:

Drugs	Company	Indications								
		CLL/SLL	WM	MZL	MCL	cGVHD	FL	DLBCL	CNSL	B-NHL
Orelabrutinib	InnoCare	R/R NDA Application TN Phase III	R/R Phase II	R/R Phase II	R/R NDA Application	NA	Phase I/IIa	R/R Phase II	R/R Phase II	NA
Ibrutinib	J&J/Abbvie	R/R Approved TN Approved	R/R Approved	R/R Phase III	R/R Approved	NA	R/R Phase III	NA	NA	NA
Acalabrutinib	AstraZeneca	R/R Phase II	NA	NA	R/R Phase II	NA	NA	NA	NA	NA
Zanubrutinib	BeiGene	TN Phase III R/R NDA Application	R/R Phase II	R/R Phase II	R/R NDA Application	NA	NA	R/R Phase II	NA	NA
DTRMWXHS-12	Zhejiang DTRM	NA	NA	NA	R/R Phase I	NA	NA	NA	NA	R/R Phase I
CT-1530	Centaurus	NA	NA	NA	NA	NA	NA	NA	NA	R/R Phase I/II
SHR1459	Hengrui	NA	NA	NA	NA	NA	NA	NA	NA	R/R Phase I

Abbreviations: R/R = Relapsed and Refractory, TN = Treatment-Naive

Note: Only monotherapies are listed.

Sources: NIH, China clinical trials, Frost & Sullivan analysis

Competitive Advantages of Orelabrutinib

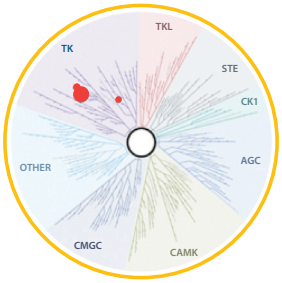
We believe orelabrutinib has the potential to be a globally best-in-class BTK-inhibitor based on its greater target occupancy and selectivity as compared to other approved BTK inhibitors. We believe orelabrutinib has the following competitive advantages:

Improved target selectivity

Enzymatic and cellular functional assays have shown orelabrutinib to be a potent and selective BTK inhibitor.

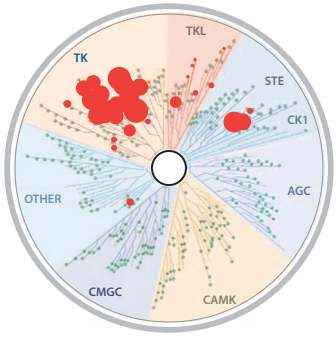
A KINOMEscan assay is an active site-directed competitive binding assay that quantitatively measures the interactions between test molecules and kinases. In a KINOMEscan assay against 456 kinases, orelabrutinib at 1 μM shows significant inhibition of only BTK by >90% and demonstrates no significant inhibition of other kinases, as illustrated by the dendrogram below. Each branch of the dendrogram represents an individual human kinase. Kinases bound by orelabrutinib are indicated by red circles on the kinome tree.

Orelabrutinib

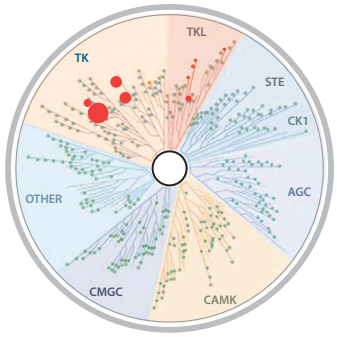


While there is no head-to-head comparative study, the different times a study was conducted and the relevant study design and protocols may make data not directly comparable, orelabrutinib demonstrates improved target selectivity in the KINOMEscan assay than that of other approved BTK inhibitors based on reported data, as shown in the dendrograms below. Kinases bound by the compound are indicated by red circles on the kinome tree. At a concentration of 1 μM, acalabrutinib and ibrutinib showed off-target activity. Ibrutinib, in particular, inhibited (>90%) not only BTK but also over a dozen other kinases including epidermal growth factor receptor (EGFR), cytoplasmic tyrosine-protein kinase BMX and tyrosine kinase expressed in HCC (TEC), which are often associated with adverse events such as diarrhea, bleeding and atrial fibrillation, respectively.

Johnson & Johnson/Abbvie
Ibrutinib



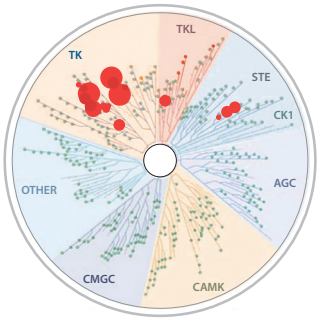
AstraZeneca
Acalabrutinib



Source: "Potency and Selectivity of BTK Inhibitors in Clinical Development for B-Cell Malignancies" by Kaptein A., et. al, *Blood, 2018, 132 (Suppl 1) 1871; DOI: 10.1182/blood-2018-99-109973*

In addition, BeiGene is currently developing zanubrutinib in Phase III trials in the U.S. and has filed an NDA in China. Reported KINOMEscan data show that zanubrutinib at a concentration of 1 μM inhibits multiple kinases, as shown in the dendrogram below.

BeiGene
Zanubrutinib



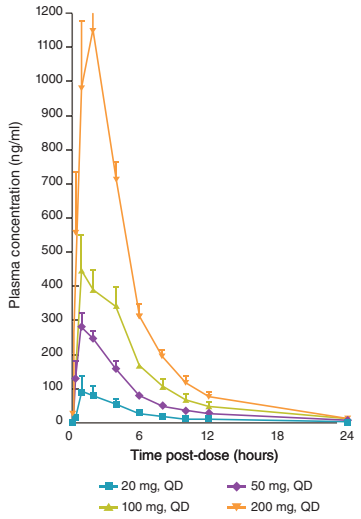
Source: "Potency and Selectivity of BTK Inhibitors in Clinical Development for B-Cell Malignancies" by Kaptein A., et. al, *Blood, 2018, 132 (Suppl 1) 1871; DOI: 10.1182/blood-2018-99-109973*

Favorable PK/PD profile and better target occupancy

Orelabrutinib has demonstrated sustained BTK occupancy at low dosage. While pre-clinical data is generally insufficient to conclude on clinical benefits, Orelabrutinib's unique bioavailability enables a dosage regimen of 150 mg once-daily, as compared to 100 mg twice daily for acalabrutinib (Calquence) and 420mg/560mg daily for ibrutinib (Imbrevica).

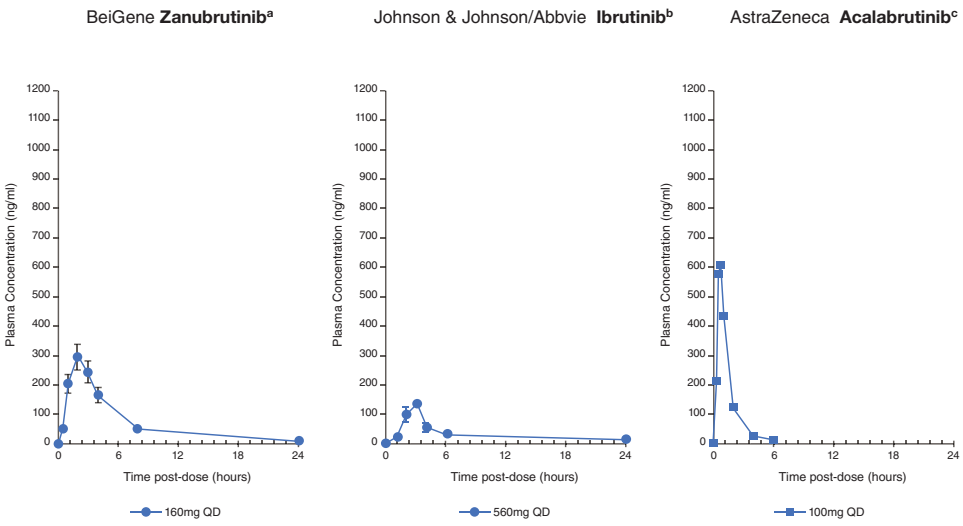
Available clinical data have demonstrated a favorable pharmacokinetic (PK) profile of orelabrutinib. After a single dose of orelabrutinib at 20 mg, 50 mg, 100 mg and 200 mg, Cmax of the drug was dose proportional as illustrated below. The data show orelabrutinib has good bioavailability and a linear PK.

Orelabrutinib post-dosing plasma exposure profile



Abbreviation: QD = once daily.

While there is no head-to-head comparative study and we have no immediate plans to conduct such study, the reported data of zanubrutinib, ibrutinib and acalabrutinib suggest a lower bioavailability at their respective dosage compared to orelabrutinib.



Abbreviation: QD = once daily.

Sources:

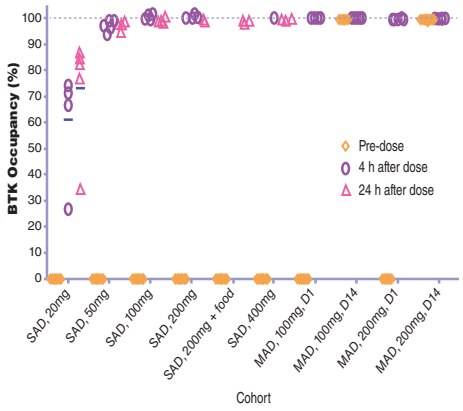
(a) BeiGene corporate presentation dated June 5, 2019, http://hkexir.beigene.com/media/1238/bgne-investor-deck-20190605.pdf

(b) Bruton tyrosine kinase inhibitor ibrutinib (PCI-32765) has significant activity in patients with relapsed/refractory B-cell malignancies, Advani R.H., et al. *Journal of Clinical Oncology*, 2013; 31(1):88-94. doi: 10.1200/JCO.2012.42.7906.

(c) Acalabrutinib (ACP-196) in Relapsed Chronic Lymphocytic Leukemia, Byrd J.C., et al, *The New England Journal of Medicine*, 2016; 374(4):323-32. doi: 10.1056/NEJMoa1509981.

Prolonged pharmacodynamic effects were observed after orelabrutinib had been cleared from circulation (up to 24 hours after a single dose). As illustrated below, sustained and near-100% BTK occupancy was achieved at a dosage level of 50 mg or higher and no decrease in BTK occupancy between 4- and 24-hour post-dosing was observed.

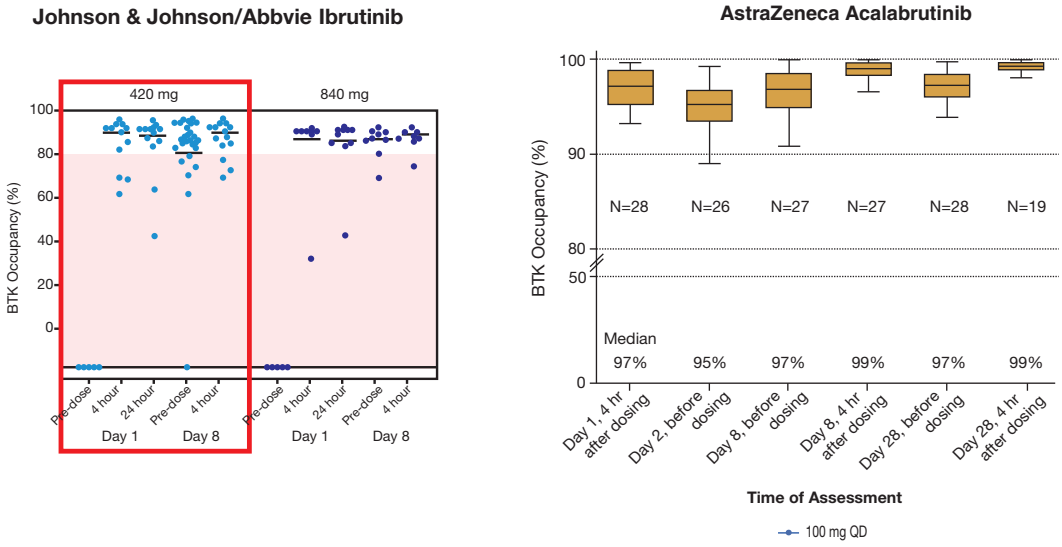
Orelabrutinib BTK occupancy



Abbreviations: SAD = single ascending dose; MAD = multiple ascending dose.

While there is no head-to-head comparative study and we have no immediate plans to conduct such study, orelabrutinib demonstrates better target occupancy than the reported data of ibrutinib and acalabrutinib. At a dosage level of 420 mg for ibrutinib, instances of BTK occupancy below 80% and a decrease in BTK occupancy between 4- and 24-hour post-dosing were observed. At a dosage level of 100 mg twice daily for acalabrutinib, instances of BTK occupancy below 90% and a decrease in BTK occupancy between 4- and 24-hour post-dosing were observed.

Ibrutinib and acalabrutinib BTK occupancy



Source: "Acalabrutinib (ACP-196) in Relapsed Chronic Lymphocytic Leukemia" by Byrd J.C., et al. *The New England Journal of Medicine*, 2016; 374(4):323-32. doi: 10.1056/NEJMoa1509981.
Abbreviations: QD = once daily.

Improved safety and robust efficacy profile

We are conducting two clinical studies in China to assess the efficacy and safety of orelabrutinib. Study ICP-CL-00102 is being conducted in patients with r/r MCL and study ICP-CL-00103 is being conducted in patients with r/r CLL/SLL. For both studies, the primary endpoint is IRC assessed objective response rate (ORR) and secondary endpoints include duration of response (DOR), progression free survival (PFS) and safety.

Available clinical data from these two studies demonstrated an improved safety profile of orelabrutinib than that of the currently approved BTK inhibitors based on reported data. Currently approved BTK inhibitors have demonstrated common toxicities. Some of such toxicities may be attributable to the currently approved BTK inhibitors' off-target effects, such as diarrhea, bleeding and atrial fibrillation. These toxicities have caused intolerability and limited their clinical use.

Potentially due to its high selectivity, orelabrutinib demonstrated a favorable safety profile and was found to be well-tolerated by patients with r/r MCL, r/r CLL/SLL, r/r MZL, r/r CNSL and r/r WM in five separate ongoing studies. For TEAEs occurred in these five trials at the respective data cut-off date for each trial, all diarrheas were Grade 1 or 2 except for one Grade 3 (0.5%), no clinically relevant atrial fibrillation or flutter was observed and only one major bleeding was reported. The favorable safety profile as compared with approved BTK inhibitors may correlate with the higher selectivity of orelabrutinib. See "– Study ICP-CL-00102 – Safety data" and "– Study ICP-CL-00103 – Safety data" for details.

The table below shows the adverse events of special interest based on the pooled data from our trials for r/r MCL, r/r CLL/SLL, r/r MZL, r/r CNSL and r/r WM. The adverse events of special interest are either commonly reported serious adverse events or adverse events that relate to poor drug tolerability which may lead to potential treatment discontinuation.

Adverse events of special interest in the orelabrutinib safety data set

Index	**orelabrutinib N=200, n (%)**
Major bleeding[(1)]	0.5%
Grade 3 or Grade 4 atrial fibrillation	0%
Grade 3 or Grade 4 hypertension	2.5%
≥ Grade 3 infection	16.0%
Secondary malignancy	0.5%
Diarrhea	7.0%

Note:

As of the data cut-off date of September 30, 2019 for ICP-CL-00102 trial, August 9, 2019 for ICP-CL-00103 trial and August 31, 2019 for ICP-CL-00104, ICP-CL-00105 and ICP-CL-00106 trial.

(1) Major bleeding refers to 1) severe bleeding, 2) bleeding that exceeds Grade 3, or 3) central nervous system hemorrhage of any Grade.

The table below shows the adverse events of special interests based on the reported data of zanubrutinib, ibrutinib and acalabrutinib.

Adverse events of special interest in the zanubrutinib, acalabrutinib and ibrutinib safety data set

Index	zanubrutinib N= 671[(a)] (%)	acalabrutinib N= 612[(c)(d)] (%)	ibrutinib N= 1,124[(b)] (%)
Major bleeding[(1)]	2.7%	2.0%	3.0%
Grade 3 or Grade 4 atrial fibrillation	0.6%	1.0%	4.0%
Grade 3 or Grade 4 hypertension	3.1%	2.5%	5.0%
≥ Grade 3 infection	21.3%	18.0%	24.0%
Secondary malignancy	7.9%	10.6%	10.0%
Diarrhea	18.2%	38.4%	39.0%[(e)]

Note:

1. Major bleeding refers to 1) severe bleeding, 2) bleeding that exceeds Grade 3, or 3) central nervous system hemorrhage of any Grade.

Sources:

(a) Pooled Analysis of Safety Data from Monotherapy Studies of the Bruton Tyrosine Kinase (BTK) Inhibitor, Zanubrutinib (BGB-3111), in B-Cell Malignancies, S. Tam C., et al., *European Hematology Association,* Jun 15, 2019; 266776, PS1159

(b) Imbruvica Prescribing Information, Jan 2019

(c) Pooled Analysis of Safety Data from Clinical Trials Evaluating Acalabrutinib Monotherapy in Hematologic Malignancies, John C. Byrd, et al., *Blood,* 2017; 130:4326

(d) NDA/BLA Multi-disciplinary Review and Evaluation, 210259Orig1s000, Center for Drug Evaluation and Research

(e) "Safety Analysis of Four Randomized Controlled Studies of Ibrutinib in Patients with Chronic Lymphocytic or Mantle Cell Lymphoma" by Susan O'Brien, et al., *Original Study,* 2018; 18(10), 648-657. e15.

Albeit not through head-to-head comparative study and based on observational results only, these data have demonstrated that orelabrutinib generally has less adverse events of special interest than zanubrutinib, ibrutinib and acalabrutinib. We have not conducted any head-to-head studies of orelabrutinib against zanubrutinib, ibrutinib or acalabrutinib, and have no immediate plans to conduct such studies.

In addition to an improved safety profile based on reported data, orelabrutinib also demonstrated a robust efficacy profile. As of the data cut-off date of September 30, 2019, among the 106 total enrolled r/r MCL patients in study ICP-CL-00102, including 86 patients at regimen of 150 mg, QD and 20 patients at 100 mg, BID, 99 patients had response assessments. Overall, the IRC assessed objective response rate was 85.9%, complete response rate assessed by CT was 27.3% (among the 28 patients who had pre- and post-PET CT evaluation, the corresponding complete response rate was 53.6%), partial response rate was

58.60%, stable disease rate was 5.1%, and the disease control rate was 90.9%. The median DOR has not yet been reached and 6-month DOR rate was 77.1%. Among the 86 patients at regimen of 150 mg, QD, 79 patients had response assessments. The IRC assessed objective response rate was 83.5%, complete response rate assessed by CT was 29.1%, partial response rate was 54.4%, stable disease rate was 5.1%, and the disease control rate was 88.6%. The median DOR has not yet been reached and 6-month DOR rate was 79.2%.

Among the 80 total enrolled r/r CLL/SLL patients treated with orelabrutinib in study ICP-CL-00103, as of the data cut-off date of August 9, 2019. The IRC assessed objective response rate was 88.8% (IRC assessed), two patients achieved complete response (CR), one patient achieved CR with incomplete marrow recovery (CRi), partial response was 57.5%, partial response rate with lymphocytosis was 27.5% and the disease control rate was 93.8%. The median DOR has not yet been reached and 6-month DOR rate was 88.4%.

Clinically, orelabrutinib achieved approximately 100% BTK occupancy 24 hours after a single-dose of 150 mg in MCL patients.

Candidate Development Process

Pre-clinical Research

From the second half of 2015 until we obtained IND approval for orelabrutinib in China in December 2017, our team with experience in chemistry, pharmacology, toxicology and cancer biology worked with reputable CROs to conduct the following pre-clinical research and regulatory work for orelabrutinib: efficacy evaluation in animal models, dose selection, toxicity testing, PK and pharmacodynamics (PD) assessments, CMC development, IND package preparation, onsite inspection, registration sample submission, and pre-IND meeting preparation and participation.

Clinical Research

Upon obtaining IND approval from the NMPA in December 2017, our clinical development team with extensive experience in clinical development worked with reputable CROs and CMOs to conduct the following activities for the ongoing and planned clinical trials of orelabrutinib: clinical development strategies, market value assessments, trial proposals and protocol designs, including determining study objectives and endpoints, trial preparation, site selection, patient recruitment, medical/safety monitoring, site monitoring, data collection/verification and statistical analysis.

Summary of Clinical Trial Data

The safety, tolerability and efficacy profiles of orelabrutinib are being evaluated in seven ongoing clinical trials including two registrational trials. As of September 30, 2019, orelabrutinib has been administered to 254 subjects.

Study ICP-CL-001 Phase I study in healthy volunteers

Study ICP-CL-001 is a Phase I randomized, double-blinded, placebo-controlled, dose escalation study of orelabrutinib in healthy volunteers conducted in Australia.

Trial Design. The study evaluated the safety, tolerability, PK/PD profiles of orelabrutinib in healthy volunteers following single (20, 50, 100, 200 and 400 mg) and multiple escalating doses (100 and 200 mg QD, 100 mg BID) for 14 consecutive days. The study was divided into 8 cohorts and in each cohort, 8 subjects were randomized to receive orelabrutinib (6 subjects) or placebo (2 subjects).

Trial Status: The study has been completed.

Safety data: A total of 48 subjects were treated in this study. Orelabrutinib was safe and well tolerated in healthy volunteers who received a single dose of orelabrutinib of up to 400 mg or multiple doses of up to 100 mg twice daily or 200 mg daily for 14 consecutive days. All TEAEs reported during the study were mild or moderate in severity and resolved before the end of the study. Petechiae and headache were the most commonly reported treatment-related TEAEs in the orelabrutinib-treated cohorts. No dose limiting toxicities (DLT) were encountered and the MTD was not reached. No serious TEAEs, TEAEs leading to study treatment withdrawal, or serious TEAEs resulting in death were reported during this study.

Pharmacokinetics: Systemic exposure (both AUC and C_{max}) of orelabrutinib increased with dose in a proportional manner resulting in approximately similar dose-normalized AUClast values across all dosage levels, indicating a linear PK. The mean terminal $t_{1/2}$ of orelabrutinib was approximately 4 hours across all cohorts. There was no drug accumulation in plasma after repeat dosing. No significant food effect was observed following co-administration of orelabrutinib with a standard high-fat, high-calorie meal.

Pharmacodynamics: Near complete and sustained BTK occupancy was achieved at a dose level of 50 mg or higher with small inter-subject variability (CV%). No decrease of BTK occupancy, between 4- and 24-hour post-dosing, was observed. The exposure-response relationship between C_{max} and BTK occupancy at 24-hour post-dosing by logistic regression showed that the C_{max} at a dose of 50 mg or greater exceeded the concentration required to achieve >99% BTK occupancy at 24-hour (EC99).

Conclusion: The study results show orelabrutinib has a favorable safety profile, good bioavailability, linear PK, prolonged PD effect and favorable PK/PD relationship.

Study ICP-CL-00102 registrational study in patients with r/r MCL

Study ICP-CL-00102 is an open label, multi-center, two-stage, registrational study in r/r MCL patients to evaluate the safety, efficacy and tolerability of orelabrutinib at the RP2D.

Trial Design: The primary endpoint is to determine objective response rate (ORR by IRC) of orelabrutinib in patients with r/r MCL. Secondary endpoints include: ORR (evaluated by investigator), duration of response (DOR evaluated by IRC), progression-free survival (PFS), overall survival (OS) and safety. Treatment response was assessed using Lugano criteria. The trial was carried out in two stages. Stage I was designed for regimen selection where the patients were divided into two groups receiving 100 mg BID or 150 mg QD orally to determine the RP2D. Stage II was designed to evaluate efficacy in which patients were dosed at the RP2D (150 mg QD). All patients received at least one and no more than four therapies previously; among them, 90.7% at the RP2D had received CD20 antibody treatment previously.

Trial Status: Study enrollment has been completed and a total of 106 patients were enrolled. Among them, 20 patients received 100 mg, BID and 86 patients received 150 mg, QD regimens. These patients were treated at 22 centers across China in this study. Result of this study was based on the data cut-off date as of September 30, 2019.

Efficacy data: 40 patients were enrolled and divided into two cohorts (n=20 each) for Stage I and an additional 66 patients were enrolled for Stage II of the study. The 150 mg QD regimens, was selected as RP2D because of its favorable safety profile, a better ORR and the convenience of once daily dosing. All patients who were enrolled in Stage I continued their treatment. As of the data cut-off date of September 30, 2019, a total of 106 patients received orelabrutinib treatment, among them 99 patients had response assessments. The response rate was assessed by traditional CT imaging technology. The ORR (evaluated by IRC) for the evaluable patients was 85.9%, the complete response (CR) rate assessed by CT was 27.3% (among the 28 patients who had pre- and post-PET CT evaluation, the corresponding complete response rate was 53.6%), partial response (PR) rate was 58.6%. Stable disease rate was 5.1%. The total disease control rate was 90.9%. The median DOR has not yet been reached.

Safety data: As of the data cut-off date of September 30, 2019, all 106 patients in this study ICP-CL-00102 had safety assessments. Among the 106 patients treated with orelabrutinib, the most frequent (15%) AEs of any cause were hematological toxicities, including thrombocytopenia, neutropenia, white blood cell count decrease, anaemia, and respiratory system infections, as well as rash. The most commonly reported (>10%) Grade 3 or higher AEs of any cause were thrombocytopenia (11.3%). No clinically relevant atrial fibrillation or flutter and no treatment related secondary malignancy was observed. No Grade 3 or higher hemorrhage was reported. No treatment-related Grade 3 or higher diarrhea or cardio toxicity was observed. Of the 106 patients, 29 experienced serious AEs, of which 15 were considered treatment-related, mostly relating to hematologic toxicities and/or infections; 46 Grade 3 or higher TEAEs were observed of which 33 were treatment-related.

Study ICP-CL-00103 registrational study in patients with r/r CLL/SLL

Study ICP-CL-00103 is an open-label, multi-center, two stage, registrational study in r/r CLL/SLL patients to evaluate the safety, efficacy and tolerability of orelabrutinib at the RP2D.

Trial Design: The primary endpoint is ORR (evaluated by IRC) of orelabrutinib in patients with r/r CLL/SLL. Secondary endpoints were ORR (evaluated by investigator), DOR, progression free survival (PFS) and safety. Treatment response was assessed using 2008 IWCLL criteria (with modification for PRL). The study was carried out in two stages. Stage I was designed to assess the DLT, safety and tolerability of orelabrutinib at 150mg QD in the first 6 patients with r/r CLL/SLL. Stage II was designed to evaluate the therapeutic benefits of orelabrutinib in patients that received the RP2D of 150mg QD. The patients were between the age of 36 and 78, and 98.8% of patients have previously received alkylating agents (including bendamustine), 58.8% of patients have previously received purine analog treatment, and 43.8% of patients have previously received CD20 antibody treatment. Of the 80 total enrolled patients, all CLL patients were at Binet stage B or C, and 56 patients (70%) were at Rai III/IV stage. In addition, tumor burden was high among enrolled patients, 43 patients (53.8%) had ≥5cm tumor diameter of measurable target lesion and 15 patients (18.8%) had ≥10cm tumor diameter of measurable target lesion.

Trial Status: Study enrollment has been completed and a total of 80 patients were enrolled and treated in this study. Interim analysis was conducted based on the data cut-off date as of August 9, 2019.

Efficacy data: 6 patients were enrolled in Stage I of the study and an additional 74 patients were enrolled in Stage II of the study. As of the data cut-off date of August 9, 2019, 80 enrolled patients were evaluable for response. The ORR (assessed by IRC) was 88.8%. Among 80 enrolled patients, CR/CRi rate was 3.8%, PR rate was 57.5%, and PR rate with lymphocytosis was 27.5%. Stable disease rate was observed in 5.0% of the patients. The total disease control rate was 93.8%. The median DOR has not yet been reached and 6-month DOR rate was 88.4%. Subgroup analysis did not reveal significant differences. This interim ORR and stable disease data have not been reviewed by IRC.

Safety data: A total of 80 patients were enrolled and treated in this study. As of the data cut-off date of August 9, 2019, all 80 patients had safety assessments. Among the 80 patients treated, the most frequent (≥20%) AEs of any cause were hematological toxicities, including thrombocytopenia, neutropenia, upper respiratory tract infection, lung infection, increased weight and blood urine present. No cases of clinically relevant atrial fibrillation or treatment related secondary malignancy was observed. Only one major bleeding and one grade 3 diarrhea was reported. The most frequently (≥10%) reported ≥ Grade 3 AEs of any cause were neutropenia, thrombocytopenia and lung infection. Among all patients treated, 16 patients experienced at least one serious TRAE with 2 patients leading to dose reduction and 3 patients leading to death.

Conclusion of Study ICP-CL-00102 and Study ICP-CL-00103: Both studies demonstrate orelabrutinib was well tolerated by treated patients. For TEAEs observed in these two studies, we consider diarrhea, bleeding and atrial fibrillation to be off-target related. Among these off-target TEAEs, all diarrheas were Grade 1 or 2 except for one Grade 3 (0.5%) and no clinically relevant atrial fibrillation was observed. Orelabrutinib's favorable safety profile and convenient QD dosing regimen make it a potential best-in-class therapeutic option for patients with B-cell malignancies. In addition, orelabrutinib has shown a robust efficacy profile in advanced-stage r/r MCL and r/r CLL/SLL patients.

Clinical Development Plan

The NDA of orelabrutinib for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019, and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in March 2020.

In addition to our registrational studies in patients with r/r CLL/SLL and patients with r/r MCL, we have several ongoing trials in China to evaluate orelabrutinib in patients with various B-cell malignancies:

Study ICP-CL-00104: Phase II, multi-center, open-label study to assess safety, tolerability and efficacy of orelabrutinib at 150 mg QD in patients with r/r MZL. Primary endpoint is ORR and secondary endpoints include safety, tolerability, DOR, PFS and OS for this study. Patient enrollment has begun for this study.

Study ICP-CL-00105: Phase II, multi-center, open-label study to assess safety, tolerability and efficacy of orelabrutinib at 150 mg QD in patients with r/r WM. Primary endpoint is MRR (major response rate) measured by IWWM and NCCN guidelines 2017 v1 and secondary endpoints include safety, tolerability, DOR, PFS, CR, VGPR, PR, immunoglobulin changes, and OS. Patient enrollment has begun for this study.

Study ICP-CL-00106: Phase II, multi-center, two-stage, open-label study to assess safety, tolerability and efficacy of orelabrutinib at 150 mg QD in patients with r/r primary CNS Lymphoma (pCNSL). Primary endpoint is ORR measured by IPCG (International Study Group for Primary CNS Lymphoma) criteria and secondary endpoints include safety, tolerability, CR, DOR, PFS and OS. Patient enrollment has begun for this study.

Study ICP-CL-00108: Phase I, multi-center, two-stage, open-label study to assess safety, tolerability and efficacy of orelabrutinib at 150 mg QD in patients with r/r non-GCB DLBCL sub-population with double mutations. Stage I will initially enroll 28 patients and if ORR is observed in at least 11 patients, then this study will progress to Stage II. Primary endpoint is ORR and secondary endpoints include safety, tolerability, DOR, PFS and OS. Study protocols for the Phase II study has been submitted by the leading site ethics committee to the Office of China Human Genetic Resource Administration for review and approval in the fourth quarter of 2019.

Study ICP-CL-00111: Phase III, randomized, multi-center study to compare the efficacy and safety of orelabrutinib with standard of care in treatment-naive CLL/SLL patients. The study will consist of two cohorts. Cohort 1 will enroll 216 patients with 1:1 ratio between control and active (orelabrutinib) arms. The regime for orelabrutinib is 150 mg QD; cohort 2 will enroll 50 treatment-naive patients with *17p* deletion for dose administration of orelabrutinib at 150 mg QD. Primary study endpoints include IRC-assessed PFS (cohort 1) and ORR (cohort 2, Del 17p). Secondary endpoints include safety, ORR and DOR, PFS, OS, and MRD. Planned enrollment for this study is a total of 266 patients. The IND application for this study has been submitted for CDE approval and study protocol will be finalized after CDE review.

Study MIL62-CT03: Phase I study in r/r FL patients in China to investigate orelabrutinib in combination with MIL62, a next-generation CD20 antibody. This study has been initiated in the fourth quarter of 2019.

We are also conducting the following trial in the U.S. to evaluate orelabrutinib in patients with B-cell malignancies:

Study ICP-CL-00107: Phase I, multi-center, open-label, dose escalation study to assess the safety, tolerability and pharmacokinetics of orelabrutinib in patients with r/r B-cell malignancies. The starting dose is 100 mg QD and will be escalated to 150 mg QD subject to dose limiting toxicities. Primary endpoints are the MTD and RP2D for orelabrutinib; secondary endpoints include safety, tolerability, PK and ORR, DOR. This study has received IND approval from the FDA and patient enrollment has begun.

We also plan to evaluate orelabrutinib in patients with SLE. For details, please refer to "— Orelabrutinib for Autoimmune Diseases — Clinical Development Plan."

Orelabrutinib for Autoimmune Diseases

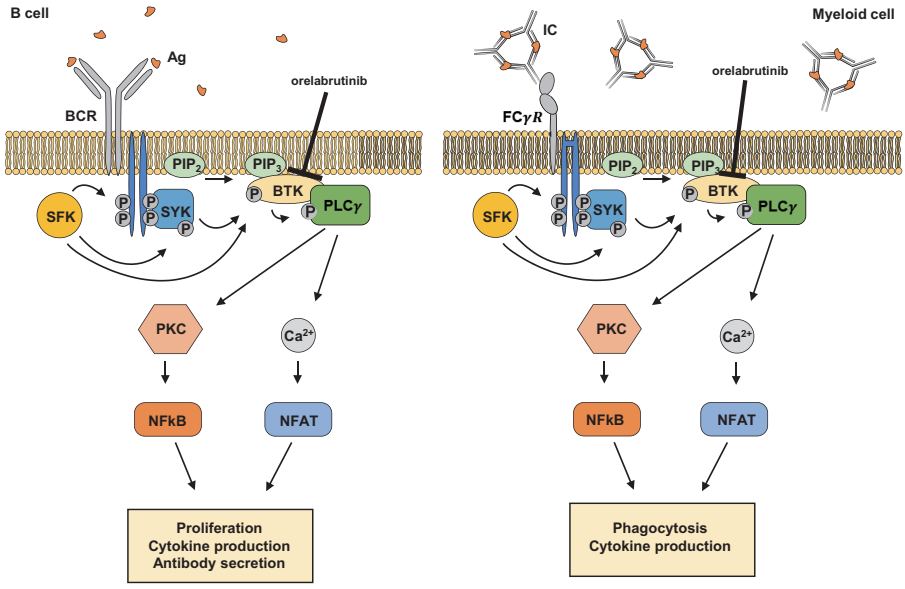
Because of its selectivity and safety profile, we are also evaluating orelabrutinib as a novel therapy for the treatment of SLE and other autoimmune diseases.

Mechanism of Action

BTK is a promising target for the treatment of autoimmune diseases such as RA and SLE due to its role in mediating both B-cell and Fc receptor signaling. In autoimmune diseases like RA and SLE, the strong B-cell component is paired with activation of innate immune cells. Specifically, BTK plays key roles in both B-cells and macrophages, which are the two major cell types contributing to SLE pathogenesis.

Studies have shown that inhibition of BTK signaling significantly impacts multiple key effector pathways that contribute to SLE, which has important implications for the treatment of SLE patients.

The diagram below illustrates the proposed mechanism of action of orelabrutinib in SLE:



Adapted from: "Bruton's tyrosine kinase inhibitors for the treatment of rheumatoid arthritis" by Jennifer A. Whang and Betty Y. Chang. 2014 Aug. 19(8):1200-4. doi: 10.1016/j.drudis.2014.03.028.

Market Opportunity and Competition

Systemic Lupus Erythematosus (SLE) is a chronic inflammatory condition in which the body's tissues are attacked by the immune system. SLE can potentially lead to serious organ complications.

There is significant market potential for BTK inhibitors for SLE treatment. Based on Frost & Sullivan analysis, the global SLE prevalence reached 7.6 million in 2018 and is expected to reach 8.6 million by 2030. The prevalence of SLE in China reached 1.02 million in 2018 and is expected to reach 1.09 million by 2030.

The global SLE therapeutic market grew at a CAGR of 12.4% from 2014 to 2018 reaching US$1.2 billion in 2018, and is expected to further expand at a CAGR of 21.2% from 2018 to 2030, reaching US$12.0 billion in terms of sales in 2030, according to Frost & Sullivan. The SLE therapeutic market in China grew at a CAGR of 7.3% from 2014 to 2018 reaching RMB1.4 billion in 2018, and is expected to further expand at a CAGR of 21.7% from 2018 to 2030, reaching RMB14.9 billion in terms of sales in 2030.

SLE places a substantial economic burden on patients with diagnosis, treatment and rehabilitation expenses, reaching up to US$70,000 annually per patient. SLE treatment-related expenditures are often further compounded by development of organ dysfunction, such as lupus nephritis, and of other chronic diseases. Indirect costs that include loss in economic productivity and diminished social functions, such as childcare and domestic activities, can reach up to US$18,000 annually per patient and impose an additional burden upon SLE patients.

There are four main treatments for SLE, including nonsteroidal anti-inflammatory drugs, corticosteroids, antimalarial drugs and biological therapy. The existing treatment options for SLE patients remain limited and are either ineffective, inconvenient or poorly tolerated in a sizeable group of patients. The use of corticosteroids and immunosuppressants is associated with severe side effects, such as increased risks of infection and osteoporosis for SLE patients. The only approved targeted therapy for SLE, belimumab, has also shown modest efficacy and needs to be administered by injection. Inhibition of BTK signaling pathways may be a promising treatment option for SLE patients.

As at the Latest Practicable Date, there are no BTK inhibitors for SLE treatment approved in the global market. Besides orelabrutinib, other BTK inhibitor candidates are under clinical development for SLE treatment, including fenebrutinib from Roche and evobrutinib from Merck KGaA.

The following table sets forth comparisons between orelabrutinib and other BTK inhibitor candidates for SLE treatment at clinical stage:

Generic Name/Drug Code	Company	Global Filing Status
Orelabrutinib	InnoCare	Phase I
Fenebrutinib	Roche	Phase II
Evobrutinib	Merck	Phase II
ABBV-105	AbbVie	Phase II
BIIB068	Biogen	Phase I
AC0058	ACEA Pharma	Phase I
SN1011	SinoMab	Phase I

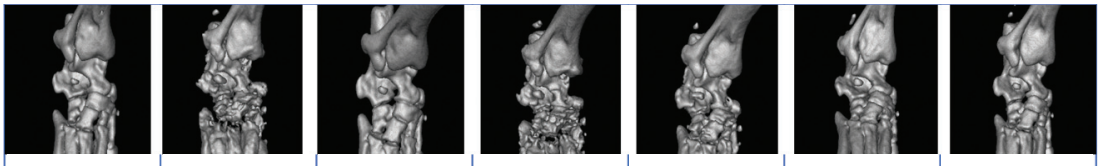
Source: Frost & Sullivan Analysis

Summary of Pre-clinical Data

Available data from our animal models reveal a robust efficacy profile for orelabrutinib in both SLE and RA.

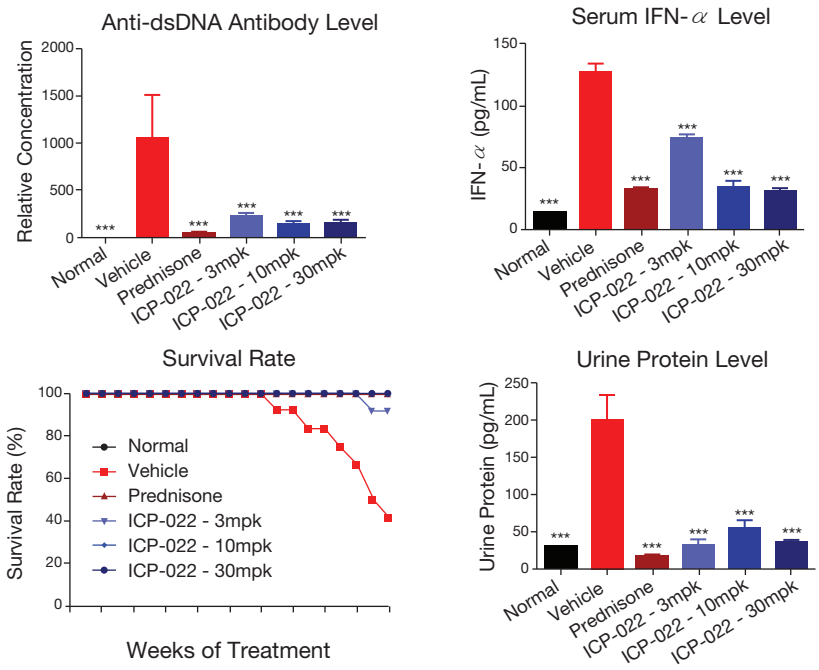
Histological morphology of rat ankle joints demonstrated a dose-dependent protection from joint damage, including ankle inflammation, pannus formation, cartilage degradation and bone resorption. The bone-protective effect was further confirmed by micro-computed tomography analysis, which showed orelabrutinib markedly reduced erosive bone changes and prevented bone loss, whereas the vehicle-treated group showed severe and widespread bone loss.

Representative micro-computed tomography images of rat ankle joints



The MRL/lpr mouse is one of the best-studied mouse models for spontaneous SLE where *lpr* mutation accelerates the predisposition of MRL mice for developing autoimmunity with many of the SLE features observed in humans. In a six-month study, orelabrutinib dramatically reduced inflammation and improved survival rate and kidney function of treated MRL/lpr animals. Efficacy was demonstrated at doses as low as 3 mg/kg QD, and complete disease protection was achieved at 10 mg/kg QD and 30 mg/kg QD. Survival protection in treated animals was observed in a dose-dependent manner. Correspondingly, anti-dsDNA and pro-inflammatory cytokine interferon (IFN)-α levels were also reduced in a dose-dependent manner.

Orelabrutinib efficacy in SLE mouse model

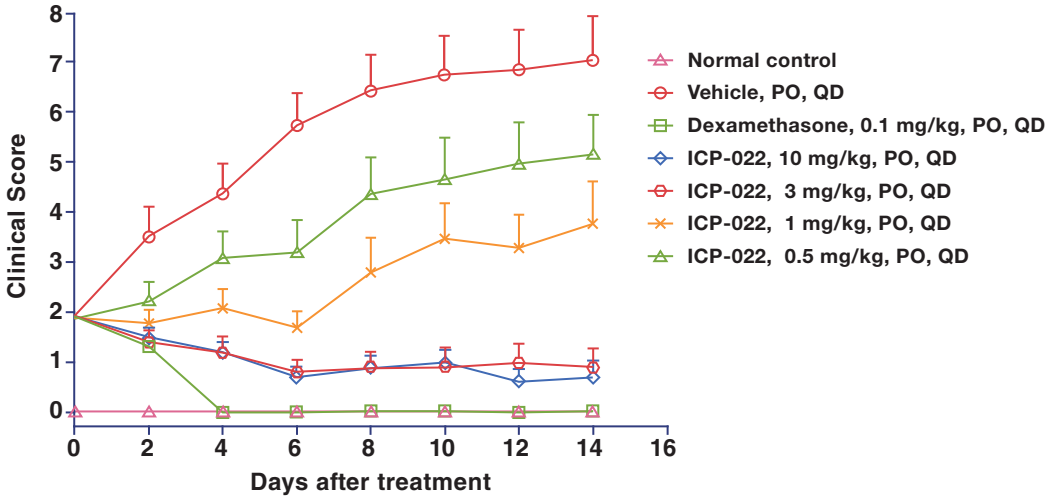


Abbreviations: Anti-dsDNA = Anti-double-standard DNA; mpk = mg/kg.

A similar effect was observed in a pristane-induced SLE mouse model with dose-dependent inhibition of lupus-related arthritis and improved kidney function. The pristane-induced SLE mouse model is one of the most widely used murine models for induced lupus-like disease with immune complex glomerulonephritis, mild erosive arthritis and many lupus-associated autoantibodies. The efficacy of orelabrutinib at 3 mg/kg QD and 10 mg/kg QD was comparable to ibrutinib at 30 mg/kg QD measured by arthritis score. Orelabrutinib at 10 mg/kg QD and 30 mg/kg QD demonstrated a better efficacy profile than ibrutinib 30 mg/kg QD as measured by histopathology scores. Mouse kidneys were collected to assess renal pathology following completion of the study. Immunohistochemical staining was conducted to determine the intensity of IgG expression in the kidney basement membrane and the mesangial compartment. Histopathologic analysis of kidneys obtained from vehicle-treated animals revealed extensive IgG staining, whereas orelabrutinib-treated animals exhibited significantly reduced IgG staining.

In a rat Collagen-Induced Arthritis (CIA) model, one of the most commonly studied autoimmune models of RA, orelabrutinib also showed dose-dependent reduction of pro-inflammatory cytokines, ameliorated arthritis histopathology scores and prevented joint destruction.

Effect of orelabrutinib on clinical scores of arthritis in CIA rat model



For more information on the clinical safety and tolerability profile of orelabrutinib, please refer to "– Study ICP-CL-001."

Clinical Development Plan

We are initiating a Phase Ib/IIa study to evaluate orelabrutinib in combination with standard of care treatment for SLE in China in the first quarter of 2020. Approval from the relevant authority is currently being obtained to start patient enrollment for such trial. Study ICP-CL-00109 is a randomized, placebo-controlled, double-blinded, dose-ranging, Phase Ib/IIa study to identify the optimal dosing regimen and evaluate the safety, tolerability and the biomarker readout of orelabrutinib at 50 mg, 80 mg and 100 mg QD in patients with SLE in China. The primary endpoint is safety and tolerability, the secondary endpoints are efficacy and PK/PD. The safety endpoints include: occurrences of treatment-emergent and treatment-related serious adverse events (TESAE vs. TRSAE); occurrences of treatment-emergent and treatment-related adverse events (TEAEs vs. TRAEs) according to severity; and number of patients with clinically significant vital sign, electrocardiogram and laboratory abnormalities. The efficacy endpoints are rate of SLE Responder Index ("SRI")-4 (4-12 weeks)/treatment arm and rate of SRI-6 (4-12 weeks)/treatment arm. This study has been approved by the CDE and ethics committee.

As at the Latest Practicable Date, no material adverse change has occurred with respect to the regulatory review or approval process of orelabrutinib.

Cautionary Statement required by Rule 18A.05 of the Listing Rules of the Hong Kong Stock Exchange: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ORELABRUTINIB SUCCESSFULLY.

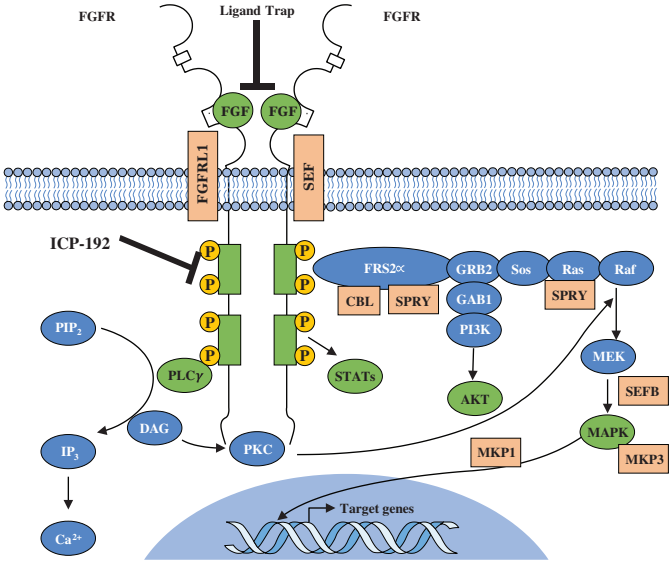
ICP-192

ICP-192 is a potent, highly selective, irreversible small-molecule pan-FGFR inhibitor that we are investigating in clinical studies for the treatment of patients with various types of solid tumors in China. We developed ICP-192 with a unique structure to achieve enhanced anti-tumor efficacy while limiting *in vivo* drug exposure. We are currently conducting a Phase I/IIa study of ICP-192 to define its MTD and/or OBD and PK/PD in patients with solid tumors. Preliminary data from the study reveal a favorable safety profile for ICP-192 and show the compound to be well tolerated by treated patients. The plasma exposure of ICP-192 after a single dose of 8 mg was fourfold of that after a single dose of 2 mg, which suggests the increase of exposure was dose-proportional. The plasma exposure of ICP-192 at 8 mg QD has exceeded the therapeutic exposure of ICP-192 in pre-clinical efficacy studies in xenograft models. Hyperphosphatemia, a PD marker for FGFR inhibition, was consistently observed in treated patients at dose 8 mg QD.

Mechanism of Action

FGFRs are a family of tyrosine kinase receptors, which includes FGFR1-4, that play a key role in the regulation of cell proliferation and cell survival. Pan-FGFR inhibitors that selectively bind to and inhibit FGFRs can block FGFR-related signal pathways and thereby control tumor cell proliferation and tumor cell death.

The diagram below illustrates the mechanism of action of ICP-192:



Adapted from: "Is FGFR an Effective Target in Cholangiocarcinoma?" by Lipika Goyal, Massachusetts General Hospital Cancer Center. 2017 October, and Turner & Grose, Nature Reviews Cancer 2010

Market Opportunity and Competition

FGFRs are tyrosine kinase receptors that regulate important biological processes such as cell proliferation and survival. Because of FGFR signaling pathway's potential driving role in tumor cell proliferation, various FGFR targeting therapies are under development. Mutation and aberrant activation of FGFRs have been implicated with the development of various cancers, including bile duct, breast, lung, head and neck, gastric and urothelial cancer, accounting for approximately 7.1% of solid tumors in 2018.

According to Frost & Sullivan, the overall annual incidence of solid tumors related to FGFR aberrations globally reached 1.21 million in 2018 and has grown at a CAGR of 2.5% from 2014 to 2018. The overall annual incidence is expected to grow at a CAGR of 2.4% from 2023 to reach 1.62 million by 2030. The overall annual incidence in China reached 291,762 in 2018 and has grown at a CAGR of 2.6% from 2014 to 2018, and is expected to grow at a CAGR of 2.1% from 2023 to reach approximately 380,000 by 2030.

As for solid tumors, we will initially develop ICP-192 for the treatment of urothelial cancer and cholangiocarcinoma, two prevalent indications that we believe have significant market opportunity in China.

Urothelial cancer, also known as transitional cell carcinoma, is a type of cancer that originates from the urothelial cells, and includes bladder cancer, cancer of the ureter, urethra, and urachus. The most common type of urothelial cancer is bladder cancer. Although urothelial cancer can be treated at an early stage, the treatment method depends on the clinical stage of the cancer and the degree of metastasis. Chemotherapy remains the standard treatment for urothelial cancer but is limited by its side effects. In 2018, there were 494,454 and 74,043 new cases of urothelial cancer globally and in China, respectively, according to Frost & Sullivan.

Cholangiocarcinoma is a group of cancers that begin in the bile ducts that connect the liver, gallbladder and small intestine. Cholangiocarcinoma is usually not detected until it has spread beyond the bile ducts to other tissues, and treatment options depend on the degree of metastasis. Chemotherapy remains to be the standard treatment for cholangiocarcinoma but is limited by its side effects. In 2018, there were approximately 208,150 and 87,295 new cases of cholangiocarcinoma globally and in China, respectively, according to Frost & Sullivan.

As at the Latest Practicable Date, Johnson & Johnson's Balversa (erdafitinib) is the only approved pan-FGFR inhibitor globally. Erdafitinib was approved by the FDA in April 2019 for advanced urothelial cancer. While there are multiple candidates under development, currently there is no marketed pan-FGFR inhibitor in China.

The following table sets forth comparison between ICP-192 and other pan-FGFR inhibitors at clinical stage in China:

Target	Generic Name/ Drug Code	Company	China Filing Status	Indications
FGFR1-4	ICP-192	InnoCare	Phase I	Urothelial cancer, cholangiocarcinoma
	JNJ-42756493	Janssen	Phase III	Urothelial cancer
	EOC317	Bayer, Edding Pharm	Phase I	Solid tumor
	HZB1006	Wuxi AppTec, ZBO	Phase I	HCC
FGFR1-3	HMPL-453	Hutchison Medipharma	Phase I/II	Solid tumor
	BGJ-398,NVP-BGJ398	Novartis, BridgeBio	Phase I	Solid tumor
	BPI-17509	Betta	Phase I	Solid tumor
	HH-185,3D185	HaiHe, Medicilon	Phase I	Solid tumor

Source: Frost & Sullivan Analysis

Summary of Pre-Clinical Data

ICP-192 is a highly selective pan-FGFR inhibitor that can bind to FGFR1-4 with IC_{50} of 1.4nM, 1.5nM, 2.6nM and 3.5nM, respectively. Furthermore, ICP-192 demonstrated selective inhibition of FGFR2 (N549H)/(V564I)/(K659N) with IC_{50} of 1.8nM, 3.1nM and 1.4nM, respectively. While there is no head-to-head comparative study and we have no immediate plans to conduct such study, ICP-192 showed similar inhibitory potency toward FGFR1-4 when compared to the reported data of erdafitinib.

Inhibitory activity of ICP-192 against FGFR kinases

Kinases	IC_{50} (nM)
FGFR1	1.4
FGFR2	1.5
FGFR3	2.6
FGFR4	3.5
FGFR2 (N549H)	1.8
FGFR2 (V564I)	3.1
FGFR2 (K659N)	1.4

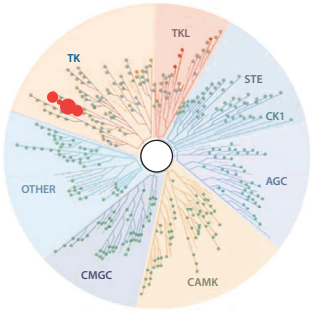
Inhibitory activity of erdafitinib against FGFR kinases

Kinases	IC_{50} (nM)
FGFR1	1.2
FGFR2	2.5
FGFR3	3
FGFR4	5.7
FGFR2 (N549H)	NA
FGFR2 (V564I)	NA
FGFR2 (K659N)	NA

Source: Perera et al, *Molecular Cancer Therapeutics* 2017, 16, 1010.

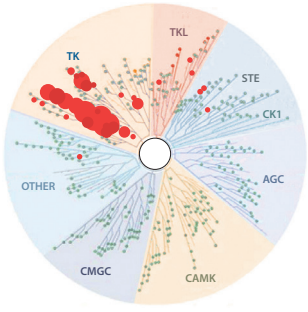
At 1 μM concentration against 468 kinases in a KINOMEscan assay, ICP-192 inhibited only FGFR1-4 by >90% and showed no obvious inhibition of other kinases.

ICP-192



While there is no head-to-head comparative study, the different times a study was conducted and the relevant study design and protocols may make data not directly comparable, ICP-192 showed greater target selectivity than the reported data of erdafitinib, which inhibited not only FGFR1-4 but also over a dozen other kinases at 1 μM concentration. Currently we have not conducted any head-to-head comparative study of ICP-192 against erdafitinib and we do not have any immediate plans to conduct such study.

Erdafitinib

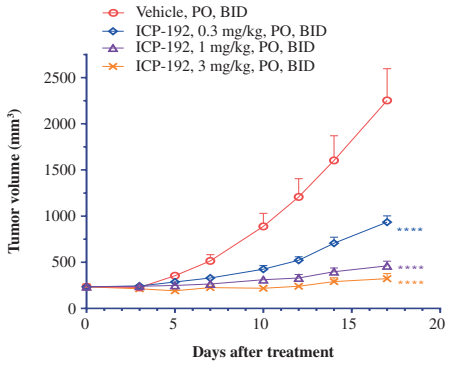


Source: Perera T. et al, *Molecular Cancer Therapeutics* 2017, 16(6), 1010-20. Doi: 10.1158/1535-7163.MCT-16-0589.

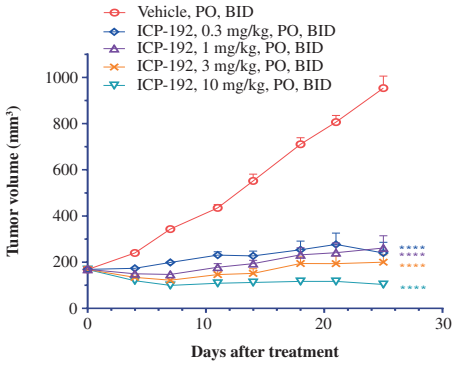
ICP-192 also demonstrated a favorable safety profile in xenograft models. Not only was the MTD shown to be substantially higher than the effective dose, a 14-day continuous administration to rats also demonstrated no apparent toxicity. Efficacy was observed in lung, gastric, urothelial and liver cancer models where animals were treated with ICP-192. In an SNU-16 xenograft tumor model, ICP-192 demonstrated significant anti-tumor response at the dosage level from 0.3 mg/kg BID. Also, an Hep3B xenograft model, a decrease in tumor volume was observed at the dosage level of 10 mg/kg BID.

ICP-192's efficacy shown in multiple tumor models harboring FGFR abnormalities

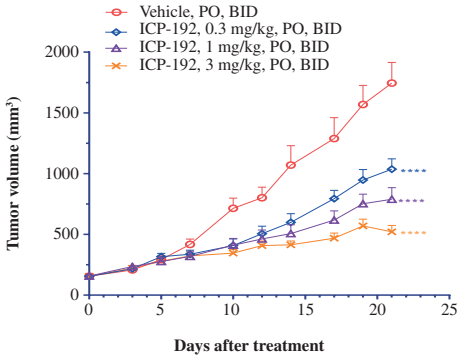
NCI-H1581 lung cancer model



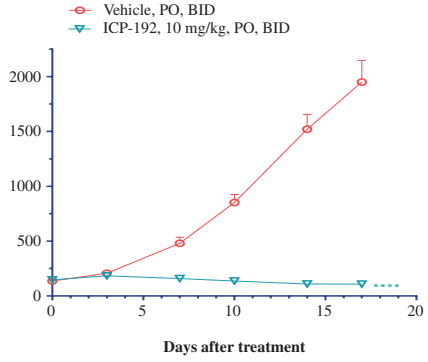
SNU-16 gastric cancer model



RT112 urothelial cancer model



Hep3B liver cancer model



Summary of Clinical Trial Data

Study ICP-CL-00301 Phase I/IIa in patients with solid tumors

Study ICP-CL-00301 is an open-label, multi-center two-stage Phase I/IIa study in China. Stage I of the study is the dose escalation portion for defining the MTD and/or OBD and PK/PD in patients with solid tumors. Stage II of the study is the dose expansion portion for investigating the safety, tolerability and preliminary efficacy of ICP-192 in patients with cholangiocarcinoma with FGFR2 fusions. We will initiate a separate Phase II trial in parallel with urothelial cancer with FGFR2/3 genetic alterations.

Trial Design: The primary endpoints of stage I are to assess safety and tolerability of ICP-192 and define the MTD and/or OBD. Secondary endpoints are to assess the PK and PD of ICP-192 in patients with solid tumors. Stage II is designed to assess efficacy, safety and tolerability of ICP-192 in patients with cholangiocarcinoma with FGFR2 fusions. A separate Phase II study in patients with urothelial cancer with FGFR2/3 genetic alterations will be initiated in parallel after the MTD/OBD have been identified.

Trial Status: Patients were enrolled into sequentially escalating dose cohorts (2, 4, 8, 10 and 12 mg) with a daily dosing schedule of 21-day cycles. As of the data cut-off date of December 3, 2019, 15 patients with solid tumors have been treated with ICP-192 at dosage levels ranging from 2 mg to 12 mg, QD. The plasma exposure of ICP-192 increased with dose and suggests the pharmacokinetics of ICP-192 is linear. The plasma exposure of ICP-192, at 8 mg QD, has exceeded the therapeutic exposure of ICP-192 in pre-clinical efficacy studies in xenograft models. Hyperphosphatemia, a PD marker for FGFR inhibition, was consistently observed in patients treated with 8 mg QD or higher. The majority of AEs reported by investigators were Grade 1 or 2 and no treatment-related DLT was reported. Dose escalation remains ongoing.

Clinical Development Plan

Translational Medicine: We plan to collect further data to assess whether ICP-192 will be a potential treatment option for patients with FGFR1-4 aberrations in combination therapy. We are currently conducting a Phase I/IIa study of ICP-192 to define its MTD and/or OBD and PK/PD in patients with solid tumors. After MTD and/or OBD is identified, we will advance the current Phase I/IIa study from the dose escalation stage (Phase I) to its Phase IIa stage with the selected regimen. During this Phase IIa study, we will mainly focus on evaluating the safety and efficacy of ICP-192 in patients with cholangiocarcinoma with FGFR2 fusions. A separate Phase II study of ICP-192 to assess its safety and efficacy in patients with urothelial cancer with FGFR2/3 genetic alterations will be initiated in parallel. In addition, we are also actively seeking ways to investigate ICP-192 in combination with therapeutic agents such as immune checkpoint inhibitors.

Clinical Development: With positive outcomes from translational medicine research, we expect to expand our clinical efforts seeking registration-enabling opportunities. In addition, we plan to initiate several open-label, Phase II studies to evaluate the safety and efficacy of ICP-192 for additional indications, including gastric cancer and HCC. We intend to evaluate data for different patient subsets to fully explore ICP-192's therapeutic potential.

Depending on the data, we will also consider initiating a two-stage study in the U.S. Stage I will be an abbreviated bridging dose escalation portion to define RP2D, and stage II will be the dose expansion portion in patients with promising indications. Depending on future needs, we may seek to further develop ICP-192 through collaborations or strategic alliances. We expect to initiate the Phase II trials by the second quarter of 2020.

Cautionary Statement required by Rule 18A.05 of the Listing Rules of the Hong Kong Stock Exchange: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ICP-192 SUCCESSFULLY.

ICP-105

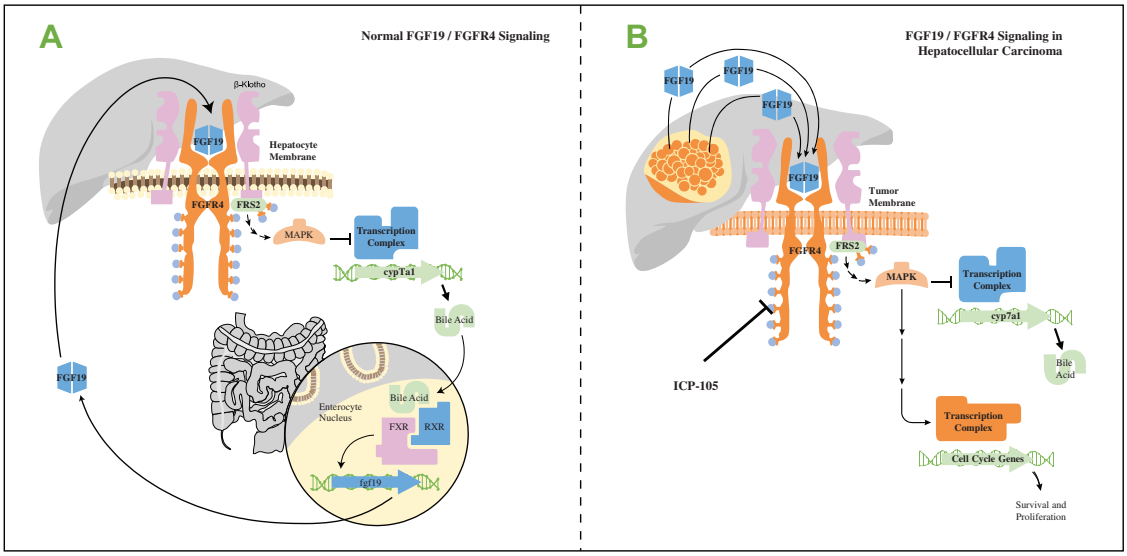
ICP-105 is a potent, highly selective small-molecule FGFR4 inhibitor that we are investigating in clinical programs in China. ICP-105 is primarily being developed for the treatment of advanced HCC with FGFR4 pathway overactivation. We are currently assessing the safety and tolerability of ICP-105 in the dose escalation portion of a Phase I study in solid tumor patients. Preliminary data from the study demonstrates a favorable safety profile for ICP-105 and shows the compound to be well tolerated. We believe ICP-105 is potentially a first-in-class FGFR4 inhibitor in China for the treatment of HCC patients with FGFR4 pathway overactivation.

Mechanism of Action

FGFR4 is a tyrosine kinase receptor that plays a key role in the regulation of cell proliferation, metabolism and bile acid biosynthesis. Aberrant activation of FGFR4 is associated with the overexpression of its ligand FGF19 in hepatocytes. Such activation has been found to drive cancer development and solid tumor growth. FGFR4-specific inhibitors suppress the aberrant activation of FGFR4 and inhibit FGFR4-mediated signaling, leading to an inhibition of cell proliferation in FGF19-overexpressing tumors cells.

ICP-105 is a highly selective FGFR4 inhibitor that can effectively bind to FGFR4, inhibit FGF19-overexpression mediated activation of FGFR4 signaling in HCC and exert its anti-neoplastic effect by blocking the activation of the downstream ERK signaling pathway.

The diagram below illustrates the mechanism of action of ICP-105:



Adapted from: "The Novel FGFR4 Inhibitor INCB062079 Is Efficacious in Models of Hepatocellular Carcinoma Harboring FGF19 Amplification" by Bruce R. et al. 2017. Cancer Research. 77. 1234-1234. 10.1158/1538-7445.AM2017-1234

Market Opportunity and Competition

Liver cancer has the fourth highest incidence among all cancers and was the second-leading cause of death from cancer in China in 2018, according to Frost & Sullivan. The most common type of liver cancer is HCC. HCC is one of the most lethal cancers and the third-most-common cause of cancer-related deaths worldwide.

Global new cases of HCC reached 756,972 in 2018 and is expected to reach 1.0 million in 2030, at a CAGR of 2.4%. New cases of HCC in China reached 360,181 in 2018 and is expected to reach approximately 473,000 in 2030, at a CAGR of 2.3%, according to Frost & Sullivan.

Despite advances in the treatment of HCC, including approvals of nivolumab and prior approvals of the multi-kinase inhibitors including sorafenib and regorafenib, there is a significant unmet need for new treatments for HCC, including FGFR4-driven HCC.

Sorafenib, which is approved by the U.S. FDA as a first-line treatment for advanced HCC, is a multi-kinase inhibitor that targets VEGFR and many other kinases and exhibits anti-angiogenic effects. Regorafenib is approved by the U.S. FDA as a second-line treatment for advanced HCC based on data from a pivotal trial showing improved median overall survival of 2.8 months and an 11% ORR in patients with documented disease progression following sorafenib treatment. In clinical practice, however, patients often require dose modifications or discontinue therapy with sorafenib and regorafenib due to tolerability issues. There is an unmet need for therapies with a favorable risk-benefit profile and the potential to be used alone or in combination with other approved or emerging therapies for advanced HCC.

The FGFR4 signaling pathway is a promising direction for the development of molecularly-targeted therapy in HCC. Patients with overexpression of FGF19/FGFR4 accounted for 20% of HCC patients, according to Frost & Sullivan.

While several FGFR4 inhibitors are under clinical development, there are currently no marketed FGFR4 inhibitors globally. The following table sets forth current clinical status of FGFR4-inhibitors in China:

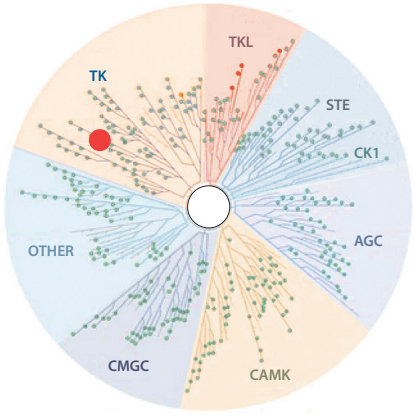
Generic Name/Drug Code	Company	China Filing Status	Indication
ICP-105	InnoCare	Phase I	HCC
CS3008/BLU-554	CStone/Blueprint	Phase I	HCC

Source: Frost & Sullivan Analysis

Summary of Pre-Clinical Data

ICP-105 inhibits the activity of the FGFR4 kinase with an IC_{50} of 0.93nM, and the inhibitory effects of ICP-105 on other subtypes of FGFR family, including FGFR1, FGFR2 and FGFR3, are several thousand times weaker than that on FGFR4. As illustrated in the dendrogram below, in a KINOMEscan assay against 468 kinases, ICP-105 at a concentration of 1 μM inhibited FGFR4 only by >90% and showed no obvious inhibitions of other kinases.

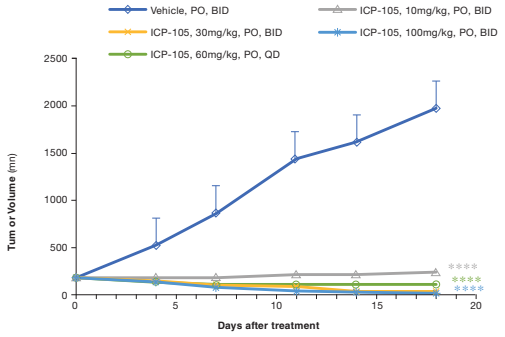
ICP-105



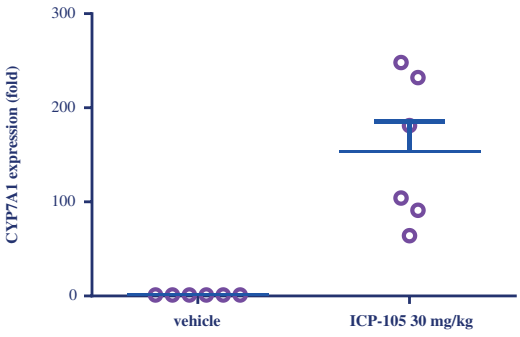
ICP-105 also demonstrated a favorable tolerability profile in animal studies in SD rats and beagles, two of the most common animal models for toxicity assessment. ICP-105 showed no significant toxicity at 360 mg/kg (HED: 4064 mg/day) and no significant increase in AST/ALT in SD rats. ICP-105 showed no significant toxicity at 180 mg/kg (HED: 7000 mg/day), or significant increase in AST/ALT in beagles.

Anti-tumor efficacy of ICP-105 was evaluated in HCC xenograft models where tumor growth is driven by FGFR4 signaling. At a dose of 10 mg/kg, BID, ICP-105 induced CRs in a subset of mice for at least 18 days after cessation of treatment. At a dose of 30mg/kg and beyond, BID, ICP-105 inhibited tumor growth completely. At the dose of 30 mg/kg, significant induction of CYP7A1 expression was seen. As FGFR4 and its ligand, FGF19, down-regulate the expression of CYP7A1, induction of CYP7A1 expression suggests inhibition of FGFR4 signaling. A correlation between the concentration of ICP-105 in mouse plasma and the level of expression of CYP7A1 was also observed in an HCC xenograft model in the same study. The correlation between ICP-105 plasma concentration, level of induction of CYP7A1 expression and anti-tumor efficacy suggests that the observed anti-tumor response is due to the inhibition of FGFR4 signaling.

Tumor size reduction in HCC mouse model after ICP-105 administration



CYP7A1 gene expression induced by ICP-105 in HCC mouse model



Summary of Clinical Trial Data

Study ICP-CL-00201 Phase I study in patients with solid tumors

Study ICP-CL-00201 is a Phase I open-label, dose escalation study to characterize the MTD and/or OBD in patients with solid tumors in China.

Trial Design: The dose escalation stage was conducted in patients with solid tumors. The primary endpoints are safety and tolerability of ICP-105. The secondary endpoints are PK and PD of ICP-105.

Trial Status: Planned enrollment for this study is a total of 54 patients. As of the data cut-off date of December 3, 2019, 19 patients had been treated with ICP-105 following a 3+3 dose escalation design. Eight cohorts of patients with solid tumor were evaluated at dosage levels ranging from 20 mg to 450 mg BID. The study is still at dose escalation stage.

Efficacy Data: As of the data cut-off date of December 3, 2019, efficacy data are not yet available.

Safety Data: As of the data cut-off of December 3, 2019, a total of 19 patients were dosed and evaluated in this study. The majority of AEs reported by investigators were Grade 1 or 2. No treatment-related DLT, nor treatment-related SAE, was reported.

Clinical Development Plan

Translational Medicine: We plan to collect further data to assess whether ICP-105 will be a potential treatment option for HCC patients with FGFR4 pathway overactivation either as a monotherapy or as combination therapy. To accelerate the development process, we are conducting a Phase I study for ICP-105 to define MTD and/or OBD in patients with solid tumors. We plan to open a Phase II study with the selected MTD or OBD to evaluate the efficacy and safety of ICP-105 in HCC patients with FGFR4 pathway overactivation. We are monitoring the selected PK/PD endpoints of ICP-105 along with the efficacy and safety data to analyze *in vivo* biological activity and map out therapeutic windows. We are also planning to investigate ICP-105 with potential combination-therapy agents to further explore the therapeutic potential of ICP-105.

Clinical Development: We plan to initiate an open-label, potential registration-enabling study to evaluate the safety and efficacy of ICP-105 if the results generated from early clinical studies are positive. Depending on the data, we will explore the potential of ICP-105 in combination therapies. We will also consider initiating a two-stage study in the U.S. to further explore its market and therapeutic potential. Stage I will be an abbreviated bridging dose escalation portion to define RP2D and stage II will be a dose expansion portion in HCC patients with FGFR4 pathway overactivation. We expect to complete the Phase I trial in the first or second quarter of 2020.

Cautionary Statement required by Rule 18A.05 of the Listing Rules of the Hong Kong Stock Exchange: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ICP-105 SUCCESSFULLY.

SELECTED PRE-CLINICAL STAGE DRUG CANDIDATES

In addition to our clinical stage assets, we have six drug candidates at pre-clinical stage, including ICP-723 and ICP-330. We expect to submit IND applications for these six drug candidates in the next 30 to 36 months.

ICP-723 is a second-generation small-molecule pan-TRK inhibitor designed to treat patients with NTRK fusion-positive cancers, as well as those refractory to the first-generation TRK inhibitors due to resistant TRK mutations, regardless of tumor types. We plan to submit the IND for ICP-723 to the NMPA in the first quarter of 2020. Upon IND approval, we will initiate clinical trials on multiple cancers types carrying NTRK fusion in China.

ICP-330 is a small-molecule inhibitor of TYK2, a non-receptor tyrosine kinase that mediates immune signaling. TYK2 mediates IL-23, IL-12 and Type I IFN-driven immune and pro-inflammatory signaling pathways that are critical in the cycle of chronic inflammation central to immune-mediated diseases. We plan to develop ICP-330 for the treatment of various T-cell mediated autoimmune disorders, such as psoriasis, IBD and SLE. We plan to submit the IND application for ICP-330 to the NMPA in the second half of 2020.

Cautionary Statement required by Rule 18A.05 of the Listing Rules of the Hong Kong Stock Exchange: WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET ANY OF THE ABOVE PRE-CLINICAL STAGE DRUG CANDIDATES SUCCESSFULLY.

INTELLECTUAL PROPERTY ASSIGNMENT FROM BIODURO SHANGHAI

On May 5, 2015, InnoCare Beijing Nuocheng, entered into an intellectual property assignment agreement (the "BioDuro Agreement") with BioDuro Shanghai, concerning the irrevocable sale, assignment and transfer of worldwide intellectual property rights related to (1) aromatic amide derivatives and their preparation and use in medicine; (2) substituted nicotinamide inhibitors of BTK and their preparation and use in the treatment of cancer, inflammation and autoimmune disease; (3) aromatic amide derivatives and their preparation

and use in medicine; and (4) kinase inhibiting compounds (collectively, the "BioDuro Assigned Products") from BioDuro Shanghai, as assignor, to us, as assignee. The BioDuro Agreement provides InnoCare Beijing Nuocheng with worldwide intellectual property rights including all granted patents, patent applications, technical knowledge and priority claims based on the inventions, creations and designs of BioDuro Assigned Products, enabling us to research and develop new drugs related to BioDuro Assigned Products. Orelabrutinib (ICP-022) is the only product candidate currently qualified as the BioDuro Assigned Products. While working at BioDuro, some of our current core team members, including Dr. Jisong Cui, Dr. Xiangyang Chen, Dr. Richard Liu, Dr. Renbin Zhao and Mr. Bright Wang, were part of the team that discovered the BioDuro Assigned Products. Dr. Cui, our Chief Executive Officer, served as chief executive officer and chief scientific officer at BioDuro LLC. from August 2011 to August 2015. Dr. Chen, our Chief Technology Officer, served as the executive director of medicinal chemistry from January 2011 to September 2015. Dr. Liu, our Head of Biology and Procurement, served as senior director of discovery biology of BioDuro from April 2011 to November 2015. Dr. Zhao, our Executive Director of Biology and Clinical Development Strategy, served as director of discovery biology of BioDuro from March 2013 to August 2015. Mr. Wang, our Executive Director of Human Resources and Operations, served as senior director of human resources of BioDuro from April 2012 to August 2015. Dr. Cui was the team leader in the discovery process of orelabrutinib (ICP-022), who was responsible for overseeing the whole development process, and Dr. Chen played a key role in discovering and investigating the chemical composition of orelabrutinib (ICP-022). None of them currently holds any interest in Bioduro Shanghai. Dr. Xiangyang Chen, our Chief Technology Officer, and Dr. Yingxiang Gao, our Assistant Director of Chemistry, were listed as inventors and hold collective inventorship to the PCT application for the BioDuro Assigned products filed in China together with three other people. The other three inventors are not related to us, and since the patent ownership has been fully transferred to our Company, there will be no such circumstances where the inventorship may affect the Company's entitlement to the intellectual property rights of orelabrutinib (ICP-022). Substantially all of the pre-clinical and IND enabling studies and clinical development activities relating to orelabrutinib (ICP-022) are conducted by us in house. We outsourced a limited portion of pre-clinical and clinical development activities to certain service providers, such as BioDuro Shanghai. BioDuro Shanghai was involved in the discovery and early pre-clinical studies of orelabrutinib before it was transferred to us in 2015.

Under the BioDuro Agreement, BioDuro Shanghai is entitled to receive an upfront payment and milestone payments, which we have paid in full in 2018.

In addition, subject to the terms of the BioDuro Agreement, we will be obligated to share with BioDuro Shanghai a single-digit percentage of any licensing fee if we out-license any intellectual property rights under the BioDuro Agreement outside of Greater China (including Hong Kong, Macau and Taiwan). We will also be obligated to share with BioDuro Shanghai a single-digit percentage of the annual net after-tax sales outside of Greater China (including Hong Kong, Macau and Taiwan) of any BioDuro Assigned Products.

As set forth in the BioDuro Agreement, either party may terminate the BioDuro Agreement in the event of the other party's uncured material breach after a 30-day grace period, or under specified circumstances relating to the other party's insolvency. We have the right to terminate the BioDuro Agreement if there is any breach of representations and warranties by BioDuro Shanghai, including BioDuro Shanghai not being entitled to full rights of the BioDuro Assigned Products and incomplete assignment and transfer to us of any intellectual property rights and information relating to the BioDuro Assigned Products. As we have become the owner of the worldwide intellectual property rights related to the BioDuro Assigned Products, we believe there would be no material adverse impact on our business prospects or financial position if BioDuro Shanghai terminates the BioDuro Agreement.

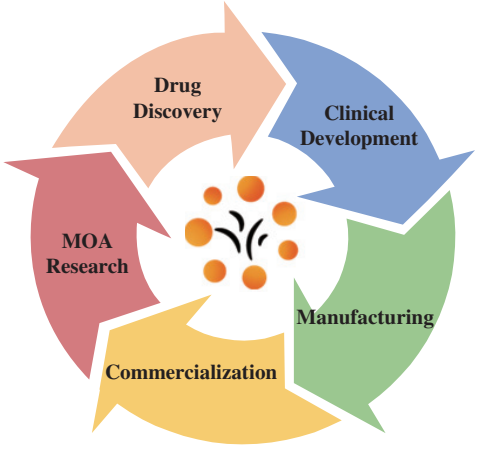
To the best of our knowledge, BioDuro Shanghai is an Independent Third Party, which has no other past or present relationship with the Group, its directors, shareholders, senior management and their associates. It occasionally provides CRO service to our Company on an as-needed basis in the ordinary course of our business and at arm's length.

OUR PLATFORM

We have built a biopharmaceutical platform with the aim of identifying drug candidates against evidence-based and novel targets with first-in-class and/or best-in-class potential, increasing the speed of development and likelihood of success while reducing the cost of development. Our platform covers a wide spectrum of drug discovery and development functionalities for our drug candidates in the fields of oncology and autoimmune diseases. Our platform facilitates collaboration among different functional groups and feeds into early discovery and research to cultivate promising targets with clinical and commercial potential.

Our platform integrates all the necessary capabilities to streamline our target-to-market timeline. These capabilities will be housed in five main functional units: target identification, drug discovery, clinical development, manufacturing and commercialization. These individual functional units have been optimized and great attention has been given to building cross-function integration at key points in the lifecycle of a drug candidate.

The following chart illustrates the five main functional units of our platform:



Note:

(1) Currently under development.

RESEARCH AND DEVELOPMENT

We believe that R&D is key to driving our therapeutic strategy and maintaining our competitiveness in the biopharmaceutical industry. We are dedicated to enhancing our pipeline by leveraging our world-class in-house R&D capabilities, which spans drug discovery and development. Our team has discovered and developed our current pipeline of nine highly-differentiated and/or novel drug candidates within less than four years, including one candidate with an NDA for r/r CLL/SLL and an NDA for MCL submitted and accepted for review by the NMPA, two candidates in Phase I/II trials and six candidates at the IND-enabling stage.

As of the Latest Practicable Date, our drug discovery team consisted of approximately 100 employees and our clinical development team consisted of approximately 60 employees. Our drug discovery and clinical development teams work closely with each other to streamline the delivery of our R&D projects and have cross-disciplinary expertise in a variety of fields, including chemistry, biology, pharmacology, toxicology, structural biology and translational and clinical research. We have established a panoramic range of in-house drug discovery capabilities, including molecule design and optimization, biochemical and cellular drug activity profiling, drug metabolism and pharmacokinetic analysis, *in vivo* assessment of drug efficacy, PK/PD property and toxicity. The clinical development unit of our platform manages substantially all stages of clinical trials, including clinical trial design, implementation, production of drug-candidate samples used, and the collection and analysis of trial data. Our in-house R&D capability is supplemented with collaboration with world-class experts, Dr. Yigong Shi and Dr. Zemin Zhang. For details, please see "– Exclusive Strategic Collaboration Agreements".

We have strategically located our R&D centers in Beijing and Nanjing to provide us with the latest industry advancements and access to local talent pools. Our Beijing R&D center spans approximately 8,300 m^2 and is equipped with not only modern chemistry, biology and CMC labs, but also an 800 m^2 AAALAC standard vivarium that allows us to develop *in vivo* animal models for drug efficacy evaluation, and conduct PK and early safety assessment. Our Nanjing R&D center has 3,350 m^2 lab space and houses a state-of-the-art solid-state research lab for polymorph screening and for supporting crystallization process development and drug physical stability studies.

For the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, our R&D expenses were RMB62.9 million, RMB149.7 million and RMB147.7 million, respectively.

Pre-clinical Development

Our drug discovery team is led by Dr. Jisong Cui, our co-founder and CEO, who brings more than 20 years of industry leadership experience, including serving as the former director and chair of the early development team of cardiovascular diseases at Merck Research Laboratories; and Dr. Xiangyang Chen, our Chief Technology Officer, who brings over a decade of experience as a medicinal chemist. As of the Latest Practicable Date, our drug discovery team consisted of approximately 100 employees, including 17 holding doctorate degrees and 41 holding master's degrees.

We use various discovery and engineering technologies to discover and select our lead compounds with suitable pharmaceutical properties and market potential.

The drug discovery unit of our platform is dedicated to identifying and validating potential therapeutic compounds. The technological approaches we use are summarized below:

- Automated high-throughput screening platform that integrates molecular/phenotypic screening and functional assays to accelerate compound profiling;

- A focused library with 100,000 small molecule compounds to enable rapid-hit identification and structure activity relationship (SAR) initiation;

- Full capability to conduct drug metabolism and pharmacokinetics (DMPK) studies for *in vitro* profiling and *in vivo* pharmacokinetic analysis in support of candidate selection and IND submission; and

- Multiple mouse tumor models covering a wide range of targeted cancer types, including liver, gastric, breast, colorectal and urothelial cancer, and cell-humanized mouse models for immuno-oncology studies in connection with our development of monotherapies or combination therapies.

Our drug discovery team collaborates with our CMC team at an early stage to complement each team's needs and to ensure continued knowledge sharing, regulatory compliance and streamlined transition from discovery to development.

Clinical Development

Our clinical development unit is led by our Chief Medical Officer, Dr. Zhixin Rick Xu, and is divided into a clinical operation department led by Ms. Qian Zhang, our director of clinical operations and a clinical strategy department led by Dr. Renbin Zhao, our Executive Director of Biology. As of the Latest Practicable Date, our clinical development team consists of approximately 60 employees, including 3 holding doctorate degrees and 17 holding master's degrees.

The clinical development unit of our platform manages substantially all stages of clinical trials, including clinical trial design, implementation, drug supply, and the collection and analysis of trial data. Our clinical development unit is also responsible for the selection of trial sites. We select trial sites based on multiple factors, including suitability of onsite facilities, availability of qualified staff and availability of research subjects. We have entered into agreements with numerous hospitals and principal investigators located in China, U.S. and Australia that can support our clinical trials of different indications at different stage. We believe the size and geographic diversity of these facilities provide us with a significant advantage in implementing large-scale clinical trials and also enable us to conduct multiple clinical trials concurrently. We believe our expertise in recruiting clinical trial patients helps us optimize our drug development timeline. With the support of our partner hospitals, we are capable of recruiting participants from specific populations for studies that would otherwise be difficult to fulfill enrollment.

Our clinical development unit also includes a translational medicine function that leverages unique algorithms for biomarker discovery and conducts bioinformatics data processing and analysis to facilitate our clinical studies. We conduct translational research to assess the effectiveness of treatment, evaluate different ways to customize therapies, and improve personalized medicine guidelines using the new data generated. These insights help further guide us toward new directions in novel drug and biomarker discovery.

Our regulatory affairs team, led by Dr. Renbin Zhao, is responsible for the regulatory approval process of our drug candidates, including assembling application dossiers for IND and NDA, addressing inquiries from relevant authorities and monitoring our R&D projects to ensure their compliance with relevant regulations.

We work with highly reputable contract research organizations (CROs) to support our pre-clinical and clinical studies in China. See "Business – Suppliers" for details.

Exclusive Strategic Collaboration Agreements

Our in-house R&D capability is supplemented by globally renowned structural biologist Dr. Yigong Shi, our co-founder and President of our Scientific Advisory Board, and cancer genomics expert Dr. Zemin Zhang, our Scientific Advisor. We have entered into an exclusive strategic collaboration agreement with Dr. Yigong Shi and Dr. Zemin Zhang, respectively. Both exclusive strategic collaboration agreements are framework agreements that set out the general principles of the collaboration under which project-specific agreements can be further negotiated and entered into. Under these framework agreements, there are no specific measures or factors to definitively ascertain ownership of intellectual property jointly developed through collaboration. Such determination will be made on a project-by-project basis taking into account all relevant factors. We may not be awarded with the intellectual property generated under the collaboration agreements at all times. Please see the risk factor headed "– Our intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings" in the "Risk Factors" section for details on relevant risks.

Professor Shi Collaboration Agreement

The exclusive strategic collaboration agreement (the "Professor Shi Collaboration Agreement") between Dr. Yigong Shi and us was renewed in August 2018. Unless terminated earlier upon mutual agreement, the Professor Shi Collaboration Agreement has a term of three years, which may be renewed in good faith where both parties may enter into further collaboration agreements in relation to product research and development and the relevant technological support services, subject to arm's-length negotiations upon the expiration of the initial term.

Pursuant to the terms of the Professor Shi Collaboration Agreement, Dr. Shi will provide assistance and guidance in issues presented in new drug discovery for a fee, including crystallization screening for proteins, protein structural analysis, protein functional analysis, and optimized binding of target proteins and candidate compounds, as well as selection of drug

targets, especially with respect to precursor messenger RNA splicing regulatory targets and related family drug targets. Subject to the project's specifics, we will pay collaboration fees to Dr. Shi for the project's R&D and provide relevant technology support. Our nomination committee is responsible for overseeing Dr. Shi's R&D activities and approving the respective fee payments.

The intellectual property generated during the collaboration process will be assigned to the party who is responsible for developing it. For intellectual property developed by Dr. Shi under this collaboration agreement, we will enjoy priority in obtaining authorization, license and use right; we may license-in or otherwise be entitled to conduct R&D, production and commercialization based on such intellectual property; for intellectual property developed jointly or by Dr. Shi by using key resources provided by us, the ownership of such intellectual property shall be determined based on mutual agreement or according to law. To those intellectual properties under the Professor Shi Collaboration Agreement and such other mutual agreements thereunder where PRC laws should apply, they will be subject to the Contract Law of the PRC (中華人民共和國合同法), the Patent Law of the PRC (中華人民共和國專利法) as well as other relevant PRC laws and regulations. Such laws and regulations include, among other things, laws and regulations governing inventions created through the collective work of two or more entities or individuals, or made by an entity or individual upon the authorization of another entity or individual. Under such laws and regulations, unless otherwise provided or agreed, the right to apply for intellectual property shall vest in the entity or individual which made the invention, or the entities or individuals which jointly made the invention. Such applicant will become the patentee of the invention upon approval of the application.

The Professor Shi Collaboration Agreement has exclusivity provisions that restrict the ability of Dr. Shi to grant or license out rights to intellectual property generated under this collaboration agreement to a third party, or enter into collaboration with or provide any consultancy, service or assistance to any third party in relation to any project that is similar to, conflicts with or competes with projects that fall under this collaboration agreement, except for pre-existing relationships or with our written consent. As a result, the Professor Shi Collaboration Agreement gives us exclusive access to Dr. Shi's world-class expertise and research capabilities.

Professor Zhang Collaboration Agreement

The exclusive strategic collaboration agreement between Dr. Zhang and us (the "Professor Zhang Collaboration Agreement") was renewed in August 2019. Unless terminated earlier upon mutual agreement, the Professor Zhang Collaboration Agreement has a term of three years, which may be renewed in good faith where both parties may enter into further collaboration agreements, subject to arm's-length negotiations upon the expiration of the initial term. Pursuant to the terms of this collaboration agreement, Dr. Zhang will provide assistance to us in exploring the relationship between cancer and cancer-specific driver genes and use cutting-edge technologies to support us for the research of tumor heterogeneity and resistance using cutting-edge technologies. Specific resources and efforts to be contributed by Dr. Zhang include, but are not limited to, access to his technical platform, technical support and seminars

aiming to solve problems presented during the research. Subject to the project's specifics, we will pay collaboration fees to Professor Zhang for the project's R&D and provide relevant technology support. Our nomination committee is responsible for overseeing Professor Zhang's R&D activities and approving the respective fee payments.

The intellectual property generated during the collaboration will be assigned to the party who is responsible for developing it. For intellectual property developed by Dr. Zhang under this collaboration agreement, we will enjoy priority in getting authorization, license and use right, and may license-in or otherwise be entitled to conduct R&D, production and commercialization based on such intellectual property; for intellectual property developed jointly by both parties or by Dr. Zhang by using key resources provided by the company, the ownership of such intellectual property shall be determined by mutual agreement or according to law. To those intellectual properties under the Professor Zhang Collaboration Agreement and such other mutual agreements thereunder where PRC laws should apply, they will be subject to the Contract Law of the PRC (中華人民共和國合同法), the Patent Law of the PRC (中華人民共和國專利法) as well as other relevant PRC laws and regulations. Such laws and regulations include, among other things, laws and regulations governing inventions created through the collective work of two or more entities or individuals, or made by an entity or individual upon the authorization of another entity or individual. Under such laws and regulations, unless otherwise provided or agreed, the right to apply for intellectual property shall vest in the entity or individual which made the invention, or the entities or individuals which jointly made the invention. Such applicant will become the patentee of the invention upon approval of the application.

The Professor Zhang Collaboration Agreement has exclusivity provisions that prohibit Dr. Zhang to transfer or outsource his rights, obligations, research projects and outcomes to any third party, or enter into collaboration with or provide any consultancy, service or assistance to any third party in relation to any project that is similar to, conflicts with or competitive with projects that fall under this collaboration agreement, except for pre-existing relationships or with our written consent. As a result, the Professor Zhang Collaboration Agreement gives us exclusive access to Dr. Zhang's world-class expertise and research capabilities.

CHEMISTRY, MANUFACTURING AND CONTROL

Our CMC function is an integral part of our R&D. Based in our facilities in Beijing, our CMC team provides pre-clinical and clinical support throughout the drug development process.

- *Pre-Clinical Support.* Our CMC team supports our drug discovery process by providing large-scale intermediates to assist in discovery chemistry, conducting API process and formulation development and optimization, and being responsible for CMC-related work to meet regulatory requirements.

- *Clinical Support.* During the clinical trial stage, our CMC team works with our supply partners to secure high-quality GMP materials and to ensure the timely supply of drug products.

MANUFACTURING

To ensure the timely delivery and quality control of our drug candidates, we are building a 50,000 m^2 manufacturing facility in Guangzhou, China, to manufacture oral solid dose (OSD) small-molecule drugs to fulfill our clinical trial and commercialization needs. Dr. Robin Lu, Vice President of InnoCare Guangzhou, oversees our manufacturing activities and brings over ten years of drug manufacturing experience from the Yangtze River Pharmaceutical Group. As at the Latest Practicable Date, our manufacturing team in Guangzhou consisted of 34 employees.

Our Guangzhou manufacturing facility will feature one commercial-scale OSD production line and two pilot-scale OSD production lines. It is designed to comply with both Chinese and international drug manufacturing standards. The facility covers the entire production process, including spray drying, dispensing, dry granulation, wet granulation and drying, blending, compression, capsule filling, coating, blister packaging, and bottling. We procure our manufacturing equipment from leading international suppliers, and all our manufacturing equipment will be validated following international GMP requirements. We work with industry-leading contract manufacturing organizations (CMOs) to manufacture certain drug substances for clinical supply. See "Business – Suppliers" for further details.

We expect to complete the construction of our Guangzhou manufacturing facility construction by 2020. We plan to acquire a manufacturing license in the second half of 2020, complete test method and process transfer in the first half of 2021, and complete an on-site inspection by the Center for Food and Drugs Inspection of the NMPA in the second half of 2021. We expect our Guangzhou manufacturing facility to be able to satisfy the commercial needs of our clinical stage assets and support the growth of our business for at least next five years.

We are also planning a second-phase expansion for our Guangzhou manufacturing facility to cover an additional 30,000 m^2. We expect the second-phase expansion construction to be completed by 2024.

COMMERCIALIZATION

We have developed our commercialization strategy in a staggered approach corresponding with the launch timeline of orelabrutinib and the clinical and regulatory approval status of our other drug candidates. At launch, we plan to hire more sales and marketing personnel and further expand our commercialization team to about 80 to 90 sales representatives by the end of 2020, covering approximately 300 nationally leading hospitals. If orelabrutinib is included in the NRDL, we plan to expand our commercialization team to approximately 150 sales representatives and cover over 800 top hospitals to support the market expansion of orelabrutinib. Our marketing plans are currently focused on r/r CLL/SLL and r/r MCL and will expand to cover other indications as the clinical trials progress. Our marketing activities include introducing our drug candidates to doctors, educating key opinion leaders about the competitive advantages of our drug candidates and participating in industry and academic conferences and promoting brand awareness.

We have a seasoned in-house commercialization team with extensive experience in drug launch in China's pharmaceutical market. We have also recruited our sales and marketing leadership members Mr. Yi Zhang and Dr. Zhichao Si, who bring extensive sales and marketing experience in China's hematologic market from Janssen. Mr. Zhang was previously the director of sales in China at Janssen and was responsible for the sales of Imbruvica in China. Dr. Si was previously the therapeutic area leader of hematology at Janssen and was responsible for launching Imbruvica in China.

We expect our commercialization team to cover a majority of provinces and municipalities in China and support the promotion of our other pre-clinical and clinical stage drug candidates after launch.

SUPPLIERS

We use a limited number of highly reputable CROs to support our pre-clinical and clinical studies in China. We select our CROs by considering their academic qualifications, industry reputation, compliance with relevant regulatory agencies and cost competitiveness.

Below is a summary of the key terms of a typical agreement that we enter with our CROs:

- *Services*. The CRO provides us with services such as the implementation and management of clinical research projects as specified in the master agreement or a work order.

- *Term.* The CRO is required to perform its services within the prescribed time limit set out in each work order.

- *Payments.* We are required to make payments to the CRO in accordance with the payment schedule agreed upon by the parties.

- *Risk allocation.* Each party should indemnify the other party for losses caused by its negligence, recklessness, intentional misconduct or material breach of the master agreement or the work order.

We outsource to a limited number of industry-leading CMOs the manufacturing of certain drug substances for clinical supply, and may continue to do so to meet the pre-clinical and clinical development needs. We have adopted procedures to ensure that the facilities and production qualifications of our CMOs are in compliance with the relevant regulatory requirements and our internal guidelines. We select our CMOs based on their qualifications, relevant expertise, production capacity and the terms offered by them.

We procure raw materials and manufacturing equipment from suppliers around the world. We select our suppliers by considering their quality, industry reputation and compliance with relevant regulatory agencies. We have a backup supplier for most raw materials. We use an industry leading CMO as our market authorization holder (MAH) for orelabrutinib, and have signed long-term supply contracts with such CMO, and are in the process of selecting a backup MAH to prepare for commercialization. In accordance with such supply agreement, the CMO is required to manufacture the raw materials and the finished products of orelabrutinib, and complete the respective verification process. The initial term of the agreement is three years, subject to automatic extension if the manufacturing plan has not been accomplished. The supply agreement also requires the CMO to strictly adhere to the relevant CFDA and FDA guidelines, as well as the respective cGMP requirements for manufacturing conditions and manufacturing process.

For the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, our purchases from our five largest suppliers in aggregate accounted for 57.2%, 44.0% and 42.9% of our total purchases (including value-added tax), respectively, and purchases from our largest supplier alone accounted for 21.8%, 13.8% and 15.5% of our total purchases (including value-added tax), respectively. Purchases include raw materials, third-party contracting services for research and development purposes, equipment, and administrative services. All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors, their respective associates nor any shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as at the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

COMPETITION

The pharmaceutical and biotechnology industries are characterized by rapidly advancing technologies, competition and a strong emphasis on proprietary drugs. While we believe our well-known management team, first tier R&D capability, integrated biopharmaceutical platform and robust pipeline of clinical and pre-clinical stage proprietary assets provide us with competitive advantages, we face potential competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions, and public and private research institutions. Any drug candidates that we successfully develop and commercialize will compete with existing drugs and new drugs that may become available in the future.

We operate in the segments of the pharmaceutical, biotechnology and other related markets that address oncology and autoimmune diseases. There are other companies working to develop similar therapies in these fields. These companies include divisions of large pharmaceutical companies and biotechnology companies of various sizes.

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

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize drugs that are safer or more effective, have fewer or less severe side effects, are more convenient, or are less expensive than any drugs that we may develop. Our competitors also may obtain NMPA or other regulatory approval for their drugs earlier than we obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. The key competitive factors affecting the success of all of our drug candidates, if approved, are likely to be their efficacy, safety, convenience and price, and the availability of reimbursement from government and other third-party payors.

For more information on the competitive landscape of our drug candidates, please refer to "– Our Drug Candidates."

INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business. Our insurance policies cover adverse events in our clinical trials, including orelabrutinib, ICP-105 and ICP-192. We do not maintain property loss insurance, product liability insurance or key-person insurance.

EMPLOYEES

The following table sets forth a breakdown of our employees by function as at the Latest Practicable Date:

Function	Number	% of Total
Research	97	43.9
Clinical Development	60	27.1
Manufacturing	21	9.5
Commercial	7	3.2
Others	36	16.3
Total	**221**	**100.0**

As at the Latest Practicable Date, we had 153 employees in Beijing, 34 employees in Guangzhou, Guangdong Province, and 34 employees in other regions of China and overseas. In anticipation of the launch of our pipeline candidates, we plan to further expand our commercialization team to 80 to 90 sales representatives by the end of 2020. See the section headed "Commercialization" for more details.

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 for up to two years after the termination of his or her employment. The contracts also typically include undertakings regarding assignment of inventions and discoveries made during the course of his or her employment. For further details regarding the terms of confidentiality and employment agreements with our key management, please refer to the section headed "Directors and Senior Management" in this prospectus.

We believe that we maintain a good working relationship with our employees. We believe we have not experienced any significant labor disputes or any significant difficulty in recruiting staff for our operations. None of our employees are currently represented by labor unions.

Training and Development

We provide formal and comprehensive company-level and department-level training to our new employees, which usually takes half a day, followed by on-the-job training, which takes about one month. 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. Given our emphasis on operating an integrated platform for our drug development processes, some of the training is conducted jointly by different groups and departments serving different functions but working with or supporting each other in our day-to-day operations.

Employee Benefits

Our employees' remuneration consists of salaries, bonuses, employees' provident fund, and social security contributions and other welfare payments. In accordance with applicable Chinese laws, we have made contributions to social security insurance funds (including pension plan, unemployment insurance work-related injury insurance, medical insurance and maternity insurance) and housing funds for our employees. As at the Latest Practicable Date, we had materially complied with statutory social security insurance fund and housing fund obligations applicable to us under Chinese laws in all material aspects.

LAND AND PROPERTIES

We rent a total of 8,657.25 m^2 of combined office and laboratory space in Beijing, China. The relevant rental agreements provide rental terms that expire on May 19, 2020, December 31, 2020, May 31, 2021 and August 3, 2021. We also have the right of first refusal to renew the leases, provided that we notify the lessors three or six months before the expiration of the rental agreement.

We rent a total of 8,534.0 m^2 of combined office space and dormitory apartments for our employees in Guangzhou, China. The office rental agreement provides a rental term that expires on August 14, 2021, and the dormitory rental agreements have expiration dates that range through August 2020.

We rent a total of 3,350 m^2 of laboratory space in Nanjing, China. The relevant rental agreements provide rental terms that expire on May 15, 2021. We also have the right of first refusal to renew the lease, provided that we notify the lessor 30 days before the expiration of the rental agreements. We also rent an 86.6 m^2 office in Shanghai, China. The rental agreement provides a rental term that expires on July 10, 2021. We also have the right of first refusal to renew the lease, provided that we notify the lessor three months before the expiration of the rental agreements.

We also have a land usage right for 83,394 m^2 of industrial land in Guangzhou, China. The relevant contract stipulates that the term is 50 years from the delivery of the land, and the delivery date was July 31, 2019.

INTELLECTUAL PROPERTY

Intellectual property rights are important to the success of our business. 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.

As at the Latest Practicable Date, we own eight issued patents and 90 patent applications in more than 10 countries and regions, including Australia, China, the U.S., European Union and Japan.

The patent portfolios for our three clinical stage drug candidates as at the Latest Practicable Date are summarized below:

Orelabrutinib (ICP-022): We have eight granted patents and an additional five national phase patent applications directed to chemical matters that would be expected to expire in 2034. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries. As at the Latest Practicable Date, we were not aware of any concerns or issues raised by relevant authorities regarding granted patents or patent applications relating to orelabrutinib.

ICP-105: We have filed thirteen national phase patent applications based on our PCT application directed to chemical matters that would be expected to expire in 2036 through 2037. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries. As at the Latest Practicable Date, we were not aware of any concerns or issues raised by relevant authorities regarding the patent applications relating to ICP-105.

ICP-192: We have filed twelve national phase patent applications based on our PCT application directed to chemical matters that would be expected to expire in 2037 through 2038. We intend to pursue marketing exclusivity periods that are available under regulatory provisions in certain countries. As at the Latest Practicable Date, we were not aware of any concerns or issues raised by relevant authorities regarding the patent applications relating to ICP-192.

The following table summarizes the details of our material granted patents and filed patent applications in connection with our clinical and pre-clinical drug candidates as at the Latest Practicable Date:

Summary of patents and patent applications of our product candidates

Product	Scope of Patent Protection	Jurisdiction (Country/Region)	Status	Applicant/ Patentee	Patent Expiration	InnoCare's Commercial Rights
Orelabrutinib (ICP-022)	Directed to chemical matters	Australia, China, Hong Kong	Granted	InnoCare Beijing Nuocheng	2034	All rights
	Directed to chemical matters	Russia, Singapore, US, Japan, Mexico	Granted	InnoCare Guangzhou	2034	All rights
	Directed to chemical matters	Canada, EPO, India, New Zealand, South Korea	Pending	InnoCare Guangzhou	2034	All rights
ICP-105	Directed to chemical matters	Australia, Canada, China, EPO, Hong Kong, India, Japan, Mexico, Philippines, Russia, Singapore, South Korea, US	Pending	InnoCare Nanjing	2036-2037	All rights

Product	Scope of Patent Protection	Jurisdiction (Country/Region)	Status	Applicant/ Patentee	Patent Expiration	InnoCare's Commercial Rights
ICP-192	Directed to chemical matters	Australia, Canada, China, EPO, Hong Kong, Japan, Mexico, Russia, Singapore, South Korea, US	Pending	InnoCare Beijing Nuocheng	2037	All rights
	Directed to chemical matters	Taiwan	Pending	InnoCare Beijing Tiancheng	2038	All rights
ICP-330	Directed to chemical matters		Pending	InnoCare Beijing Nuocheng	2039	All rights
ICP-723	Directed to chemical matters		Pending	InnoCare Beijing Nuocheng	2038	All rights

Abbreviations: PCT = Patent Cooperation Treaty; EPO = European Patent Office.

Note: Patent expiration date is estimated based on current filing status.

The term of individual patents may vary based on the countries in which they are obtained. In most countries in which we file patent applications, including China and the U.S., the term of an issued patent is generally 20 years from the filing date of the earliest non-provisional patent application on which the patent is based in the applicable country. In the U.S., a patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office, or USPTO, in excess of a patent applicant's own delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date.

In addition, with respect to any issued patents in the U.S. and Europe, we may be entitled to obtain an extension of the patent's term provided we meet the applicable requirements for obtaining such patent term extensions. For example, in the U.S., we may apply for a patent term extension of up to five years as compensation for the patent term lost during clinical trials and the U.S. FDA regulatory review process under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The exact duration of the extension depends on the time we spend in clinical studies, as well as getting an NDA approval from the U.S. FDA. However, a patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended, and only those claims covering the approved drug, a method for using or a method for manufacturing it may be extended. In certain other foreign jurisdictions, similar extensions as compensation for regulatory delays are also available.

The actual protection provided by a patent varies on a claim-by-claim and country-by-country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country, and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our owned or licensed pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our owned or licensed issued patents or any such patents that may be issued in the future will be commercially useful in protecting our product candidates and methods of manufacturing the same.

We may rely, in some circumstances, on trade secrets and/or confidential information to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with consultants, scientific advisors and contractors, and invention assignment agreements with our employees. We have entered into confidentiality agreements and non competition agreements with our senior management and certain key members of our R&D team, and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we use to employ each of our employees, contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee's work.

These agreements may not provide sufficient protection of our trade secrets and/or confidential information. These agreements may also be breached, resulting in the misappropriation of our trade secrets and/or confidential information, and we may not have an adequate remedy for any such breach. In addition, our trade secrets and/or confidential information may become known or be independently developed by a third party, or misused by any collaborator to whom we disclose such information. Despite any measures taken to protect our intellectual property, unauthorized parties may attempt to or successfully copy aspects of our products or to obtain or use information that we regard as proprietary without our consent. As a result, we may be unable to sufficiently protect our trade secrets and proprietary information.

We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems. Despite any measures taken to protect our data and intellectual property, unauthorized parties may attempt to or successfully gain access to and use information that we regard as proprietary. See "Risk Factors – Risks Relating to Our Business – Risks Relating to Our Intellectual Property Rights" for a description of risks related to our intellectual property.

We conduct our business under the brand name of InnoCare. We have filed various trademark applications in China and in other jurisdictions. We are also the registered owner of six domain names.

As at the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be a claimant or a respondent.

See "Appendix V – Statutory and General Information – Further Information about Our Business – Intellectual Property Rights" in this prospectus for further information.

ENVIRONMENTAL MATTERS AND WORKPLACE SAFETY

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees, patients and communities. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials, and may also produce hazardous waste products. We have implemented company wide environmental, health and safety (EHS) manuals, policies and standard operating procedures that include 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. In light of the recent COVID-19 outbreak, we have endeavored to provide a safe work environment by implementing company-wide self-protection policies for employees to either work remotely or on-site with protective masks and sanitization. For more details related to the impact of COVID-19 outbreak on our business, please refer to the section headed "Financial Information – Impact of the COVID-19 Outbreak."

We have not had any significant workplace accidents in the history of our Company.

We have fully paid two administrative penalties on July 16 and October 22, 2018, for operating our lab without having the environmental facilities examined by the environmental protection department, and without obtaining relevant environmental impact assessment approvals. We have fully paid the fines of RMB200,000 and RMB510,000 for the two penalties, respectively, and have fully resolved this issue.

LEGAL PROCEEDINGS AND COMPLIANCE

As at the Latest Practicable Date, we were not a party to any actual or threatened material legal or administrative proceedings. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business.

PERMITS, LICENSES AND OTHER APPROVALS

As at the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our current operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We recognize that risk management is critical to the success of our business operation. Key operational risks faced by us include changes in general market conditions and the regulatory environment of the Chinese and global biologics markets, our ability to develop, manufacture and commercialize our drug candidates, and our ability to compete with other pharmaceutical companies. See "Risk Factors" for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity and currency risks that arise in the normal course of our business. See "Financial Information – Market Risk Disclosure" for a discussion of these market risks.

We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. The following key principles outline our approach to risk management:

- Our Audit Committee will oversee and manage the overall risks associated with our business operations, including (i) reviewing and approving our risk management policies to ensure that it is consistent with our corporate objectives; (ii) reviewing and approving our corporate risk tolerance; (iii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; (iv) reviewing our corporate risk in light of our corporate risk tolerance; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Company.

- Our Chief Financial Officer, Mr. Shaojing Tong, will be responsible for (i) formulating and updating our risk management policy and targets; (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 competencies are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

- The relevant departments in our Company, including but not limited to 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 standardize risk management across our Group 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 framework.

We consider 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 and internal control.

Internal Control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder's investment at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

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 "– Environmental Matters and Workplace Safety." We provide periodic training on these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our on-site internal control team for each stage of the drug development process.

Our Directors (who are responsible for monitoring the corporate governance of our Group), with help from our legal advisors, will also periodically review our compliance status with all relevant laws and regulations after the Listing. We established an audit committee in September 2019, 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 have engaged Somerley Capital Limited as our compliance advisor to provide advice to our Directors and management team until the end of the first fiscal year after the Listing regarding matters relating to the Listing Rules. Our compliance advisor is expected to ensure our use of funding complies with the sections entitled "Future Plans and Use of Proceeds" in this prospectus after the Listing, as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

We have engaged a PRC law firm to advise us on and keep us abreast of PRC laws and regulations after the Listing. We will continue to arrange various trainings sessions to be provided by external legal advisors from time to time when necessary, and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the latest PRC laws and regulations.

We maintain strict anti-corruption policies on personnel with external communication functions. We will also ensure that our commercialization team complies 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, we have regularly reviewed and enhanced our internal control system.

Investment Risk Management

We engage in short-term investments with surplus cash on hand. Our investment portfolio primarily consists of wealth management products and time deposits. Our primary objective of short-term investment is to preserve principal, and increase liquidity without significantly increasing risks. Under the supervision of our Chief Financial Officer, our finance department is responsible for managing our short-term investment activities. Before making any investment proposal, our finance department will assess our cash flow levels, operational needs and capital expenditures. We operate under a Board approved investment policy, which provides the guidelines and specific instructions on the investment of our funds. Our investment policy is reviewed by the Board on an annual basis.

Our investment strategy aims to minimize risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs. We make our investment decisions on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions and the expected profit or potential loss of the investment. Our portfolio to date have been required to hold only instruments with an effective final maturity of 12 months or less, with effective final maturity being defined as the obligation of the issuer to repay principal and interest. Under our investment policy, we are prohibited from investing in high risk products and the proposed investment must not interfere with our business operation or capital expenditure. As of the Latest Practicable Date, our investment decisions did not deviate from our investment policy.

We believe that our internal investment policies and the related risk management mechanism are adequate. We may invest in wealth management products and time deposits in consistent with our investment policy, after consultation with and approval by our Board where we believe it is prudent to do so after the Listing.

GOVERNMENT PROJECTS AND RECOGNITIONS

We have been selected to undertake multiple government science and technology projects and have received numerous recognitions for our research and development achievements and global collaborations. Some of the significant projects and recognitions we have participated in and received are set out below:

Government projects

Project Name	Undertaking Company	Year	Project Level
Beijing Municipal Science and Technology Project	InnoCare Beijing Nuocheng	2019	Provincial/ Municipal-level
National Major Scientific and Technological Special Project for "Significant New Drugs Development"	InnoCare Beijing Nuocheng	2018	National-level
Beijing Municipal Science and Technology Project	InnoCare Beijing Nuocheng	2018	Provincial/ Municipal-level
Beijing Municipal Science and Technology Project	InnoCare Beijing Tiancheng	2018	Provincial/ Municipal-level
Zhongguancun Major Frontier Original Technical Achievements Transformation and Industrialization Project	InnoCare Beijing Nuocheng	2018	Provincial/ Municipal-level
Zhongguancun National Innovation Demonstration Zone Characteristic Park Project	InnoCare Beijing Tiancheng	2018	Provincial/ Municipal-level
National Small and Micro Enterprises Entrepreneurial Innovation Base City Demonstration Project	InnoCare Beijing Tiancheng	2018	District-level
Zhongguancun Development Special Fund	InnoCare Beijing Tiancheng	2017	District-level
Beijing Municipal Science and Technology Project	InnoCare Beijing Nuocheng	2016	Provincial/ Municipal-level

Recognitions

Recognition Name	Recognized Company	Year	Certification Level
Beijing Municipal Enterprise – Science and Technology Research and Development Institute	InnoCare Beijing Nuocheng	2019	Provincial/ Municipal-level
National High-Tech Enterprise	InnoCare Beijing Nuocheng	2017	National-level
Zhongguancun Golden Seed Enterprise	InnoCare Beijing Tiancheng	2017	Provincial/ Municipal-level
Changping Science and Technology Research and Development Center	InnoCare Beijing Tiancheng	2017	Provincial/ Municipal-level
Zhongguancun High-Tech Enterprise	InnoCare Beijing Tiancheng	2016	Provincial/ Municipal-level

De Minimis Connected Transactions

Each of Dr. Yigong Shi, a Non-executive Director, and Dr. Zemin Zhang, an INED, is a connected person of the Company.

On August 8, 2018, InnoCare Beijing Nuocheng entered into a strategic collaboration agreement with Dr. Yigong Shi, pursuant to which Dr. Shi agreed to provide technical service in relation to the research and development of oncology treatments to the Company. Any consultation, advisory or research service fees payable may vary depending on the work product under the strategic cooperation.

On August 8, 2019, InnoCare Beijing Nuocheng entered into a strategic collaboration agreement with Dr. Zemin Zhang, pursuant to which Dr. Zhang agreed to provide technical service in relation to the research and development of oncology treatments to the Company. Any consultation, advisory or research service fees payable may vary depending on the work product under the strategic cooperation.

As at the date of this prospectus, there have not been any actual work done or payments made between the parties under the strategic collaboration agreements. As each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, such continuing connected transactions with each of Dr. Yigong Shi and Dr. Zemin Zhang are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. As there is no actual work done

or payment made under the strategic collaboration agreements, which only provide a framework under which project-specific agreements may be entered into in the future, our Company will monitor any proposal for potential work or specific project that may arise under the strategic collaboration agreements, and re-calculate the applicable percentage ratios every time such proposal is raised, to determine whether the transaction(s) contemplated under the relevant strategic collaboration agreement will still fall within the de minimis threshold under Rule 14A.76 of the Listing Rules.

In particular, prior to entering into any project-specific agreement under the strategic collaboration agreements, our Company will adhere to the following procedures and policies:

- any proposed project-specific agreement will be reviewed by a Board sub-committee consisting of a majority of INEDs (apart from Dr. Zhang in relation to any project under his strategic collaboration agreement, who shall not participate in the review process). Upon its review of the proposed project-specific agreement, such Board sub-committee shall provide a letter of recommendation to the Board in respect of the transaction contemplated under the proposed project-specific agreement. In addition, our Company will make available resources for such Board sub-committee to assess the terms of the underlying transaction and, if applicable, the rate for similar transactions in the market at the relevant time to ensure the reasonableness and fairness of the transaction contemplated under the proposed project-specific agreement;

- upon receiving the Board sub-committee's letter of recommendation, the Board (other than Dr. Shi or Dr. Zhang, as applicable) shall review the proposed project-specific agreement and consider whether the terms of the transaction contemplated under the project-specific agreement (including, among others, the scope of the transaction and any payment terms) are fair and reasonable and in the best interests of our Company and our Shareholders as a whole; and

- the Board shall also calculate the applicable percentage ratios in relation to any transaction contemplated under the proposed project-specific agreement to determine whether they exceed the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules. If any of the percentage ratios exceeds such de minimis threshold, our Company will comply with all applicable requirements in accordance with Chapter 14A of the Listing Rules, including, among others, the reporting, announcement and/or independent shareholders' approval requirements in respect of such transaction.

Any transaction under the strategic collaboration agreements that took place during each financial period will be disclosed in our Company's annual report in accordance with the applicable requirements of the Listing Rules. Our INEDs and auditors will also review such transaction annually and provide the necessary confirmation and report, as applicable, in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

Furthermore, on March 30, 2019, InnoCare Beijing Nuocheng entered into an advisory committee appointment agreement with Dr. Yigong Shi for a term of one year, pursuant to which Dr. Shi agreed to provide consulting service to the Company in relation to pre-clinical research, clinical development and marketing of new products. Any consultation, advisory or research service fees payable may vary depending on further agreements between the Company and Dr. Shi.

As at the date of this prospectus, there has not been any payments made between the parties under the advisory committee appointment agreement. As each of the applicable percentage ratios under the Listing Rules is, on an annual basis, expected to be less than 0.1% and fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, such continuing connected transaction with Dr. Yigong Shi is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. We will comply with such requirements in accordance with the Listing Rules if any of the percentage ratios exceeds the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules.

Other than disclosed above, there is no other continuing connected transaction between us and our connected persons.

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 Hong Kong Financial Reporting Standards.

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 under the sections headed "Risk Factors" and under "Forward-Looking Statements" in this prospectus.

OVERVIEW

We are a clinical stage biopharmaceutical company committed to developing and commercializing potential best-in-class and/or first-in-class molecularly targeted drugs for the treatment of cancer and autoimmune diseases. Led by a well-known management team of industry executives, we have built a biopharmaceutical platform with strong in-house R&D capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates are targeting both evidence-based and novel pathways. With the goal of developing potential best-in-class products, our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. In less than four years, our team has discovered and developed a pipeline of nine drug candidates, including one candidate in registrational trials and two candidates are currently under clinical evaluation in Phase I/II trials.

We strategically focus on therapies for oncology and autoimmune diseases – two large therapeutic areas that present significant market opportunity and R&D synergies. In the oncology area, our pipeline features three highly-differentiated and/or novel clinical stage candidates covering major cancer indications, including orelabrutinib (BTK inhibitor), ICP-192 (pan-FGFR inhibitor) and ICP-105 (FGFR4 inhibitor). We explore these drug candidates as monotherapies, as well as in combination therapies with standard of care or other therapeutics. Leveraging our deep immunology knowledge, we are also developing multiple drug candidates for the treatment of autoimmune diseases caused by B-cell or T-cell dysfunctions, including orelabrutinib and ICP-330 (TYK2 inhibitor).

We currently have no products approved for commercial sale and have not generated any revenue from product sales. We have never been profitable and have incurred operating losses in each year since inception, with RMB341.7 million in the year ended December 31, 2017, and RMB554.0 million in the year ended December 31, 2018, respectively, and RMB461.6 million and RMB653.2 million for the nine months ended September 30, 2018 and 2019, respectively. Substantially all of our operating losses are resulted from fair value changes of convertible redeemable preferred shares, research and development costs and administrative expenses.

We expect to incur an increased amount of operating expenses for at least the next several years as we further our pre-clinical research, continue the clinical development of, seek regulatory approval for and manufacturing of our drug candidates, launch our pipeline products, and add personnel necessary to operate our business. Subsequent to the Listing, we expect to incur costs associated with operating as a public company. We expect that our financial performance will fluctuate from period to period due to the development status of our drug candidates, regulatory approval timeline and commercialization of our drug candidates after approval.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on November 3, 2015. Our Company, as the holding company of our business, indirectly owns subsidiaries in China that are principally engaged in research and development of biopharmaceutical products. For more details, see the section headed "History, Development and Corporate Structure."

The consolidated financial information of our Company 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 January 1, 2019, together with the relevant transitional provisions, have been early adopted by our Group in preparation of the consolidated financial information consistently throughout the relevant periods.

The consolidated financial information has been prepared under the historical cost convention, except for certain investments in wealth management products and certain financial liabilities which have been measured at fair value through profit or loss. The consolidated financial information is presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The adoption of HKFRS 9, HKFRS 15 and HKFRS 16 does not have a significant impact on the Group's financial position and performance when compared to that of HKAS 39, HKAS 18 and HKAS 17. An internal assessment of the early adoption of HKFRS 9, HKFRS 15 and HKFRS 16 has been performed, compared with HKAS 39, HKAS 18 and HKAS 17. The major impacts to the Group are set forth below:

HKFRS 15

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standard HKAS 18 "Revenue" and related interpretation. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. Our Group elected to early apply HKFRS 15, which has been applied consistently throughout the Track Record Period.

Our Group derived revenue mainly from providing research and development services to biopharmaceutical companies. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Based on the historical financial information, had HKAS 18 been consistently applied throughout the Track Record Period, there would be no significant impact on our financial position and performance. The adoption of HKFRS 15 as compared to HKAS 18 had resulted in more disclosures in our historical financial information throughout the Track Record Period.

HKFRS 9

HKFRS 9 replaces HKAS 39 and introduces new requirements for classification and measurement and impairment. Under HKFRS 9, our debt financial assets are subsequently measured at fair value through profit or loss ("FVTPL") or amortised cost. The classification is based on two criteria: (i) the Group's business model for managing the assets and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

The effects of early adoption of HKFRS 9 have been assessed on the Group's historical financial information and compared to the requirements of HKAS 39, noted that:

(1) The adoption of HKFRS 9 has changed the Group's accounting for investments in wealth management products which yields on these products are not guaranteed by replacing available-for-sale investments under HKAS 39 with investments measured at fair value through profit or loss. However, these two categories are both measured at fair value, so the application would not cause a material impact on our financial position and performance.

(2) The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires the Group to record an allowance for ECLs for all financial assets measured at amortised cost. However, most of the trade receivables and other receivables are expected to be collected shortly after the recognition and no history of default, so the application of HKFRS 9 would not cause a material impact on our financial position and performance.

Based on the above assessment, had HKAS 39 been consistently applied throughout the Track Record Period, there would be no significant impact on our financial position and performance. The adoption of HKFRS 9 as compared to HKAS 39 had resulted in more disclosures in our historical financial information throughout the Track Record Period.

HKFRS 16

HKFRS 16 Leases has replaced the previous standard HKAS 17 *Leases* and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. HKFRS 16 has been consistently applied to the Historical Financial Information during the Track Record Period.

The effects of the early adoption of HKFRS 16 have been assessed on our historical financial information as compared to the requirements of HKAS 17, which is summarized as below:

(i) The operating lease commitments under HKAS 17 were no longer disclosed as lease commitment, instead, all leases (except for short-term leases and leases of low-value assets) were recognised as a right-of-use asset and a corresponding liability under HKFRS 16 at the lease commencement date. Right-of-use assets amounted to RMB9.7 million, RMB13.1 million and RMB88.5 million were recognised as of December 31, 2017, 2018 and September 30, 2019, respectively. Lease liabilities amounted to RMB9.9 million, RMB13.1 million and RMB11.2 million were recognised as of December 31, 2017, 2018 and September 30, 2019, respectively;

(ii) Under HKFRS 16, each lease payment is allocated between the settlement of the principal portion of the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period. The right-of-use asset is depreciated over the lease term on a straight-line basis. No material impact to the consolidated statements of profit or loss is resulted as compared to the recognition of operating lease expenses under HKAS 17.

Based on the assessment, by applying HKFRS 16, there are increases in both total assets and liabilities of the Group when comparing to that under HKAS 17, and other than this, there is no significant impact on the Group's financial position and financial performance. Due to the increase of the current portion of the lease liabilities, there are decreases in current ratio and

quick ratio when comparing to that under HKAS 17, and other than this, there is no significant impact on gearing ratio. Current ratio equals current assets divided by current liabilities as of the end of the year/period. Quick ratio is calculated using the sum of cash and bank balances, trade receivables and investments, then divided by current liabilities as of the same date. Gearing ratio is calculated as long-term debt divided by total equity.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

Commercialization of Our Drug Candidates

Our business and results of operations depend on our ability to commercialize our drug candidates, if approved for marketing. Our pipeline consists of nine drug candidates ranging from pre-clinical to registrational stage for the treatment of cancer and autoimmune diseases. Although we currently have no products approved for commercial sale 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. The NDA for orelabrutinib (ICP-022), our Core Product Candidate, for patients with r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019, and the NDA for orelabrutinib (ICP-022) for patients with r/r MCL has been submitted and accepted for review by the NMPA in March 2020. See the section headed "Business" for more information on the development status of our various drug candidates.

Cost Structure

Our results of operations are significantly affected by our cost structure, which primarily consists of research and development costs and administrative expenses.

Since our inception, we have focused our resources on our R&D activities, including conducting pre-clinical studies and clinical trials and activities related to regulatory filings for our drug candidates. Our research and development costs primarily consist of:

- employee cost that consists of employees' salaries, benefits, allowances and performance-related bonus;
- share-based compensation expenses for research and development personnel;
- third party contracting cost;
- direct clinical trial expenses; and
- depreciation and amortisation.

At this time, it is difficult to estimate or know for certain, the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our drug candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our drug candidates. This is due to the numerous risks and uncertainties associated with developing and commercializing such drug candidates. We expect research and development costs to increase significantly for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our drug candidates and as we initiate additional clinical trials on these drug candidates.

Our administrative expenses consist primarily of employee cost for administrative personnel, depreciation and amortisation, professional fees, share-based compensation, and others. Employment cost consists of salaries, benefits, allowances and bonus for administrative personnel. Other administrative expenses include office expenses and business travel expenses.

We also expect our administrative expenses to increase in future periods to support our drug and development efforts and support any commercialization activities with respect to our drug candidates, if approved. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

Given our robust pipeline of drug candidates in clinical trials, especially our Core Product Candidate with two NDAs submitted and accepted for review by the NMPA, we are in the process of building our sales and marketing team in anticipation of potential product launches in the coming years.

Funding for Our Operations

For the years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019, we funded our operations primarily through equity and debt financing. Going forward, in the event of a successful commercialization of one or more of our drug candidates, we expect to fund our operations in part with revenue generated from sales of our drug products. However, with the continuing expansion of our business and development of new drug candidates, we may require further funding through public or private equity offerings, debt financing and other sources. Any changes in our ability to fund our operations will affect our cash flow and results of operation.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates.

Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in notes 2 and 3 to the Accountants' Report in Appendix I to this prospectus.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. When the consideration in a contract includes a variable amount, we estimate the amount of consideration to which we will be entitled in exchange for transferring the goods or services to the customer. We estimate the variable consideration at contract inception. Such variable consideration is constrained until the associated uncertainty with the variable consideration is subsequently resolved, and it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the customer and us at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Other income

We recognize interest income 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

We operate share option and restricted stock units ("RSUs") schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). We measure the cost of equity-settled transactions with employees for grants by reference to the fair value at the date at which they are granted. Details of how we determine fair value are set forth in note 33 to the Accountants' Report.

We recognise the cost of equity-settled transactions 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 for equity-settled transactions is recognised at the end of each of the relevant periods 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.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of our best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. When an award includes a market or non-vesting condition, we treat the transaction 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 recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized 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 recognized for the award is recognized 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.

Investments in joint ventures

Our investments in joint ventures are stated in the consolidated statements of financial position at the share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Our share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, we recognise its share of any changes, when applicable, in the equity.

Unrealised gains and losses resulting from transactions between us and our joint ventures are eliminated to the extent of our investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Details of our investments in joint ventures during the Track Record Period are set forth in note 17 to the Accountants' Report.

Business combinations and goodwill

We account business combinations using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by us, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree. For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree. If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

We measure our goodwill initially at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, we measure our goodwill at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. We performs our annual impairment test of goodwill at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of us are assigned to those units or groups of units.

We determine our impairment by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Government grants

We recognise government grants 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, we recognise the grant as other income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where we receive grants of non-monetary assets, the grants are recorded at nominal amount, and are released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Significant Accounting Estimates

Fair value of share-based payments

The fair value of the options granted by us is determined by using the binomial option-pricing model at the grant dates. Significant estimate on assumptions, including underlying equity value, discount rate, expected volatility, dividend yield, are made by the board of directors. The fair value of RSUs is determined by using back-solve method from our most recent transaction price of our preferred shares. Further details are included in note 33 to the Accountants' Report.

Fair value of financial assets and financial liabilities

The fair value of financial investments that are not traded in an active market is determined by using valuation techniques. We use our judgement to select methods and make assumptions that are mainly based on existing market conditions at the end of each of the relevant periods. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. Our Directors, having applied the relevant valuation techniques for each of the financial assets and financial liabilities and having discussed with the Reporting Accountants and the external valuer, are of the opinion that the estimated fair values of financial assets and liabilities at fair value through profit or loss, are reasonable. The Reporting Accountants have (i) taken steps to understand the design and operating effectiveness of the key controls relating to the valuation of financial instruments; (ii) read relevant agreements and documentations; and (iii) involved their internal valuation specialists to assist them in assessing the valuation of these financial instruments. Further details are included in note 20 and 37 to the Accountants' Report.

In relation to the financial assets recognized at fair value through profit or loss, the Joint Sponsors have taken due diligence steps including conducting financial due diligence with the Company and the Reporting Accountants covering the basis of the relevant valuation, as well as conducting an interview with the valuer in relation to the methodology adopted. There is nothing that comes to the attention of the Joint Sponsors that indicates that the Directors have not undertaken independent and sufficient investigation and due diligence, or that the Directors' reliance on the work products of the valuer is unreasonable or excessive.

Impairment of non-financial assets (other than goodwill)

Intangible assets not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Further details are included in note 3 to the Accountants' Report.

The management of the Group performed annual impairment testing for the development cost that was not yet available for use during the Relevant Periods. For impairment testing, the development cost is allocated to the cash-generating unit ("CGU") at the orelabrutinib production line level.

The recoverable amount of the CGU is determined based on a value in use calculation model with cash flow projections from financial budgets, which covers a 17-year period in accordance with the remaining valid term of the relevant patent related to orelabrutinib product. The senior management believes that using a 17-year forecast period is appropriate because the useful live of the relevant intellectual property related to the orelabrutinib product is no less than seventeen years. In addition, it generally takes longer for a biotechnology company to reach perpetual growth mode compared to companies in other industries especially when its product is still under clinical trial and the market of such products is developing with substantial growth potential. Hence, financial budget covering a 17-year period is more feasible and reflects a more accurate product value.

Key assumptions used in the calculation are set forth below:

	As of December 31,	
	2017	**2018**
Gross margin (% of revenue)	86.0%	86.0%
Terminal growth rate	0%	0%
The pre-tax discount rate	20.9%	16.9%

The above assumptions were used to calculate the value in use of cash-generating unit as of December 31, 2017 and 2018. The following describes each key assumption that the management has based on for cash flow projections in order to undertake impairment testing of the development cost:

- Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since orelabrutinib is launched.

- Terminal growth rate – The forecasted terminal growth rate is based on senior management's expectations, which does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

The pre-tax discount rate in use is before tax which reflects specific risks relating to the unit.

As of December 31, 2017 and 2018, the recoverable amount of the cash-generating unit exceeded its carrying amount by RMB781.7 million and RMB1,476.2 million, respectively.

Based on the result of the impairment testing, the recoverable amount of the CGU exceeded its carrying amounts as of December 31, 2017 and 2018. Further, no impairment indicator was noted as of September 30, 2019 and the directors of the Company are of the opinion that no impairment provision is considered necessary for the development cost as of that date.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, on impairment testing of the development cost as of the dates indicated.

	Recoverable amount of the development cost exceeds its carrying amount decrease by	
	As of December 31,	
	2017	**2018**
	RMB'000	*RMB'000*
Possible changes of key assumptions		
The gross margin rate decreased by 5.0%	101,340	168,220
Pre-tax discount rate increased by 1.0%	77,380	126,990

Considering that there was sufficient headroom based on the assessment, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

Impairment of goodwill

The impairment of goodwill is determined on an annual basis, which requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. In order to estimate the value in use, it is required to make an estimate of the expected future cash flows from the cash-generating units and to choose a suitable discount rate to calculate the present value of those cash flows. Further details are included in note 3 to the Accountants' Report.

The cash flows generated from the subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, senior management considered Beijing InnoCare to be a separate CGU. For the purpose of performing the impairment test, the goodwill is allocated to this subsidiary acquired.

The recoverable amount of the CGU is determined based on a value in use calculation model with cash flow projections from financial budgets, which covers a 20-year period in accordance with the valid term of the relevant patents. The cash flows of the unit are projected based on the forecasted sales of the new drugs after the approval of new drug applications ("NDA") and the length of the patent protection period. No revenue and cash flow is forecasted after the expiration of the patents. The senior management believes that using a 20-year forecast period is appropriate because the useful lives of Beijing InnoCare's relevant intellectual properties are no less than twenty years. In addition, it generally takes longer for a biotechnology company to reach perpetual growth mode compared to companies in other industries, especially when its products are still under clinical trials and the markets of such products are developing with substantial growth potential. Hence, financial budget covering a 20-year period is more feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are set forth below:

	As of December 31,	
	2017	**2018**
Gross margin (% of revenue)	86.0%	86.0%
Terminal growth rate	0%	0%
The pre-tax discount rate	20.2%	16.2%

The above assumptions were used to calculate the value in use of cash-generating unit as of December 31, 2017 and 2018. The following describes each key assumption that the senior management has based on for cash flow projections in order to undertake impairment testing of goodwill:

- Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since Beijing InnoCare's products are launched.

- Terminal growth rate – The forecasted terminal growth rate is based on senior management's expectations, which does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

The pre-tax discount rate in use is before tax, which reflects specific risks relating to the cash generating unit.

As of December 31, 2017 and 2018, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB1,168.0 million and RMB2,837.9 million, respectively.

Based on the result of the goodwill impairment testing, the recoverable amount of the CGU exceeded its carrying amounts as of December 31, 2017 and 2018. Furthermore, no impairment indicator was noted as of September 30, 2019 and the directors of the Company are of the opinion that no impairment provision is considered necessary for the goodwill as of that date.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, on impairment testing of the goodwill as of the dates indicated.

	Recoverable amount of the goodwill exceeds its carrying amount decrease by	
	As of December 31,	
	2017	**2018**
	RMB'000	*RMB'000*
Possible changes of key assumptions		
The gross margin rate decreased by 5.0%	179,305	372,437
Pre-tax discount rate increased by 1.0%	137,375	292,995

Considering that there was sufficient headroom based on the above, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss for the periods indicated derived from our consolidated statements of profit or loss set out in the Accountants' Report included in Appendix I to this prospectus:

	Year Ended December 31,		Nine Months Ended September 30,	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Revenue	**102**	**1,617**	**895**	**839**
Cost of sales	–	–	–	–
Gross profit	102	1,617	895	839
Other income and gains	11,424	31,395	20,978	81,377
Selling and distribution expenses	–	(558)	(419)	(1,735)
Research and development costs	(62,882)	(149,726)	(107,058)	(147,742)
Administrative expenses	(14,644)	(17,523)	(9,409)	(41,160)
Other expenses	(542)	(27,979)	(510)	(43,715)
Fair value changes of convertible redeemable preferred shares	(272,686)	(387,804)	(363,285)	(499,552)
Finance costs	(2,537)	(3,441)	(2,779)	(1,552)
Share of profits and losses of joint ventures	31	(4)	(4)	–
Loss before tax	**(341,734)**	**(554,023)**	**(461,591)**	**(653,240)**
Income tax expense	–	–	–	–
Loss for the year/period	**(341,734)**	**(554,023)**	**(461,591)**	**(653,240)**
Attributable to:				
Owners of the parent	(341,734)	(549,950)	(460,298)	(651,917)
Non-controlling interests	–	(4,073)	(1,293)	(1,323)

Revenue

During the Track Record Period, our revenue was mainly generated from providing research and development services to more than 40 biopharmaceutical companies. We generated revenue by assisting our clients in conducting the requested projects. None of such research and development services involved orelabrutinib (ICP-022) or other drug candidates in our pipeline. As our pipeline drug candidates are expected to launch into the market in the near future upon approval, including orelabrutinib, ICP-192 and ICP-105, our sources of revenue are expected to become more diversified.

Other Income and Gains

Other income and gains consists of government grants, bank interest income, investment income from investments in wealth management products and net foreign exchange gains.

During the Track Record Period, we have received grants from various government bureaus, such as Beijing Municipal Science & Technology Commission, Changping District Science & Technology Commission, and Nanjing Jiangning Science Park Finance Branch.

The following table summarizes a breakdown of our other income and gains for the years ended, December 31, 2017 and 2018, and for the nine months ended September 30, 2018 and 2019.

	Years Ended December 31,		Nine Months Ended September 30,	
	2017	**2018**	**2018**	**2019**
	(RMB in thousands)			
			(unaudited)	
Government grants[(1)]	10,403	17,543	16,288	27,006
Bank interest income	213	8,416	459	51,047
Investment income from investments in wealth management products	808	1,337	309	2,998
Foreign exchange gains, net	–	4,099	3,922	326
Total	**11,424**	**31,395**	**20,978**	**81,377**

Note:

(1) Represents grants received from the PRC local government authorities to support our subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

Research and Development Costs

Our research and development costs mainly consist of employee cost of research and development personnel, share-based compensation of research and development personnel, third party contracting cost, direct clinical trial expenses, depreciation and amortisation and others. Employee cost consists of employees' salaries, benefits, allowances and bonus. Share-based compensation represents the expenses associated with share awards granted to our research and development personnel. Third party contracting cost represents the expenses relating to our pre-clinical research and development outsourcing activities. Direct clinical trial expenses represent costs incurred directly from our clinical trials. Depreciation and amortisation represents the depreciation and amortisation of our right-of-use assets and machinery and equipments used in research and development activities. Others mainly include experimental material costs, data expenses, traveling expenses and expenses related to intellectual property rights. The following table summarizes a breakdown of our research and development costs for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2018 and 2019:

	Years Ended December 31,		Nine Months Ended September 30,	
	2017	**2018**	**2018**	**2019**
	(RMB in thousands)			
			(unaudited)	
Employee cost	17,142	26,621	17,202	31,112
Share-based compensation	9,375	64,070	48,052	43,684
Third party contracting cost	9,781	19,640	19,569	29,580
Direct clinical trial expenses	14,419	20,069	7,950	22,130
Depreciation and amortisation	3,069	4,015	2,887	3,884
Others	9,096	15,311	11,398	17,352
Total	**62,882**	**149,726**	**107,058**	**147,742**

Administrative Expenses

Our administrative expenses consist of employee cost for administrative personnel, depreciation and amortisation, professional fees, share-based compensation of administrative personnel, and others. Employee cost consists of salaries, benefits, allowances and bonus for administrative personnel. Depreciation and amortisation represents the depreciation and amortisation of our right-of-use assets for operating activities. Professional fees includes legal consulting fees and audit fees. Share-based compensation represents the expenses associated with share awards granted to our administrative personnel. Others primarily includes office expenses, traveling expenses, and utilities.

The table below summarizes a breakdown of our administrative expenses for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2018 and 2019:

	Years Ended December 31,		Nine Months Ended September 30,	
	2017	**2018**	**2018**	**2019**
	(RMB in thousands)			
			(unaudited)	
Employee cost	8,419	9,894	5,154	12,274
Depreciation and amortisation	961	1,235	417	2,489
Professional fees	619	1,217	807	1,677
Listing expense	–	–	–	13,878
Share-based compensation	1,020	588	441	4,271
Others	3,625	4,589	2,590	6,571
Total	**14,644**	**17,523**	**9,409**	**41,160**

Other Expenses

Our other expenses consist of fair value changes of convertible loans, foreign exchange loss and non-operating expenses. The table below sets forth a breakdown of our other expenses for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2018 and 2019:

	Year Ended December 31,		Nine Months Ended September 30,	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Other Expenses				
Non-operating expenses	–	710	510	1
Foreign exchange losses	542	–	–	–
Fair value changes of convertible loan	–	27,269	–	43,714
Total	**542**	**27,979**	**510**	**43,715**

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares represent changes in fair value of the preferred shares issued by us. We designated the entire instrument of the convertible redeemable preferred shares as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of preferred shares is recognised in profit or loss except for the portion attributable to credit risk change which will be recognised to other comprehensive income, if any. The convertible redeemable preferred shares will be converted into Shares upon Listing, after which we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares.

The table below sets forth our fair value changes of convertible redeemable preferred shares for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2018 and 2019. Please see note 29 of the Accountants' Report set out in Appendix I for further details.

	For the year ended December 31,		For the nine months ended September 30,	
	2017	**2018**	**2018**	**2019**
	(RMB in thousands)			
			(unaudited)	
Fair value changes of convertible redeemable preferred shares	(272,686)	(387,804)	(363,285)	(499,552)

Finance Costs

Our finance costs consist of transaction cost for the issue of our convertible redeemable preferred shares, interest on loans from a related party, interest on loans from third parties, interest on lease liabilities.

The table below summarizes a breakdown of our finance costs for the years ended December 31, 2017 and 2018 and for the nine months ended September 30, 2018 and 2019:

	Years Ended December 31,		Nine Months Ended September 30,	
	2017	2018	2018	2019
	(RMB in thousands)			
			(unaudited)	
Transaction cost for the issue of our convertible redeemable preferred shares	133	1,994	1,741	978
Interest on loans from a related party	538	186	164	67
Interest on loans from third parties	1,177	599	462	69
Interest on lease liabilities	689	662	412	438
Total	**2,537**	**3,441**	**2,779**	**1,552**

Income Tax

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, our Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by our Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), Ocean Prominent Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Ocean Prominent Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), our subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to InnoCare Beijing Nuocheng and InnoCare Nanjing, since they were recognised as High and New Technology Enterprises in 2017 and 2018, respectively, and are entitled to a preferential tax rate of 15% for a three-year period.

Australia

Our subsidiary incorporated in Australia is subject to income tax at the rate of 27.5% on the estimated assessable profits arising in Australia.

United States

Our U.S. subsidiary was incorporated in Delaware, United States, which is subject to statutory U.S. federal corporate income tax at a rate of 21%. Our U.S. subsidiary is also subject to the state income tax in Delaware at a rate of 8.7%.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2019 Compared to Nine Months Ended September 30, 2018

Revenue

Our total revenue decreased by 6.3%, from RMB895.0 thousand for the nine months ended September 30, 2018 to RMB839.0 thousand for the nine months ended September 30, 2019, which was primarily attributable to the decrease of service orders.

Other Income and Gains

Our other income and gains increased significantly from RMB21.0 million for the nine months ended September 30, 2018 to RMB81.4 million for the nine months ended September 30, 2019. Such increased was resulted from (i) RMB50.6 million increase in bank interest income from RMB459.0 thousand for the nine months ended September 30, 2018 to RMB51.0 million for the nine months ended September 30, 2019; (ii) RMB10.7 million increase in government grants from PRC local government authorities to support our subsidiaries' research and development activities from RMB16.3 million for the nine months ended September 30, 2018 to RMB27.0 million for the nine months ended September 30, 2019; and (iii) RMB2.7 million increase in investment income from investments in wealth management products from RMB309.0 thousand for the nine months ended September 30, 2018 to RMB3.0 million for the nine months ended September 30, 2019.

R&D Costs

Our R&D expenses increased by 38.0%, from RMB107.1 million for the nine months ended September 30, 2018 to RMB147.7 million for the nine months ended September 30, 2019, primarily due to the expansion of our clinical trials and the increase in share-based compensation. Such increase in R&D costs resulted from the following:

- RMB14.1 million increase of direct clinical trial expenses from RMB8.0 million to RMB22.1 million,
- RMB13.9 million increase of R&D employees cost from RMB17.2 million to RMB31.1 million, and
- RMB10.0 million increase of third party contracting cost from RMB19.6 million to RMB29.6 million.

Administrative Expenses

Our administrative expenses increased by 337.5%, from RMB9.4 million for the nine months ended September 30, 2018 to RMB41.2 million for the nine months ended September 30, 2019, primarily as a result of (i) an increase in our employment headcount, (ii) increase of our ordinary course of business activities and (iii) an increase in the listing expense:

- RMB13.9 million increase of listing expense from nil to RMB13.9 million,
- RMB7.1 million increase of our employee cost from RMB5.2 million to RMB12.3 million,
- RMB2.1 million increase of depreciation and amortisation from RMB0.4 million to RMB2.5 million,
- RMB1.7 million increase of recruitment fee from RMB23.0 thousand to RMB1.7 million, and
- RMB0.9 million increase of professional fees from RMB0.8 million to RMB1.7 million.

Other Expenses

Our other expense increased from RMB0.5 million for the nine months ended September 30, 2018 to RMB43.7 million for the nine months ended September 30, 2019, primarily due to increase of RMB43.7 million of fair value changes of the Guangzhou Kaide convertible loan.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares changed from a loss of RMB363.3 million for the nine months ended September 30, 2018 to a loss of RMB499.6 million for the nine months ended September 30, 2019, primarily due to the increase in our company's valuation.

Finance Costs

Our finance costs decreased by 44.2%, from RMB2.8 million for the nine months ended September 30, 2018 to RMB1.6 million for the nine months ended September 30, 2019, primarily due to the decrease in the transaction costs for the issue of our convertible redeemable preferred shares.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our total revenue increased from RMB0.1 million for the year ended December 31, 2017 to RMB1.6 million for the year ended December 31, 2018. This increase was primarily attributable to the increase of service orders.

Other Income and Gains

Our other income and gains increased by 174.8%, from RMB11.4 million for the year ended December 31, 2017 to RMB31.4 million for the year ended December 31, 2018. Such increase was primarily attributable to (i) increase in bank interest income by RMB8.2 million from RMB0.2 million in 2017 to RMB8.4 million in 2018 due to an increase in cash and bank balances, (ii) increase in government grants by RMB7.1 million from RMB10.4 million in 2017 to RMB17.5 million in 2018 due to the government subsidies we received from the PRC local government authorities to support our subsidiaries' research and development activities, and (iii) net foreign exchange gains of RMB4.1 million recognized in 2018.

R&D Costs

Our R&D costs increased by 138.1%, from RMB62.9 million for the year ended December 31, 2017 to RMB149.7 million for the year ended December 31, 2018. This increase was primarily due to the expansion of the clinical trial programs for orelabrutinib in 2018 which resulted in the following:

- RMB54.7 million increase of share-based payment from RMB9.4 million to RMB64.1 million,
- RMB9.9 million increase of third party contracting cost from RMB9.8 million to RMB19.6 million,
- RMB9.5 million increase of R&D employees cost from RMB17.1 million to RMB26.6 million, and
- RMB5.7 million increase of direct clinical trial expenses from RMB14.4 million to RMB20.1 million.

Administrative Expenses

Our administrative expenses increased by 19.7%, from RMB14.6 million for the year ended December 31, 2017 to RMB17.5 million for the year ended December 31, 2018. This increase was primarily due to (i) an increase in our employee headcount and (ii) increase of our ordinary course of business activities, which resulted in the following:

- RMB1.5 million increase of our employee cost from RMB8.4 million to RMB9.9 million, and

- RMB0.6 million increase of professional fees from RMB0.6 million to RMB1.2 million.

Other Expenses

Our other expenses increased from RMB0.5 million for the year ended December 31, 2017 to RMB28.0 million for the year ended December 31, 2018. The increase was mainly attributable to RMB27.3 million increase in fair value changes of convertible loan due to changes in time value of the redemption amount.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares changed from a loss of RMB272.7 million for the year ended December 31, 2017 to a loss of RMB387.8 million for the year ended December 31, 2018, primarily due to the increase in our company's valuation.

Finance Costs

Our finance costs increased by 35.6%, from RMB2.5 million for the year ended December 31, 2017 to RMB3.4 million for the year ended December 31, 2018. This increase was primarily due to the transaction costs for the issue of our convertible redeemable preferred shares 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 have been derived from the Accountants' Report set out in Appendix I:

	As of December 31,		As of September 30,	As of January 31,
	2017	2018	2019	2020
	(RMB in thousands)			
				(unaudited)
Total non-current assets	53,826	137,655	176,888	209,435
Total current assets	53,575	2,063,504	2,479,033	2,377,143
Total assets	**107,401**	**2,201,159**	**2,655,921**	**2,586,578**
Total current liabilities	105,410	72,289	38,562	59,381
Net current (liabilities)/assets	**(51,835)**	**1,991,215**	**2,440,471**	**2,317,762**
Total non-current liabilities	394,055	2,967,244	4,094,319	5,695,105
Total liabilities	**499,465**	**3,039,533**	**4,132,881**	**5,754,486**
Deficiency in assets	**(392,064)**	**(838,374)**	**(1,476,960)**	**(3,167,908)**
Share capital	3	3	4	4
Reserves	(392,067)	(904,304)	(1,541,568)	(3,224,520)
Non-controlling interests	–	65,927	64,604	56,608
Total equity	**(392,064)**	**(838,374)**	**(1,476,960)**	**(3,167,908)**

NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31, 2017	As of December 31, 2018	As of September 30, 2019
	(RMB in thousands)		
Current assets			
Trade receivables	–	44	27
Deposits, prepayments and other receivables	6,678	17,788	38,622
Investments measured at fair value through profit or loss	–	169,054	90,392
Investments measured at amortised cost	10,023	–	–
Cash and bank balances	36,874	1,876,618	2,349,992
Total current assets	**53,575**	**2,063,504**	**2,479,033**
Current liabilities			
Trade payables	2,958	2,193	5,887
Loans and borrowings	25,000	50,395	–
Other payables and accruals	21,086	5,397	16,289
Deferred income	2,234	90	514
Lease liabilities	2,801	5,332	6,671
Loans from a related party	51,331	8,882	9,201
Total current liabilities	**105,410**	**72,289**	**38,562**
Net current assets/(liabilities)	**(51,835)**	**1,991,215**	**2,440,471**

Our net current assets increased from RMB1,991.2 million as of December 31, 2018 to RMB2,317.8 million as of January 31, 2020, being the latest practicable date for the purpose of liquidity disclosure in this prospectus, primarily due to a government grant we received in August 2019 and the funds raised from series D convertible redeemable preferred shares.

We had net current assets of RMB1,991.2 million as of December 31, 2018, as compared to net current liabilities of RMB51.8 million as of December 31, 2017. The change was primarily due to the funds raised from series C and series D convertible redeemable preferred shares and the proceeds from the convertible loan with Guangzhou Kaide Technology Development Co., Ltd.

We had net current liabilities of RMB51.8 million as of December 31, 2017, primarily due to loans from a holder of convertible redeemable preferred shares. We plan to improve our financial position through commercializing our Core Product Candidate and adopting effective measures on cost and expense control.

Deposits, prepayments, and other receivables

Our current deposits, prepayments and other receivables include value-added tax recoverable, interest receivable, prepayments and other receivables. Value-added tax recoverable represents value-added taxes incurred in procurement. Interest receivable mainly include interests from fixed deposits. The table below sets forth our deposits, interest receivable, prepayments and other receivables as of the dates indicated:

	As at December 31,		As at September 30,
	2017	2018	2019
	(RMB in thousands)		
Value-added tax recoverable	3,791	7,004	14,997
Interest receivable	–	6,272	16,812
Prepayments	838	3,291	5,031
Other receivables	2,049	1,221	1,782
Total	**6,678**	**17,788**	**38,622**

Our current deposits, prepayments and other receivables increased from RMB6.7 million as of December 31, 2017 to RMB17.8 million as of December 31, 2018. The increase was primarily attributable to the interest receivables, which was attributable to the additional fundings we acquired in the financing activities in 2018.

Investments

Our investments mainly consisted of wealth management products and time deposits. The wealth management products we invested in are denominated in RMB with expected yield rates of return of 2.8%, 3.6% to 4.6% and 3.81% to 3.92% per annum for the year ended December 31, 2017 and December 31, 2018 and the nine months ended September 30, 2019, respectively. The average maturity period of the wealth management products was below one year.

For the year ended December 31, 2018, the wealth management products we purchased amounted to RMB168 million, in which RMB120 million were principal-protected with floating yield, by which we were guaranteed to receive minimum returns, while RMB48 million were not principal-protected or returns guaranteed. For the nine months ended September 30, 2019, the wealth management products we purchased amounted to RMB90 million, all of which were principal protected with floating yield, by which the Company was guaranteed to receive minimum returns. Pursuant to our investment policy, we only invested in wealth management products that were issued and managed by state-owned or established banks in China, which helped mitigate our risk exposure.

The table below sets forth the details of our investments measured at fair value through profit or loss and investments measured at amortised cost as of the dates indicated:

	As at December 31,		As at September 30,
	2017	2018	2019
	(RMB in thousands)		
Investments measured at fair value through profit or loss	–	169,054	90,392
Investments measured at amortised cost	10,023	–	–

Cash and bank balances

Cash and bank balances were RMB36.9 million and RMB1,876.6 million as of December 31, 2017 and December 31, 2018, respectively, and RMB2,350.0 million as of September 30, 2019, primarily consisting of time deposits with original maturity of less than one year when acquired. The increase was mainly attributable from the funds we received from our financing activities.

Trade payables

Our trade payables primarily consist of payables of services and materials in connection with pre-clinical studies. Our trade payables was RMB3.0 million as of December 31, 2017 and RMB2.2 million as of December 31, 2018, and RMB5.9 million as of September 30, 2019.

The table below sets forth an ageing analysis of our trade payables, presented based on the invoice date:

	As at December 31,		As at September 30,
	2017	2018	2019
	(RMB in thousands)		
Within 3 months	2,958	2,193	5,887

Material Fluctuation of Investments

Our investment portfolio primarily consists of the wealth management products and time deposits. The expected rates of return of our investments in wealth management products were 2.8%, 3.6% to 4.6% and 3.81% to 3.92% per annum for the year ended December 31, 2017 and December 31, 2018 and the nine months ended September 30, 2019. In 2018, we purchased new investment products of RMB483.5 million, partially offset by proceeds received upon maturity of investments of RMB323.1 million. For the nine months ended September 30, 2019, we purchased new investment products of RMB832.5 million, partially offset by proceeds received upon maturity of investments of RMB908.2 million.

Loans and borrowings

Our loans and borrowings consisted primarily of loans and borrowings from third parties free of interest or with interest.

The table below sets forth the details of our loans and borrowings as of the dates indicated:

	As at December 31,		As at September 30,
	2017	2018	2019
	(RMB in thousands)		
Included in current liabilities			
Interest-free loans and borrowings from third parties	25,000	–	–
Interest-bearing loan from a third party	–	50,395	–
Included in non-current liabilities			
Interest-bearing loan from a third party	50,220	–	–
Total	**75,220**	**50,395**	**–**

Other payables and accruals

Our other payables and accruals primarily consist of payable for other intangible assets acquired resulting from the acquisition of know-how from a third party and payroll payable.

The table below sets forth the details of our other payables and accruals as of the dates indicated:

	As of December 31,		As of September 30,
	2017	2018	2019
	(RMB in thousands)		
Payable for other intangible assets acquired	16,000	–	–
IPO related service fee	–	–	14,244
Payroll payable	2,786	4,378	1,004
Payables for property, plant and equipment	928	–	–
Taxes other than income tax	217	575	508
Interest payable	185	–	–
Contract liabilities	–	190	249
Other payables	970	254	284
Total	**21,086**	**5,397**	**16,289**

The decrease in our other payables and accruals from December 31, 2017 to December 31, 2018 was primarily attributable to the settlement for acquisition of the third-party know-how in connection with the BioDuro Agreement.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Management monitors and maintains a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the borrowings and, from time to time, evaluate the options to renew the borrowings upon expiry based on our actual business requirement. Currently we do not have any unutilized banking facilities. We rely on equity and debt financing as the major sources of liquidity.

During the Track Record Period, we incurred negative cash flows from our operations, and substantially all of our operating cash outflows resulted from our research and development costs and administrative expenses. Our operating activities used RMB49.4 million, RMB17.7 million, RMB50.7 million and RMB62.7 million of cash for the years ended December 31, 2017 and December 31, 2018 and the nine months ended September 30, 2018 and September 30, 2019, respectively. As our business develops and expands, we expect to generate more cash flow from our operating activities, through launching and commercializing our products and enhancing our cost containment capacity and operating efficiency.

Cash Flows

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2017	**2018**	**2018**	**2019**
	(RMB in thousands)			
			(unaudited)	
Cash flows from operating activities before movements in working capital	(52,642)	(73,318)	(43,765)	(104,115)
Net cash used in operating activities	(49,356)	(17,677)	(50,723)	(62,748)
Net cash flows from/(used in) investing activities	25,173	(888,109)	(21,837)	361,025
Net cash flows from financing activities	26,810	2,101,300	352,688	364,883
Net increase in cash and cash equivalents	2,627	1,195,514	280,128	663,160
Cash and cash equivalents at beginning of the year/period	32,228	36,874	36,874	1,245,204
Effect of foreign exchange rate changes, net	2,019	12,816	18,411	34,936
Cash and cash equivalents at the end of the year/period	36,874	1,245,204	335,413	1,943,300

Net Cash Used in Operating Activities

Since inception, we have incurred negative cash flows from our operations. Substantially all of our operating cash outflows have resulted from our research and development costs and administrative expenses.

For the nine months ended September 30, 2019, our net cash used in operating activities was RMB62.7 million, which was primarily attributable to our loss before tax of RMB653.2 million, positively adjusted by fair value changes of convertible redeemable preferred shares of RMB499.6 million, share-based payment expenses of RMB48.9 million and fair value changes of a convertible loan of RMB43.7 million.

In 2018, our net cash used in operating activities was RMB17.7 million, which was primarily attributable to our loss before tax of RMB554.0 million, positively adjusted by fair value changes of convertible redeemable preferred shares of RMB387.8 million, share-based payment expenses of RMB65.2 million and an increase in deferred income of RMB58.8 million, partially offset by an increase in deposits, prepayments and other receivables of RMB11.1 million.

In 2017, our net cash used in operating activities was RMB49.4 million, which was primarily attributable to our net loss before tax of RMB341.7 million, positively adjusted by fair value changes of convertible redeemable preferred shares of RMB272.7 million, an decrease in deposits, prepayments and other receivables of RMB12.5 million, and share-based payment expenses of RMB10.4 million.

Net Cash from Investing Activities

For the nine months ended September 30, 2019, our net cash from investing activities was RMB361.0 million, which was mainly attributable to proceeds received upon maturity of investments of RMB908.2 million, a decrease in time deposits of RMB224.7 million and the receipt of government grants for property, plant and equipment of RMB100.0 million, and partially offset by purchases of investments of RMB832.5 million.

In 2018, our net cash used in investing activities was RMB888.1 million, which was mainly attributable to an increase in time deposits of RMB631.4 million, and purchase of investment of RMB483.5 million, partially offset by proceeds received upon maturity of investments of RMB323.1 million.

In 2017, our net cash from investing activities was RMB25.2 million, which was mainly attributable to proceeds received upon maturity of investments of RMB170.2 million, partially offset by purchases of investments of RMB143.4 million.

Net Cash from Financing Activities

During the Track Record Period, we derived our cash inflows from financing activities primarily from proceeds from the issue of convertible redeemable preferred shares.

For the nine months ended September 30, 2019, we have RMB364.9 million of net cash flow from financing activities, primarily attributable to proceeds from issue of convertible redeemable preferred shares of RMB412.7 million, partially offset by repayment of loans from third parties of RMB50.0 million.

In 2018, we had RMB2,101.3 million of net cash flow from financing activities, primarily attributable to (i) proceeds from issue of convertible redeemable preferred shares of RMB1,165.2 million, (ii) proceeds from convertible loan of RMB930.0 million and (iii) capital injection from a non-controlling shareholder of a subsidiary of RMB70.0 million, partially offset by repayment of loans from a related party of RMB31.5 million and repayment of loans from third parties of RMB25.0 million.

In 2017, we had RMB26.8 million of net cash flow from financing activities, primarily attributable to (i) loan from a related party of RMB43.8 million, and (ii) proceeds from issue of convertible redeemable preferred shares of RMB31.0 million, partially offset by (i) acquisition of non-controlling interests of RMB23.0 million, and (ii) repayment of loans from third parties of RMB20.0 million.

CASH OPERATING COSTS

The following table provides information regarding our cash operating costs for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,
	2017	2018	2019
	(RMB in thousands)		
Research and Development Costs for Core Product Candidate:			
Employee cost	14,292	21,681	26,110
Third party contracting cost	7,602	16,673	20,464
Direct clinical trial expenses	11,696	17,847	16,436
Others	6,917	26,797	13,862
Research and Development Costs for Other Product Candidates:			
Employee cost	1,047	3,348	8,376
Third party contracting cost	845	2,942	5,772
Direct clinical trial expenses	1,300	3,150	4,636
Others	769	4,729	3,910
Workforce Employment Cost[(1)]	7,878	9,417	12,696
Direct Production Cost[(2)]	–	–	–
Non-income Taxes, Royalties and Other Governmental Charges	–	–	–
Contingency Allowances	–	–	–
Product Marketing[(3)]	–	–	–

Notes:

(1) Workforce employment cost represents total non-R&D staff costs mainly including salaries and bonus.

(2) We had not commenced product manufacturing as at the Latest Practicable Date.

(3) We had not commenced product sales as at the Latest Practicable Date.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account (i) the financial resources available, including cash and cash equivalents of RMB1,943.3 million as of September 30, 2019, available financing facilities and the estimated net proceeds from the Listing (ii) the expected commercialization timetable of our late stage drug candidates, in particular orelabrutinib (ICP-022), and (iii) our cash burn rate, which is our cash and bank balances divided by adjusted average monthly net cash used in operating and investing activities, we have sufficient working capital to cover at least 125% of our costs, including research and development costs, business development and selling expenses, and administrative expenses for at least the next 12 months from the expected date of this prospectus.

INDEBTEDNESS

The following table sets forth the breakdown of our loans and borrowings from third parties as of the dates indicated:

	As of December 31,		As of September 30,	As of January 31,
	2017	2018	2019	2020
	(RMB in thousands)			
				(unaudited)
Included in current liabilities				
Interest-free loans and borrowings from third parties[(1)]	25,000	–	–	–
Interest-bearing loan from a third party[(2)]	–	50,395	–	–
Included in non-current liabilities				
Interest-bearing loan from a third party[(2)]	50,220	–	–	–
Total	**75,220**	**50,395**	**–**	**–**

Notes:

(1) The interest-free loans and borrowings from third parties were settled in 2018 when they were due.

(2) In 2016, Beijing Changping Technology Park Limited ("Beijing Changping") injected capital to the Company's wholly owned subsidiary, InnoCare Beijing Tiancheng with cash consideration of RMB50 million. Under the investment agreement, the Group has call option to repurchase the shares of Beijing Changping at predetermined price from the third year after the capital injection. In addition, Beijing Changping has put option to sell its shares to the Group at predetermined price from the sixth year after the capital injection. The redemption price has been determined as the initial principal of capital injection plus the interests of time deposit, therefore, it is classified as a borrowing measured at amortised cost. The borrowing was fully settled in May 2019.

In addition, Guangzhou Kaide Technology Development Co., Ltd. ("**Guangzhou Kaide**") and InnoCare Guangzhou entered into a loan agreement on August 22, 2018, pursuant to which InnoCare Guangzhou borrowed from Guangzhou Kaide a convertible loan amounted to RMB930 million, which bears an interest of 6.5% per annum and is due on December 31, 2024. Subject to certain terms and conditions under the loan agreement and the Joint Venture Contract between Innocare Beijing Nuocheng and Guangzhou Kaide, the convertible loan may be converted into equity interests of InnoCare Guangzhou. Subject to the Joint Venture Contract, the amount of equity interests of InnoCare Guangzhou to be converted and issued to Guangzhou Kaide shall be calculated by dividing (i) the outstanding principal with accrued and unpaid interests as at November 30, 2023 (or November 30, 2024, if so extended) (the "**Evaluation Date**") by (ii) the fair value of InnoCare Guangzhou's market capitalisation as at the Evaluation Date. Guangzhou Kaide and InnoCare Guangzhou agreed that the target of the amount of equity interests of InnoCare Guangzhou to be converted and issued to Guangzhou Kaide at the relevant time is approximately 6.5%, subject to other terms and conditions and mutual agreements between the parties. The conversion is subject to one or more of the following conditions: InnoCare Guangzhou having (1) obtained the production approval for ICP-022, (2) obtained the new drug development certificate issued by CFDA in relation to ICP-093, an early stage drug candidate, (3) increased its registered capital by a third party in the sum of not less than RMB200 million by way of cash and the post-financing valuation of InnoCare Guangzhou shall be equal to or more than RMB12 billion or (4) the valuation of InnoCare Guangzhou shall be equal to or more than RMB12 billion. As at the Latest Practicable Date, there has been no conversion pursuant to the convertible loan. Such conversion will result in a net asset position.

As of January 31, 2020, being the latest practicable date for the purpose of indebtedness statement, the loans and borrowings from third parties was nil.

HKFRS 16 Leases have been early adopted in the preparation of the Historical Financial Information throughout the Track Record Period. Under the new standard, a right-of-use asset (the right to use the leased item) and a lease liability are recognised. As of January 31, 2020, our lease liabilities amounted to RMB9.2 million, among which RMB6.2 million is due within one year and the remaining RMB3.0 million is due from 2021 to 2024.

	As of December 31,		As of September 30,	As of January 31,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Included in current liabilities				
Interest-free loans and borrowings from third parties[(1)]	25,000	–	–	–
Interest-bearing loan from a third party[(2)]	–	50,395	–	–
Lease liabilities	2,801	5,332	6,671	6,171
Subtotal	27,801	55,727	6,671	6,171
Included in non-current liabilities				
Interest-bearing loan from a from third party[(2)]	50,220	–	–	–
Lease liabilities	7,063	7,791	4,550	3,036
Subtotal	57,283	7,791	4,550	3,036
Total indebtedness	85,084	63,518	11,221	9,207

During the Track Record Period, we also obtained two loans from a related party, King Bridge, controlled by Mr. Hebert Pang Kee Chan of which a loan of US$1.3 million is repayable with an interest rate of 1% per annum with repayment term at the earlier of the consummation of the initial public offering of our Company or July 21, 2023. The other loan of US$6.6 million was from the same related party free of interest, and was fully settled in 2018. See subsection headed "Related-Party Transactions" below for further details.

Under the Guangzhou Kaide convertible loan agreement, the loan amount can only be used for agreed purposes, including development of drug candidates. There are no material covenants under the outstanding loan from King Bridge described above.

During the Track Record Period and up to the Latest Practicable Date, we had not been in violation of any of the covenants under our loan agreements.

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as at the Latest Practicable Date.

COMMITMENTS

As of December 31, 2017 and 2018 and September 30, 2019, we had capital commitments of approximately nil, RMB1.5 million and RMB175.2 million, respectively, primarily in connection with plant construction and equipment purchase for our Guangzhou manufacturing facility.

CONTINGENT LIABILITIES

As of December 31, 2017 and 2018 and September 30, 2019, we did not have any contingent liabilities. We confirm that as at the Latest Practicable Date, there had been no material changes or arrangements to our contingent liabilities.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

The table below sets forth the key financial ratios of our Group as of the dates indicated:

	As of December 31		As of September 30,
	2017	2018	2019
Current Ratio[(1)]	0.5	28.5	64.3

Note:

(1) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

The increase in current ratio was primarily due to the increase of cash and cash equivalent. The increase in cash and cash equivalent in 2018 was primarily attributable to net cash from financing activities of RMB2,101.3 million. The increase in cash and cash equivalent for the nine months ended September 30, 2019 was primarily attributable to net cash from financing activities of RMB364.9 million and net cash from investing activities of RMB361.0 million.

RELATED-PARTY TRANSACTIONS

The below table sets forth transactions between us and a related party during the Track Record Period.

	For the year ended December 31,		For the nine months ended September 30,	
	2017	2018	2018	2019
	(RMB in thousand)			
			(unaudited)	
Loans from a related party:				
King Bridge Investments Limited ("King Bridge")	52,390	–	–	–
Repayment of loan from a related party, King Bridge	–	44,112	44,112	–

The below table sets forth the outstanding balances with a related party during the Track Record Period.

	As of December 31,		As of September 30,
	2017	2018	2019
	(RMB in thousands)		
Loans from a related party:			
King Bridge	51,331	8,882	9,215

We had the outstanding balances as of December 31, 2017 with King Bridge that consisted of two loans with principal amounts of US$6.6 million and US$1.3 million, respectively. The US$6.6 million loan was fully settled in 2018, and the US$1.3 million loan had an interest rate of 1% per annum with a repayment term of the earlier of the consummation of the initial public offering of the Company's ordinary shares or July 21, 2023. The US$1.3 million loan will be fully repaid by the Company prior to the Listing Date.

Our Directors confirm that our material related party transactions during the Track Record Period in the aggregate would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

Details of our transactions with related parties during the Track Record Period are set out in note 28 and 35 to the Accountants' Report included in Appendix I to this prospectus.

MARKET RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks and as at the Latest Practicable Date, did not hedge or consider necessary to hedge any of these risks.

Foreign Currency Risk

Foreign currency risk means the risk resulting from changes in foreign currency exchange rates.

We have transactional currency exposures. Certain of our bank balances, interest receivables and loans from a related party are dominated in foreign currencies and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise. For further details, including relevant sensitivity analysis, please see note 38 to the Accountants' Report set out in Appendix I.

Credit Risk

The carrying amounts of cash and bank balances, investments measured at amortised cost, investments measured at fair value through profit or loss, trade receivables, other receivables and other financial assets represent our maximum exposure equal to credit risk in relation to financial assets.

We trade only with recognised and creditworthy third parties with no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Our management does not expect that there will be any significant losses from on-performance by these counterparties.

In order to minimize the credit risk, we review the recoverable amount of each individual trade receivable periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, our Directors consider that our Group's credit risk is significantly reduced. For further details, see note 38 to the Accountants' Report set out in Appendix I.

Liquidity Risk

In the management of the liquidity risk, we monitors and maintains a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For further details, see note 38 to the Accountants' Report set out in Appendix I.

DIVIDEND

No dividend has been paid or declared by our Company since its date of incorporation and up to the end of the Track Record Period.

DISTRIBUTABLE RESERVES

As of September 30, 2019, we did not have any distributable reserves.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The total listing expenses (including underwriting commissions) payable by our Company are estimated to be approximately HK$143.41 million, assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$8.56 (being the mid-point of our Offer Price range of HK$8.18 to HK$8.95 per Offer Share). These listing expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the Underwriters, and printing and other expenses for their services rendered in relation to the Listing and the Global Offering.

Listing expenses to be borne by us are estimated to be approximately HK$143.41 million (including underwriting commission, assuming an Offer Price of HK$8.56 per Share, being the mid-point of the indicative Offer Price range of HK$8.18 to HK$8.95 per Share), assuming no Shares are issued pursuant to the Over-allotment Option. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2017 and 2018, and RMB13.87 million was recognized and charged to our consolidated statements of profit or loss for the nine months ended September 30, 2019. After September 30, 2019, approximately HK$22.12 million is expected to be charged to our consolidated statements of profit or loss, and approximately HK$101.92 million is expected to be charged against equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of our adjusted consolidated net tangible assets as of September 30, 2019, which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on that date as set out in the "Appendix I-Accountants' Report" to this prospectus.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of September 30, 2019 or any future dates.

	Audited consolidated net tangible liabilities attributable to owners of the Company as of 30 September 2019	**Estimated net proceeds from the Global Offering**	**Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing**	**Unaudited pro forma adjusted consolidated net tangible assets as of 30 September 2019**	**Unaudited pro forma adjusted consolidated net tangible assets per Share as of 30 September 2019**	
	RMB'000 (note 1)	*RMB'000 (note 2)*	*RMB'000 (note 3)*	*RMB'000*	*RMB (note 4)*	*HK$ (note 5)*
Based on an Offer Price of HK$8.18 per Share	(1,581,524)	1,722,594	2,925,224	3,066,294	2.45	2.74
Based on an Offer Price of HK$8.95 per Share	(1,581,524)	1,888,289	2,925,224	3,231,989	2.58	2.88

Notes:

1. The consolidated net tangible liabilities attributable to owners of the Company as at 30 September 2019 is arrived at after deducting goodwill and other Intangible assets of RMB 39,960,000 from the audited consolidated net liabilities attributable to owners of the Company of RMB1,541,564,000 as at 30 September 2019, as shown in the Accountants' Report.

2. The estimated net proceeds from the Global Offering are based on estimated low end and high end offer prices of HK$8.18 or HK$8.95 per share after deduction of the underwriting fees and commissions and other related listing expense which are not recorded in consolidated statements of profit or loss for the Relevant Periods and do not take into account any share (i) which may be allotted and issued upon exercise of the Over-allotment Option or (ii) upon the exercise of the share options granted or any shares that may be issued by the Company under the ESOP plan.

3. Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into Ordinary Shares and thereby turning into a net asset position. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company will be increased by RMB2,925,224,000, being the carrying amounts of the Preferred Shares as at 30 September 2019.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share is arrived at after adjustments referred to note 2 and 3 above and on the basis that 1,251,617,235 shares are in issue, assuming that the conversion of Preferred Shares into Ordinary Shares and the Global Offering had been completed on 30 September 2019. However, this does not take into account any options or share award unites to be granted, or any shares which may be issued upon the exercise of the share options and the share award units by the Company under the ESOP plan.

5. The unaudited pro forma adjusted consolidated net tangible assets per share are converted into Hong Kong dollars at the rate of RMB0.89553 to HK$1.00., which was the exchange rate prevailing on March 2, 2020 with reference to the rate published by the People's Bank of China.

6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.

NO MATERIAL ADVERSE CHANGE

Save for the subsequent events as described in note 40 to the Accountants' Report in Appendix I, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since September 30, 2019 (being the date on which the latest consolidated financial information of our Group was prepared) and there is no event since September 30, 2019 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I.

IMPACT OF THE COVID-19 OUTBREAK

Since the end of December 2019, a novel strain of coronavirus has surfaced in the city of Wuhan, China. The virus causes the outbreak of pneumonia-like illness named COVID-19 (the "**COVID-19 outbreak**"), which has been rapidly spreading through and outside of Wuhan. Several cities in China have been under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. We believe the COVID-19 outbreak has not significantly impacted our ability to carry out our obligations under existing contracts or disrupted any supply chains that we rely upon. While the extent to which the COVID-19 outbreak will affect our operations cannot be predicted at this stage, we have not experienced and do not expect significant financial damage or impact to our long-term commercial prospect from the COVID-19 outbreak. We cannot guarantee you, however, that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations. For details, please refer to "Risk Factors – We face risks related to health epidemics and other outbreaks of contagious diseases".

We have employed various measures to mitigate the impact of the COVID-19 outbreak on our ongoing clinical trials, including supplying enrolled patients with study medication at the early stage of the outbreak, continuing patient enrollment through remote access, and engaging frequent communications with our principal investigators to identify and address any issues that may arise. Although we experienced minor delays in data entry for some of our trials at the beginning of the COVID-19 outbreak due to difficulties in scheduling routine site visits, the situation has improved as short-duration site visits were adopted. We expect this situation to continue to improve with the containment of the COVID-19 outbreak and do not expect it to have any material long-term impact on the data quality of our clinical studies or our overall clinical development plans.

To minimize the impact of the COVID-19 outbreak, we have also implemented company-wide self-protection policies for employees to either working remotely or onsite with protective masks and sanitization. We currently do not anticipate any material deviation from our commercialization plans, as such plans are based upon CDE approval timeline and nothing has come to our attention at this stage that the CDE review process is experiencing delays. We have also begun to consider digital promotion activities to explore online marketing as an avenue to facilitate anticipated product launch to ensure we are on schedule for our current commercialization plans.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at 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.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering.

As at the Latest Practicable Date, our authorised share capital was US$50,000.00 divided into 25,000,000,000 shares of US$0.000002 par value each, consisting of: (i) 24,193,168,715 Class A ordinary shares, and (ii) 274,586,514 Class B ordinary shares, and (iii) 55,500,000 Series A Preferred Shares, and (iv) 125,976,000 Series B Preferred Shares, and (v) 145,506,500 Series C Preferred Shares, and (vi) 205,262,271 Series D Preferred Shares.

The Preferred Shares will be converted into Shares on a one-to-one basis by way of re-designation before Listing.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Description of Shares	**Number of Shares**	**Aggregate nominal value of Shares**	**Approximate percentage of issued share capital**
		(US$)	*(%)*
Shares in issue (including the Shares on re-designation of the Preferred Shares)	1,001,293,235	2,002.59	80.00
Shares to be issued under the Global Offering	250,324,000	500.65	20.00
Total	1,251,617,235	2,503.24	100.00

Assuming the Over-allotment Option is exercised in full, the share capital of our Company upon completion of the Global Offering will be as follows:

Description of Shares	Number of Shares	Aggregate nominal value of Shares	Approximate percentage of issued share capital
		(US$)	*(%)*
Shares in issue (including the Shares on re-designation of the Preferred Shares)	1,001,293,235	2,002.59	77.67
Shares to be issued under the Global Offering	287,872,000	575.74	22.33
Total	1,289,165,235	2,578.33	100.00

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional, that Shares are issued pursuant to the Global Offering, and that the Preferred Shares are converted into Shares on a one-to-one basis. The above tables do not take into account any additional Shares which may be issued pursuant to the Pre-IPO Incentivisation Plans.

RANKING

The Offer Shares are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preferred Shares re-designated into Shares upon completion of the Global Offering) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Law and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) divide its Shares into several classes; and (iv) cancel any Shares which have not been taken or agreed to be taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See the section headed "Summary of the Constitution of the Company and Cayman Companies Law – Summary of the Constitution of the Company – Articles of Association – Alteration of Capital" in Appendix IV in this prospectus for further details.

PRE-IPO INCENTIVISATION PLANS

We adopted the Pre-IPO Incentivisation Plans. For further details, please see the section headed "Statutory and General Information – Pre-IPO Incentivisation Plans" in Appendix V in this prospectus.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US$164,000,000 (approximately HK$1,278,462,000) (calculated based on the conversion rate of US$1.00 to HK$7.79550) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$8.18, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 156,280,000 Offer Shares, representing approximately (i) 62.43% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 12.49% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans), and (iii) 12.12% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option (assuming that no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans).

Assuming an Offer Price of HK$8.56, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 149,346,000 Offer Shares, representing approximately (i) 59.66% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 11.93% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised) and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans), and (iii) 11.58% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option (assuming that no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans).

Assuming an Offer Price of HK$8.95, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 142,844,000 Offer Shares, representing approximately (i) 57.06% of the Offer Shares (assuming that the Over-allotment Option is not exercised), (ii) 11.41% of the Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans), and (iii) 11.08% of the Shares in issue immediately upon completion of the Global Offering and the full exercise of the Over-allotment Option (assuming that no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, in particular in the life sciences and healthcare sectors, the Cornerstone Placing will help to raise the profile of our Company and to signify that such investors have confidence in our business and prospect. Other than the four existing shareholders who are Cornerstone Investors as described below, our Company became acquainted with each of the Cornerstone Investors through introduction by some of the underwriters in the Global Offering.

The Cornerstone Placing will form part of the International Offering and the Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will not count towards the public float of our Company under Rule 18A.07 of the Listing Rules. Immediately following the completion of the Global Offering, save for Golden Valley Global Limited (further details of which are set out below), none of the Cornerstone Investors will become a Substantial Shareholder of the Company, and the Cornerstone Investors will not have any Board representation in our Company. To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person (as defined in the Listing Rules); (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates (other than the four Cornerstone Investors which are existing Shareholders of our Company or their close associates as described below); (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates (other than the four Cornerstone Investors which are existing Shareholders of our Company or their close associates as described below). Other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price, the Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders. As confirmed by each of the Cornerstone Investors, their subscription under the Cornerstone Placing would be financed by their own internal resources. There are no side arrangements between our Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing, other than a guaranteed allocation of the relevant Offer Shares at the final Offer Price.

Four of the Cornerstone Investors, namely Vivo Funds (as defined below), Golden Valley Global Limited, Hankang Biotech Fund I, L.P. and Magic City Group Limited, which are existing Shareholders of our Company or their close associates, have been permitted to participate in the Cornerstone Placing pursuant to paragraph 5.2 of Stock Exchange Guidance Letter HKEX-GL92-18 and the waiver from Rule 9.09(b) of the Listing Rules.

The Offer Shares to be subscribed by the Cornerstone Investors may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Global Offering – Hong Kong Public Offering – Reallocation and Clawback" in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement of our Company to be published on or around March 20, 2020.

If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investors (except for two) under the Cornerstone Placing. Where delayed delivery takes place, each Cornerstone Investor that may be affected by such delayed delivery has agreed that it shall nevertheless pay for the relevant Offer Shares on the Listing Date. If there is no over-allocation in the International Offering, delayed delivery will not take place. For details of the Over-allotment Option, please refer to the sections headed "Structure of the Global Offering – Over-allotment Option" in this prospectus.

OUR CORNERSTONE INVESTORS

Based on the Offer Price of HK$8.18 (being the Minimum Offer Price)

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)[#]					
Vivo Funds	25.00	23,824,000	9.52%	8.28%	1.90%	1.85%
Golden Valley Global Limited	5.00	4,764,000	1.90%	1.65%	0.38%	0.37%
Hankang Biotech Fund I, L.P.	10.00	9,529,000	3.81%	3.31%	0.76%	0.74%
Magic City Group Limited	5.00	4,764,000	1.90%	1.65%	0.38%	0.37%
Matthews Asia Funds	23.00	21,918,000	8.76%	7.61%	1.75%	1.70%
Rock Springs Capital Master Fund LP	10.00	9,529,000	3.81%	3.31%	0.76%	0.74%
Tiger Pacific Master Fund LP	15.00	14,294,000	5.71%	4.97%	1.14%	1.11%
Octagon Investments Master Fund LP	6.00	5,717,000	2.28%	1.99%	0.46%	0.44%
China Structural Reform Fund	35.00	33,354,000	13.32%	11.59%	2.66%	2.59%
Orient Sun Rise Global Superior Choice SPC	10.00	9,529,000	3.81%	3.31%	0.76%	0.74%
Athos Asia Event Driven Master Fund	10.00	9,529,000	3.81%	3.31%	0.76%	0.74%
WT Investment Management	10.00	9,529,000	3.81%	3.31%	0.76%	0.74%
Total	**164.00**	**156,280,000**	**62.43%**	**54.29%**	**12.49%**	**12.12%**

[#]*Note:* to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Based on the Offer Price of HK$8.56 (being the mid-point of the Offer Price range)

Cornerstone Investor	Investment Amount	Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
	(US$ in million)[#]					
Vivo Funds	25.00	22,767,000	9.10%	7.91%	1.82%	1.77%
Golden Valley Global Limited	5.00	4,553,000	1.82%	1.58%	0.36%	0.35%
Hankang Biotech Fund I, L.P.	10.00	9,106,000	3.64%	3.16%	0.73%	0.71%
Magic City Group Limited	5.00	4,553,000	1.82%	1.58%	0.36%	0.35%
Matthews Asia Funds	23.00	20,945,000	8.37%	7.28%	1.67%	1.62%
Rock Springs Capital Master Fund LP	10.00	9,106,000	3.64%	3.16%	0.73%	0.71%
Tiger Pacific Master Fund LP	15.00	13,660,000	5.46%	4.75%	1.09%	1.06%
Octagon Investments Master Fund LP	6.00	5,464,000	2.18%	1.90%	0.44%	0.42%
China Structural Reform Fund	35.00	31,874,000	12.73%	11.07%	2.55%	2.47%
Orient Sun Rise Global Superior Choice SPC	10.00	9,106,000	3.64%	3.16%	0.73%	0.71%
Athos Asia Event Driven Master Fund	10.00	9,106,000	3.64%	3.16%	0.73%	0.71%
WT Investment Management	10.00	9,106,000	3.64%	3.16%	0.73%	0.71%
Total	**164.00**	**149,346,000**	**59.66%**	**51.88%**	**11.93%**	**11.58%**

[#]*Note:* to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

Based on the Offer Price of HK$8.95 being the Maximum Offer Price

Cornerstone Investor	Investment Amount *(US$ in million)*[#]	Number of Offer Shares (rounded down to nearest whole board lot of 1,000 Shares)	Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Vivo Funds	25.00	21,775,000	8.70%	7.56%	1.74%	1.69%
Golden Valley Global Limited	5.00	4,355,000	1.74%	1.51%	0.35%	0.34%
Hankang Biotech Fund I, L.P.	10.00	8,710,000	3.48%	3.03%	0.70%	0.68%
Magic City Group Limited	5.00	4,355,000	1.74%	1.51%	0.35%	0.34%
Matthews Asia Funds	23.00	20,033,000	8.00%	6.96%	1.60%	1.55%
Rock Springs Capital Master Fund LP	10.00	8,710,000	3.48%	3.03%	0.70%	0.68%
Tiger Pacific Master Fund LP	15.00	13,065,000	5.22%	4.54%	1.04%	1.01%
Octagon Investments Master Fund LP	6.00	5,226,000	2.09%	1.82%	0.42%	0.41%
China Structural Reform Fund	35.00	30,485,000	12.18%	10.59%	2.44%	2.36%
Orient Sun Rise Global Superior Choice SPC	10.00	8,710,000	3.48%	3.03%	0.70%	0.68%
Athos Asia Event Driven Master Fund	10.00	8,710,000	3.48%	3.03%	0.70%	0.68%
WT Investment Management	10.00	8,710,000	3.48%	3.03%	0.70%	0.68%
Total	**164.00**	**142,844,000**	**57.06%**	**49.62%**	**11.41%**	**11.08%**

[#]*Note:* to be converted to Hong Kong dollars based on the exchange rate as disclosed in this prospectus.

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. Vivo Funds

Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P. and Vivo Opportunity Fund, L.P. (collectively, the "**Vivo Funds**") are investment funds organized under the laws of Delaware. The Vivo Funds are dedicated to investing in companies and assets in the healthcare sector in primarily the U.S. and Greater China, which are two of the largest healthcare markets in the world. Vivo Capital VIII, LLC is the general partner of each of Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., and Vivo Opportunity, LLC is the general partner of Vivo Opportunity Fund, L.P.

2. Golden Valley Global Limited

Golden Valley Global Limited is a close associate of the LVC Entities, which include Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP, which are private equity funds established in 2018 by Loyal Valley Capital, a private equity firm with over 30 investors that mainly focuses on the following segments: new consumer (media, entertainment and education), healthcare and also covers specialty industrials and financial services. The LVC Entities have invested in a number of healthcare companies such as Shanghai Junshi and Shanghai Henlius Biotech, Inc. The LVC Entities are substantial shareholders of the Company and are ultimately controlled by Mr. Lijun Lin, one of our Non-executive Directors.

3. Hankang Biotech Fund I, L.P.

Hankang Biotech Fund I, L.P. is a private equity fund focusing on biotech opportunities in China and overseas. Hankang Biotech Fund I, L. P. focuses on the in-depth research in major diseases and unmet medical needs, conducting forward-looking research and investing in start-ups with first-tier teams and technology platforms in advance to help them become leading companies through value-added services. Hankang Biotech Fund I, L. P. is managed by Hankang Healthcare LLC.

4. Magic City Group Limited

Magic City Group Limited (妙城集團有限公司) is a limited liability company incorporated under the laws of the BVI on November 8, 2019 and is directly wholly owned by Flywin Inc. which in turn is directly wholly owned by 3H Health Investment Fund I, LP, a sophisticated investor and an investment fund specializing in investments in equity and equity related securities of companies in the life sciences and healthcare sectors and technologies, products and services related to, or have a strong nexus with, such sectors. 3H Health Investment Fund I, LP is managed by 3H Health Investment GP I Ltd.

5. Matthews Asia Funds

Each of Matthews Asia Growth Fund, Matthews Asia Innovators Fund, Matthews Asia Small Companies Fund and Matthews China Small Companies Fund, which are series of Matthews International Funds (d/b/a "**Matthews Asia Funds**"), is an open-end management company registered under the U.S. Investment Company Act of 1940, as amended, and each of Matthews Asia Funds – Asia Small Companies Fund and Matthews Asia Funds – China Small Companies Fund, which are sub-funds of Matthews Asia Funds, is a public limited company ("société anonyme") qualifying as an investment company organized with variable share capital within the meaning of the Luxembourg law of December 17, 2010 on collective investment undertakings incorporated as an umbrella fund comprised of separate sub-funds (together referred to as the "**Matthews Funds**").

Matthews International Capital Management, LLC ("**Matthews Asia**") is the authorized agent of the Matthews Funds. Matthews Asia manages portfolios of securities primarily in the Asia Pacific region on a discretionary basis for institutional clients, including U.S. registered investment companies and similar non-U.S. investment funds (some of which are registered under the laws of the country where they are formed) and other clients worldwide.

6. Rock Springs Capital Master Fund LP

Rock Springs Capital Master Fund LP is a Cayman Islands exempted limited partnership ("**Rock Springs**"). Rock Springs pursues an investment strategy focused primarily on investing in companies in the healthcare and healthcare-related industries. The investment activities of Rock Springs are managed by Rock Springs Capital Management LP, an investment advisory firm that is led by a team of well-known healthcare industry investors with significant experience investing together.

7. Tiger Pacific Master Fund LP

Tiger Pacific Master Fund LP is an exempted limited partnership formed in the Cayman Islands which is managed by Tiger Pacific Capital LP ("**TPC**" or "**Tiger Pacific**"). TPC is an investment manager that specializes in Asian equity markets. TPC utilizes an investment approach that is based on deep fundamental analysis and a disciplined valuation framework, to identify investment opportunities with strong underlying structural trends and favorable risk/reward profiles. TPC was founded at the beginning of 2013 and is affiliated with Julian Robertson's Tiger Management, LLC. TPC is located in New York with an additional research office in Hong Kong.

8. Octagon Investments Master Fund LP

Octagon Investments Master Fund LP ("**Octagon Investments**") is an exempted limited partnership formed under the laws of the Cayman Islands and operating as a private investment fund. Octagon Capital Advisors LP ("**Octagon Capital**"), a Delaware limited partnership, serves as the investment manager to Octagon Investments. Founded in 2019, Octagon Capital is a multi-stage investment manager dedicated to evidence-based investing in public and private healthcare companies. Octagon Capital strives to build concentrated, long-term investments and work with our portfolio management teams as partners. Octagon Capital manages capital on behalf of global institutions such as university endowments, non-profit foundations, family offices and established asset managers.

9. China Structural Reform Fund

China Structural Reform Fund Corporation Limited ("**China Structural Reform Fund**") is a company incorporated in the PRC held by several state-owned enterprises. It is mainly engaged in business including non-public raising funds, equity investment, project investment, capital management, investment consulting and enterprise management consulting. For the purpose of this cornerstone investment, China Structural Reform Fund has engaged GF Securities Asset Management (Guangdong) Co., Ltd (廣發證券資產管理(廣東)有限公司) an asset manager that is a qualified domestic institutional investor as approved by the relevant PRC authority, in the name of CEB-GFAM-China Structural Reform Fund Asset Management Account No.10 to subscribe for and hold such Offer Shares on a discretionary basis on behalf of China Structural Reform Fund.

10. Orient Sun Rise Global Superior Choice SPC

Orient Sun Rise Global Superior Choice SPC – Global Superior Choice Series Fund One SP ("**GSC Fund One**") and Orient Sun Rise Global Superior Choice SPC – Vision Fund 1 SP ("**Vision Fund 1**") are both sub funds of Orient Sun Rise Global Superior Choice SPC, which was incorporated in the Cayman Islands.

The funds are managed by Orient Asset Management (Hong Kong) Limited, a subsidiary of Orient Finance Holdings (Hong Kong) Limited, and a licensed corporation as defined under the SFO for Type 9 (asset management) regulated activities as defined under the SFO. Orient Finance Holdings (Hong Kong) Limited is a wholly owned subsidiary of DFZQ (東方證券股份有限公司), which is listed on the Stock Exchange (stock code: 3958) and Shanghai Stock Exchange (stock code: 600958). DFZQ's shareholders' approval is not required for the funds' subscription for the Offer Shares pursuant to the Cornerstone Investment Agreement. Foresight Fund Management Co., Ltd, an asset management company based in Shanghai, founded by Mr. Guangming Chen, is the investment advisor of the funds.

11. Athos Asia Event Driven Master Fund

Each of Athos Asia Event Driven Master Fund and FMAP ACL Limited is an exempted company incorporated with limited liability in the Cayman Islands. Athos Capital Limited ("**Athos Capital**") serves as the sole investment manager of each of Athos Asia Event Driven Master Fund and FMAP ACL Limited. Athos Capital manages assets on behalf of a global institutional client base, including sovereign wealth funds, university endowments, foundations and family offices. Founded in 2011, Athos Capital pursues a variety of investment strategies with a view to providing superior and sustainable long term returns for its clients.

12. WT Investment Management

WT Investment Management ("**WT**") is an exempted company incorporated in the Cayman Islands with limited liability and is beneficially owned as to 100% by an individual, who is an independent third party. WT has agreed to procure certain investor, namely WT China Fund Limited, that WT has discretionary investment management power over, to subscribe for such number of the Offer Shares. WT China Fund Limited is managed by WT as manager and advised by WT Asset Management Limited as investment advisor. WT Asset Management Limited is incorporated in Hong Kong with limited liability and licensed by the SFC to carry on type 9 (asset management) regulated activity. WT China Fund Limited pursues to achieve absolute return and long-term capital appreciation by investing primarily in the listed securities of companies which have great exposure or material impact by the Greater China region (which includes the PRC, Hong Kong, Macau and Taiwan). Investors of WT China Fund Limited include but not limited to pension funds, sovereign wealth fund, fund of funds, family offices and other sophisticated institutional investors.

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(ii) the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (on behalf of the underwriters of the Global Offering);

(iii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(v) the representations, warranties, undertakings and confirmations of the relevant Cornerstone Investor under the Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any additional Shares which may be issued under the Pre-IPO Incentivisation Plans, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

Substantial Shareholder	Capacity/ Nature of Interest	Total number of Shares/ underlying shares	Approximate percentage of interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
Dr. Jisong Cui[(1)]	Interest in controlled corporation	114,129,916	9.12%	8.85%
Dr. Renbin Zhao[(2)]	Interest in controlled corporation	155,574,893	12.43%	12.07%
TMF (Cayman) Ltd.[(3)]	Interest in controlled corporation	136,509,788	10.91%	10.59%
GIC Private Limited[(4)]	Interest in controlled corporation	119,404,645	9.54%	9.26%
Vivo Capital VIII, LLC[(5)]	Interest in controlled corporation	85,053,118	6.80%	6.60%
LVC Entities[(6)]	Interest in controlled corporation	120,911,447	9.66%	9.38%
Mr. Hebert Pang Kee Chan[(7)]	Interest in controlled corporation	161,444,332	12.89%	12.52%

Notes:

(1) One of our Executive Directors, Dr. Jisong Cui held all the shares of Sunland, and Sunland directly held 94,129,916 Shares as beneficial owner. Further, 20,000,000 Shares are held by Dr. Jisong Cui and Premier Trust, Inc. as trustees of The Jisong Cui 2019 Irrevocable Trust, of which Dr. Jisong Cui's immediate family members are the beneficiaries.

(2) One of our Executive Directors, Dr. Renbin Zhao held all the share capital of Sunny View, and Sunny View directly held 108,260,375 Shares as beneficial owner. Further, 19,536,218 Shares are held by Dr. Renbin Zhao and Premier Trust, Inc. as trustees of Grandview Irrevocable Trust, of which Dr. Renbin Zhao's immediate family members are the beneficiaries. For the purpose of the SFO, Dr. Renbin Zhao is deemed to have an interest in the 27,778,300 Shares held through Wellesley Hill Holdings Limited which in turn is owned by Dr. Renbin Zhao's children whom are under 18 years of age. Dr. Yigong Shi, our Non-executive Director, does not hold any legal or beneficial interest in the share capital of our Company; however, solely pursuant to Part XV of the SFO, Dr. Yigong Shi is deemed to be interested in the same number of Shares interested by his spouse, Dr. Renbin Zhao, although he does not personally hold such shares as a direct Shareholder.

(3) Golden Autumn Group Limited held 74,161,525 Shares and Strausberg Group Limited held 62,348,263 Shares. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., incorporated for the purpose of holding Shares pursuant to the Pre-IPO Incentivisation Plans. As such, under the SFO, each of Lakeview Trust and Summit Trust (through their interest in controlled corporation) and TMF (Cayman) Ltd. (through capacity as trustee), are deemed to be interested in 74,161,525, 62,348,263 and 136,509,788 Shares, respectively.

(4) Highbury Investment directly held 56,859,355 Shares. For the purpose of the SFO, Highbury Investment is also deemed to have an interest in 45,487,484 Shares held by Loyal Valley Capital Advantage Fund II LP and 17,057,806 Shares held by LVC Lion Fund LP as a limited partner with over one-third limited partnership interests in both Loyal Capital Advantage Fund II LP and LVC Lion Fund LP, respectively. To the best knowledge of our Company, Highbury Investment is a private limited company incorporated in Singapore owned by GIC (Ventures) Private Limited and managed by GIC Special Investments Private Limited, which in turn is wholly-owned by GIC Private Limited. As such, under the SFO, each of GIC (Ventures) Private Limited, GIC Special Investments Private Limited and GIC Private Limited (through their interest in a controlled corporation) is deemed to be interested in the 119,404,645 Shares which Highbury Investment has an interest in.

(5) (i) Vivo Capital Fund VIII, L.P. held 74,733,339 Shares, and (ii) Vivo Capital Surplus Fund VIII, L.P. held 10,319,779 Shares. To the best knowledge of our Company, each of Vivo Capital is controlled by their general partner, Vivo Capital VIII, LLC, which is in turn managed by its management company, Vivo Capital LLC. As such, under the SFO, Vivo Capital VIII, LLC (through its interest in a controlled corporation) is deemed to be interested in the 85,053,118 Shares collectively held by Vivo Capital.

(6) Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP and LVC Lion Fund LP (the "**LVC Entities**") directly and collectively held 120,911,447 Shares. For the purpose of the SFO, (i) Prosperous Wealth Global Limited is deemed to have an interest in 58,366,157 Shares held by Loyal Valley Capital Advantage Fund LP as a limited partner with over one-third limited partnership interests; (ii) as the general partner of Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund Limited is deemed to have an interest in 58,366,157 Shares; (iii) as the general partner of Loyal Valley Capital Advantage Fund II LP, Loyal Valley Capital Advantage Fund II Limited is deemed to have an interest in 45,487,484 Shares; and (iv) as the general partner of LVC Lion Fund Limited, LVC Lion Fund Limited is deemed to have an interest in 17,057,806 Shares (through their interest in a controlled corporation). To the best knowledge of our Company, each of the general partners is in turn controlled by LVC Holdings Limited, which is in turn held by LVC Innovate Limited, which is in turn controlled by Jovial Champion Investments Limited. The Lin Family Trust through its trustee, Vistra Trust (Singapore) Pte. Limited, controls Jovial Champion Investments Limited. The LVC Entities are ultimately controlled by Mr. Lijun Lin, one of our Non-executive Directors, through the Lin Family Trust. As such, under the SFO, each of LVC Holdings Limited, LVC Innovate Limited, Jovial Champion Investments Limited and The Lin Family Trust (through their interest in a controlled corporation), Vistra Trust (Singapore) Pte. Limited (through capacity as trustee) and Mr. Lijun Lin (through his interest in a controlled corporation) is deemed to be interested in the 120,911,447 Shares Pte. collectively held by the LVC Entities.

(7) Mr. Hebert Kee Chan Pang indirectly held 161,444,332 Shares consisting of 55,500,000 Shares held through Success Growth, 104,807,145 Shares held through King Bridge and 1,137,187 Shares held through Sun Bridge. Success Growth Limited directly held 55,500,000 Shares. To the best knowledge of our Company, Success Growth and King Bridge is directly and wholly-owned by Mr. Hebert Kee Chan Pang, and Mr. Hebert Kee Chan Pang holds Sun Bridge indirectly through Golden Sage Investments Limited.

BOARD OF DIRECTORS

As of the date of this prospectus, our Board of Directors consists of nine Directors, comprising two Executive Directors, four Non-executive Directors and three INEDs.

The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

Name	Age	Date of Joining our Company	Date of Appointment as Director	Position	Roles and Responsibilities
Dr. Jisong Cui	57	November 3, 2015	November 3, 2015	Executive Director, Chairperson and Chief Executive Officer	Overall strategic planning, business direction and operational management
Dr. Renbin Zhao[(1)]	51	November 3, 2015	November 3, 2015	Executive Director	Overall strategic planning, business direction and operational management
Dr. Yigong Shi (施一公)[(1)]	52	November 3, 2015	November 28, 2018	Non-executive Director	Participating in decision-making in respect of major matters such as strategy
Mr. Quanhong Yuan (苑全紅)	45	July 31, 2019	July 31, 2019	Non-executive Director	Participating in decision-making in respect of major matters such as strategy
Mr. Shan Fu (付山)	52	February 5, 2018	February 5, 2018	Non-executive Director	Participating in decision-making in respect of major matters such as strategy
Mr. Lijun Lin (林利軍)	46	November 28, 2018	November 28, 2018	Non-executive Director	Participating in decision-making in respect of major matters such as strategy
Dr. Zemin Zhang	52	November 3, 2015	March 6, 2016	Independent Non-executive Director	Supervising and providing independent judgment to our Board
Ms. Lan Hu (胡蘭)	48	March 11, 2020	March 11, 2020	Independent Non-executive Director	Supervising and providing independent judgement to our Board
Dr. Kaixian Chen (陳凱先)	74	March 11, 2020	March 11, 2020	Independent Non-executive Director	Supervising and providing independent judgement to our Board

Note:

1. Dr. Renbin Zhao is the spouse of Dr. Yigong Shi.

Executive Directors

Dr. Jisong Cui, Ph.D., aged 57, has been a Director since November 3, 2015 and our CEO since August 18, 2016. Dr. Cui was re-designated as an Executive Director and was appointed as the Chairperson of the Board on September 27, 2019. Dr. Cui has been one of the key management members of the Company and has been actively involved in its business, strategy and operational management since its establishment.

Dr. Cui has over 20 years of experience in research and development and company management in the pharmaceutical industry. She began her career at Merck & Co., where she worked from October 1996 to October 2010, and eventually became the head of its Early Development Teams in the U.S. From August 2011 to August 2015, Dr. Cui served as the chief executive officer and chief scientific officer of BioDuro LLC., a PPD® Company. She was also elected the 17th president and first female president of the Sino-American Pharmaceutical Association. Dr. Cui has also published more than 50 articles in peer-reviewed journals including Nature, Blood, Proceedings of the National Academy of Sciences and Journal of Biological Chemistry. Moreover, Dr. Cui is the major patentee of three patents, namely Transgenic mice expressing APC resistance Factor V., cloning and expression of dog gonadotropin releasing hormone receptor and DNA encoding monkey gonadotropin releasing hormone receptor.

Dr. Cui received her Bachelor's degree in microbiology from Shandong University in July 1983. She obtained her Doctor of Philosophy degree in biological sciences from Purdue University in December 1992. She completed her post-doctoral training in cardiovascular research at The Howard Hughes Medical Institute in September 1996.

Dr. Renbin Zhao, Ph.D., aged 51, has been a Director since November 3, 2015. Dr. Zhao was re-designated as an Executive Director focusing on biology and clinical development strategy on September 27, 2019. Dr. Zhao has been one of the key management members of the Company and has remained actively involved in its business, strategy and operational management since its establishment. Dr. Zhao is the spouse of Dr. Yigong Shi.

From August 2002 to December 2008, Dr. Zhao served in a number of positions, including as a senior scientist, staff scientist and principal scientist at Johnson and Johnson (Discovery). Dr. Zhao joined Shenzhou Tianchen Technology Inc. in March 2010 and served as an investigator from June 2011 to March 2013. From March 2013 to August 2015, Dr. Zhao served as a director of discovery biology at BioDuro. From August 2015 to April 2018, Dr. Zhao served as senior director of biology in our Company.

Dr. Zhao received her Bachelor's degree in biological sciences and biotechnology from Tsinghua University in July 1991 and obtained her Doctor's degree in the Biochemistry and Molecular Biology program from School of Medicine of Johns Hopkins University in May 1999.

Non-executive Directors

Dr. Yigong Shi, Ph.D. (施一公), aged 52, has been a Director since November 28, 2018. Dr. Shi was re-designated as a Non-executive Director and was appointed as the president of our Scientific Advisory Board on November 3, 2015. Dr. Shi is the spouse of Dr. Renbin Zhao.

Dr. Shi is a globally renowned structural biologist whose research has advanced scientific understanding in the molecular mechanisms behind cell apoptosis. From February 1998 to December 2008, Dr. Shi served in a number of positions, including as an assistant, associate and full professor at Princeton University. Since November 2007, he served in a number of positions at Tsinghua University, including as the dean of the School of Life Sciences, vice president of Tsinghua University and university professor. His drive to enhance global education led him to become a founder of Westlake University, at which he has served as the first president since April 2018.

Dr. Shi has received numerous memberships and qualifications as well as awards for his achievements. He has memberships or qualifications from Academician of the Chinese Academy of Sciences, Honorary Foreign Member of the American Academy of Arts and Sciences, Foreign Associate of National Academy of Sciences of the U.S. and Foreign Associate of European Molecular Biology Organisation (EMBO).

Dr. Shi also received awards and honours including:

- The National Science Fund for Distinguished Young Scholars in 2008, The Irving Sigal Young Investigator Award in 2003;
- The Raymond & Beverly Sackler International Prize in Biophysics, Tel Aviv University, Israel in 2010;
- The Qiu Shi Outstanding Scientist Award, Qiushi Foundation, Hong Kong in 2010;
- The CC Tan Life Science Achievement Award, Shanghai, China in 2010;
- The Gregori Aminoff Prize, Royal Swedish Academy of Sciences in 2014;
- The Ho Leung Ho Lee Award for Achievement in Science and Technology, in 2016;
- The National Innovation Award in 2017; and
- Future Science Prize in Life Sciences in 2017.

The major publications of Dr. Shi in recent years include:

- "Structures of the Human Spliceosomes Before and After Release of the Ligated Exon";
- "Structures of the Catalytically Activated Yeast Spliceosome Reveal the Mechanism of Branching";
- "Recognition of the Amyloid Precursor Protein by Human γ-Secretase";
- "Structural Basis of Notch Recognition by Human γ-Secretase";
- "Structure of a Human Catalytic Step I Spliceosome";
- "Structures of the Fully Assembled Saccharomyces Cerevisiae Spliceosome Before Activation";
- "Structure of the Human PKD1/PKD2 Complex"; and
- "Structures of the Human Pre-Catalytic Spliceosome and its Precursor Spliceosome."

Dr. Shi received his Bachelor's degree in biological sciences and biotechnology from Tsinghua University in July 1989 and obtained his Doctor's degree in biophysics and biophysical chemistry at School of Medicine of Johns Hopkins University in May 1995.

Mr. Quanhong Yuan (苑全紅), aged 45, has been a Director since July 31, 2019. Mr. Yuan was re-designated as a Non-executive Director on September 27, 2019.

From April 2001 to October 2002, Mr. Yuan worked at Shanghai Industrial Pharmaceutical Investment Co. Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600607). From November 2002 to March 2004, he worked at Xinneng Industry Investment Co., Ltd. Since September 2010, Mr. Yuan has served as partner and president of Shanghai Jianxin Capital Management Co., Ltd.

Mr. Yuan served as a director of Shenzhen Chipscreen Biosciences Co., Ltd, a company whose shares are listed on the Shanghai Stock Exchange STAR Market (stock code: 688321) from September 2017 to March 2018.

Mr. Yuan received his Bachelor's degree in materials science and engineering in July 1996 and his Master's degree in management science and engineering in March 2001 at Zhejiang University. He received his Master's of Business Administration degree from China Europe International Business School in March 2008.

Mr. Shan Fu (付山), aged 52, has been a Director since February 5, 2018. Mr. Fu was re-designated as a Non-executive Director on September 27, 2019.

From June 2008 to October 2013, Mr. Fu served as the senior managing director of the Beijing branch of Blackstone (Shanghai) Equity Investment Management Company Limited. Since October 2013, Mr. Fu has served as a joint chief executive officer and the Greater China chief executive officer of Vivo Capital LLC. Since January 2016, Mr. Fu has served as a non-executive director in TOT BIOPHARM International Company Limited ("**TOT**"), a company whose shares are listed on the Stock Exchange (stock code: 01875) since November 2019, a company incorporated with limited liability in Hong Kong. Since July 2018, Mr. Fu has served as a non-executive director of Sinovac Biotech Co., Ltd., a company whose shares are listed on the NASDAQ Global Market (stock code: SVA).

Mr. Fu received his Bachelor of Arts degree in history from Peking University in July 1988 and obtained his Master's degree in history from Peking University in July 1991.

Mr. Lijun Lin (林利軍), aged 46, has been a Director since January 29, 2019. Mr. Lin was re-designated as a Non-executive Director on September 27, 2019.

From August 1997 to July 2001, Mr. Lin worked in the Shanghai Stock Exchange, where his last position held was assistant to the director of the listing department. From May 2004 to May 2015, Mr. Lin served as the chief executive officer of China Universal Asset Management Co., Ltd. From July 2014 to April 2017, Mr. Lin served as a director of Shanghai Chengtou Holding Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600649). From November 2015 to March 2019, Mr. Lin served as a director of Yunfeng Financial Group Limited, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 00376). From March 2016 to June 2019, Mr. Lin served as a director of TANSH Global Food Group, a company whose shares are listed on the Hong Kong Stock Exchange (stock code: 03666). Since September 2015, Mr. Lin has served as a partner at Loyal Valley Capital. Mr. Lin has served as an independent director of Yintech Investment Holdings Limited, a company whose shares are listed on the NASDAQ Global Market (stock code: YIN), since April 2016, an independent director of Shanghai Xinhua Media Co., Ltd., a company whose shares are listed on the Shanghai Stock Exchange (stock code: 600825), since August 2017, a director of Wenzhou Kangning Hospital Co., Ltd., a company whose shares are listed on the Stock Exchange (stock code: 02120), since June 2017 and a non-executive director of Shanghai Junshi since June 2018.

Mr. Lin obtained a fund qualification certificate qualification from the Asset Management Association of China in June 2017. Mr. Lin received his Master's degree in world economics from Fudan University in June 1997 and his Master's degree in business administration from Harvard University in June 2003.

Independent Non-executive Directors

Dr. Zemin Zhang, Ph.D., aged 52, has been serving in the capacity of an independent Director since March 6, 2016. Dr. Zhang was re-designated as an INED of the Company effective as of September 27, 2019 and has been serving the Company as a member of our Scientific Advisory Board since November 2015. During the period when Dr. Zhang served as an independent Director from March 2016 to September 2019, Dr. Zhang provided independent and professional advice to the Board and was not involved in the day-to-day management of the Group.

From January 1998 to August 2014, Dr. Zhang served as a principal scientist at Genentech Inc. Since May 2014, Dr. Zhang has served as a tenured professor at the life sciences department of Peking University. Dr. Zhang is the founder of Analytical BioSciences Limited, and has served on the board since January 2019.

Dr. Zhang is serving as a member of the Chinese Society for Cell Biology of Bioinformatics and Systems Biology with a tenure from 2016 to 2019.

Dr. Zhang received his Bachelor of Science degree in genetics from Nankai University in July 1988 and obtained his Doctor's degree in biochemistry and molecular biology from Pennsylvania State University in August 1995.

Ms. Lan Hu (胡蘭), aged 48, is appointed as an INED of the Company effective as of the date of this prospectus.

Ms. Hu has more than 20 years of experience in accounting. Ms. Hu has served as an INED in TOT BIOPHARMA International Company Limited, a company incorporated with limited liability in Hong Kong. Prior to that, Ms. Hu was the partner of the consulting services department of PricewaterhouseCoopers between July 2008 and June 2018, and she worked at PricewaterhouseCoopers from July 2002. Ms. Hu worked at Arther Andersen from July 1994 to June 2002.

Ms. Hu received her Bachelor's degree in industrial accounting from Beijing Machinery and Industrial Institute in Beijing in July 1994 and obtained her master of business administration degree from the University of Buffalo, the State University of New York in February 2005. Ms. Hu gained her CICPA qualification in March 1997.

Dr. Kaixian Chen Ph.D. (陳凱先), aged 74, is appointed as an INED of the Company effective as of the date of this prospectus.

Since 1990, Dr. Chen has been a researcher of the Shanghai Institute of Materia Medica, Chinese Academy of Sciences, and has served as its director between 1996 and 2004, and was appointed as director of its degree committee in 2014. He has also been a professor of the Shanghai University of Traditional Chinese Medicine since 2005, served as president of the university from 2005 to 2014.

Dr. Chen held or currently holds professional memberships and qualifications in different capacities in numerous organisations in the PRC, including:

- as an Academician of the Chinese Academy of Sciences (中國科學院) since 1999;
- as deputy chairman of the Chinese Pharmaceutical Association (中國藥學會) from 2012 to 2017, and the principal committee member of the Division of Medicinal Chemistry, CPA (中國藥學會藥物化學專業委員會) since November 2015 with a tenure of four years;
- as chairman of the Shanghai Association of Science and Technology (上海市科學技術協會) from 2011 to October 2018;
- as editor in chief of Progress in Pharmaceutical Sciences, Chinese Journal of New Drugs and Clinical Remedies (藥學進展、中國新藥與臨床雜誌); and
- as executive member and deputy president of the National Pharmacopoeia Commission of China (國家藥典委員會) since 2017.

Dr. Chen served as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (a company whose shares are listed on the Stock Exchange with stock code: 1349) between 2014 and 2015, and has served as an independent non-executive director of Zai Lab Limited (a company whose shares are listed on the NASDAQ with ticker symbol ZLAB) and as an independent non-executive director of Innovent Biologics Inc. (a company whose shares are listed on the Stock Exchange with stock code: 1801) since October 2018.

Dr. Chen received his Bachelor's degree in radiochemistry from Fudan University in August 1968 and his Master's degree in quantum chemistry and structural chemistry and Ph.D. in quantum chemistry from the Shanghai Institute of Materia Medica, Chinese Academy of Sciences in February 1982 and February 1985, respectively.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Age	Date of Joining our Company	Date of Appointment	Position	Roles and Responsibilities
Dr. Jisong Cui	57	November 3, 2015	November 3, 2015	Executive Director, Chairperson and Chief Executive Officer	Overall strategic planning, business direction and operational management
Dr. Renbin Zhao	51	November 3, 2015	November 3, 2015	Executive Director	Overall strategic planning, business direction and operational management
Dr. Zhixin Rick Xu	64	June 12, 2018	June 12, 2018	Chief Medical Officer	Leading clinical development and participating in overall strategic planning and business direction
Mr. Shaojing Tong (童少靖)	48	June 3, 2019	June 3, 2019	Chief Financial Officer	Financial and strategic planning, financing and investor relation activities
Dr. Xiangyang Chen	53	October 1, 2015	October 1, 2019	Chief Technology Officer	Drug discovery and development in therapeutic areas of (immuno-) oncology and autoimmune diseases

Dr. Jisong Cui, Ph.D., aged 57, has been a Director since November 3, 2015 and our CEO since August 18, 2016. Dr. Cui was re-designated as an Executive Director and was appointed as the Chairperson of the Board of the Company on September 27, 2019. For further details, please see the paragraphs headed "Executive Director" in this section.

Dr. Renbin Zhao, Ph.D., aged 51, has been a Director since November 3, 2015. Dr. Zhao was re-designated as an Executive Director focusing on biology and clinical development strategy on September 27, 2019. For further details, please see the paragraphs headed "Executive Director" in this section.

Dr. Zhixin Rick Xu, Ph.D., aged 64, has been acting as the Chief Medical Officer of the Company since June 12, 2018. Dr. Xu has served as the president of the Sino-American Pharmaceutical Association in 2006, and also the chairman of its Board of Directors from 2012 to 2013.

Dr. Xu has over 25 years of experience in biomedical research and clinical development of oncology drugs in the U.S. and China. From 1982 to 1985, Dr. Xu undertook his resident training at Harbin Medical University 2nd Hospital. From 1985 to 1986, Dr. Xu conducted his fellowship training in the gastro-intestinal section of the department of internal medicine at the Truman Medical Center. From July 1994 to October 1998, Dr. Xu served as a clinical research scientist and subsequently an associate director at the department of clinical pharmacology at Hoffmann-La Roche, Inc. From April 2000 to May 2018, he served as a director at the department of clinical pharmacology and translational medicine at Hoffmann-La Roche, Inc. During his tenure in Roche, Inc., he led the effort to engineer PEGASYS (peginterferon alfa-2a) and was actively involved in multiple immune-therapeutic products' development including both active and passive immunisation therapies. His clinical development experience covers oncology, virology, central nervous system and infectious diseases.

Dr. Xu received his Bachelor's degree in medicine from Harbin Medical University in July 1982, his Master's degree in biology and physiology from the School of Basic Life Science of University of Missouri-Kansas City in May 1988, his doctor's degree in biopharmaceutical science and pharmacokinetics from the School of Pharmacy of University of Missouri-Kansas City in May 1991 and underwent his post-doctoral training in clinical pharmacology and pharmacodynamics at the School of Pharmacy and Pharmaceutical Sciences of University of Buffalo, State University of New York.

Mr. Shaojing Tong (童少靖), aged 48, has been appointed as Chief Financial Officer of the Company since June 3, 2019.

Mr. Tong, who has nearly 20 years of experience working for investment banks focusing on the global healthcare sector, has acquired a deep understanding of both the U.S. and Asian healthcare markets. His broad expertise in financial markets and global healthcare industry brings unique capabilities to our management team. From June 2001 to April 2008, Mr. Tong served as an equity analyst in global pharmaceutical equity research at Mehta Partners. From May 2008 to May 2013, Mr. Tong was employed by Bank of America Merrill Lynch with his last position held as director in global research. From July 2013 to May 2019, Mr. Tong was employed by UBS AG with his last position held as executive director in the investment banking research department.

Mr. Tong received his Bachelor of Science degree in material science and engineering from the University of Science and Technology of China (Hefei) in July 1993, his Master's degree in chemistry from the University of Pittsburgh in August 1996 and his master of business administration degree in finance from New York University in May 2001.

Dr. Xiangyang Chen, Ph.D., aged 53, has been appointed as Chief Technology Officer of the Company since October 1, 2019.

Dr. Chen applies his expertise from therapeutic program selection and execution to medicinal molecule design and candidate deliverable, to process development and IND-enabling, and has played a key role in every important stage of the Company's growth and development. Dr. Chen owns 23 patent applications and 17 peer-reviewed publications.

From July 1994 to November 1999, Dr. Chen was a postdoctoral researcher in Biochemistry at Albert Einstein College of Medicine. From December 1999 to March 2010, Dr. Chen served as principal scientist at Pfizer Inc. Between January 2011 to September 2015, Dr. Chen served as director, senior director and executive director in the department of medicinal chemistry at BioDuro.

Dr. Chen received his Bachelor of Science degree in applied chemistry from Peking University in July 1987 and obtained his Doctor's degree in chemistry from Emory University in August 1994.

Directors' and Senior Management's Interests

Save as disclosed above in this section, none of our Directors or senior management has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus. Save as disclosed above in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date. As at the Latest Practicable Date, save for the interests in the shares of the Company held by Dr. Jisong Cui, Dr. Renbin Zhao and Dr. Yigong Shi, our Executive Directors, through Sunland and Sunny View, respectively, Mr. Lijun Lin and Mr. Quanhong Yuan, our Non-executive Directors and Dr. Zemin Zhang, our INED, which are disclosed in the section headed "Statutory and General Information – Further Information about Our Directors" in Appendix V to this prospectus, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO. Save as disclosed above in this section, as at the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

COMPANY SECRETARY

Ms. Yeung Ching Man (楊靜文), was appointed as company secretary of our Company on September 27, 2019. She currently serves as a vice president of SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited) ("**SWCS**").

Prior to joining SWCS, Ms. Yeung worked at KPMG as an assistant manager from July 2006 to September 2010. After that, she worked in the Listing & Regulatory Affairs Division of the Hong Kong Exchanges and Clearing Limited from September 2010 to June 2018, with her last position being assistant vice president.

Ms. Yeung graduated from The Chinese University of Hong Kong where she obtained a Bachelor's degree in business administration in December 2006. She graduated from The University of Hong Kong where she obtained a Master of Laws in corporate and financial law in December 2014. Ms. Yeung has been a member of the Hong Kong Institute of Certified Public Accountants since September 2009.

KEY TERMS OF EMPLOYMENT CONTRACTS

Employment Arrangements of Senior Management

We normally enter into (i) an employment contract, and (ii) a proprietary inventions and non-compete agreement with our senior management members and other key personnel. Below sets forth the key terms of these contracts we enter into with our senior management and other key personnel.

- *Terms*: We normally enter into an employment contracts with our senior management members and other key personnel with a term of three years.

- *No conflict*: During the term of the employment, the employee shall work on a full-time basis for us and shall not, without express prior written approval from the Company, work as an employee or consultant of any other organisation or engage in any other activities which conflict with their obligations to the Company.

Confidentiality

- *Confidential information:* The employee shall keep confidential information, including but not limited to our inventions, trade secrets, knowledge or data of our Company or any such information of our clients, customers, consultants, shareholders, licensees, licensors, vendors or affiliates in confidence.

- *Obligation and duration:* The employee shall not, for the term of his or her employment and thereafter, directly or indirectly, use, divulge, publish or otherwise disclose or allow to be disclosed any aspect of any confidential information, until such information enters into the public domain. The employee shall also delete all confidential information from his/her personal belongings after the termination of his/her employment, and shall return all documentations, devices, equipment, or other company assets per our instructions.

Intellectual Property Rights

- *Acknowledgement:* The employee acknowledges and agrees that we shall have complete, absolute and exclusive intellectual property rights in the work that they produce, solely or jointly with others, (a) during the period of the employee's employment with the Company (i) that relates to the actual or anticipated business, work, or research and development of the Company, (ii) that is developed in whole or in part using our equipment, supplies facilities or confidential information or (iii) that results from any task assigned to the employee, any work performed by the employee for us and on our behalf, or is otherwise within the employee's scope of work, and (b) within one year after termination of employment that is related to the actual or anticipated business, work, or research and development of the Company. The employee also agrees to waive all of the moral rights of his/her copyrighted work contained in the confidential information.

- *Assignment*: The employee agrees to assist us to acquire the abovementioned intellectual rights in all appropriate ways, including (i) disclosing all relevant information and data to us, (ii) signing, providing or entering into any documents or agreements that are necessary for us to acquire such rights, and (iii) irrevocably authorizing us as his/her representative to sign or file any documentations or conduct any activities under the law to promote the assignment or implementation of the rights.

Non-competition and Non-solicitation

- *Non-competition obligation*: The employee shall not engage in any work, employment, investment, consulting or other services for any other person or business whose business or products are with substantially similar indications as the our existing business or products, except for purchasing or owning less than 5% of the publicly traded securities of any corporation. The employee shall not engage in another entity's business administration during his/her full-time employment in our Company, unless our prior written consent is obtained.

- *Non-solicitation obligation*: Unless our prior written consent is obtained, the employee shall not, (i) solicit, induce, attempt to induce any of our suppliers, vendors, business partners or clients to terminate their engagement with us, or (ii) directly hire or recruit any person who was employed or otherwise engaged by us.

- *Duration*: The non-competition shall subsist throughout the employee's period of employment and up to two years after termination of employment. The non-solicitation obligations shall subsist throughout the employee's period of employment and up to 12 months after termination of employment.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, bonuses, other allowances, benefits in kind, contribution to the pension scheme and other share-based compensation. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. Each of the INEDs has entered into an appointment letter with our Company effective upon the date of this prospectus. For additional information on the appointment letters, please refer to the section headed "Statutory and General Information – Further Information about Our Directors – Particulars of Directors' Service Contracts and Appointment Letters" in Appendix V to this prospectus.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Note 8 and 9 of the Accountants' Report set out in Appendix I to this prospectus and Appendix V to this prospectus.

Save as disclosed above in this section and the sections headed "Financial Information", "Accountants' Report" and "Statutory and General Information" in this prospectus, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

We have established the following committees in our Board of Directors: an Audit Committee, a Compensation Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code. The Audit Committee consists of three INEDs, namely, Ms. Lan Hu, Dr. Zemin Zhang and Dr. Kaixian Chen. Ms. Lan Hu, being the chairperson of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to assist our Board of Directors by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board of Directors.

Compensation Committee

The Company has established the Compensation Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code. The Compensation Committee consists of one Executive Director, namely, Dr. Jisong Cui, and two INEDs, namely, Ms. Lan Hu and Dr. Zemin Zhang. Ms. Lan Hu is the chairperson of the Compensation Committee. The primary duties of the Compensation Committee include, but are not limited to, the following: (i) making recommendations to the Board of Directors on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board of Directors from time to time.

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with the Code. The Nomination Committee consists of one Executive Director, namely, Dr. Jisong Cui, and two INEDs, namely, Dr. Zemin Zhang and Dr. Kaixian Chen. Dr. Jisong Cui is the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board of Directors, assessing the independence of INEDs and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

Specifically, in relation to Dr. Zemin Zhang's role as a member of our Scientific Advisory Board, the Nomination Committee (apart from Dr. Zhang who shall not participate in the review process) will review and assess Dr. Zhang's independence on an annual basis after Listing. Dr. Zhang must provide an annual confirmation of his independence to the Company and shall inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect his independence. The Company will also confirm in its annual reports whether it has received such confirmation and whether it still considers Dr. Zhang and other INEDs to be independent.

In addition, to ensure Dr. Zhang's independence as our INED after Listing, the Company has also adopted the following procedures and policies:

1. prior to making any recommendations, Dr. Zhang as a member of our Scientific Advisory Board shall declare any of his interest in terms of ownership of intellectual property rights or equity interest in the target company or any other interest. Where there is such interest, Dr. Zhang shall only explain the underlying facts in relation to the recommendations to other members of our Scientific Advisory Board and shall abstain from explaining directly to members of the Board or senior management of the Company;

2. where any recommendation made by Dr. Zhang needs to be considered by the Board, Dr. Zhang shall abstain from participating in any discussion and approving any resolution, regardless of his interest as described above;

3. prior to the earliest of (i) the finalization of any payment to be made under the Professor Zhang Collaboration Agreement and/or (ii) the finalization of the terms and conditions and any payment to be made under any further collaboration agreements between the Company and Dr. Zhang in relation to any new research and development projects, such payment and terms and conditions (if applicable) shall be reviewed by a Board sub-committee consisting of a majority of INEDs (apart from Dr. Zhang who shall not participate in the review process). In addition, the Company shall make available resources for such committee to assess the terms and conditions and the rate for similar transactions in the market at the relevant time to ensure the reasonableness and fairness of the underlying transactions; and

4. prior to the earliest of (i) the finalization of any payment to be made under the Professor Zhang Collaboration Agreement and/or (ii) the finalization of the terms and conditions and any payment to be made under any further collaboration agreements between the Company and Dr. Zhang in relation to any new research and development projects, the Nomination Committee (apart from Dr. Zhang who shall not participate in the review process) shall review and re-assess Dr. Zhang's independence.

Corporate Governance Code

Pursuant to code provision A.2.1 of the Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the Chairperson and the CEO should be segregated and should not be performed by the same individual. We do not have a separate Chairperson and CEO and Dr. Jisong Cui, our CEO and Chairperson of our Board, currently performs these two roles. Our Board believes that, in view of her experience, personal profile and her roles in our Company as mentioned above, Dr. Jisong Cui is the Director best suited to identify strategic opportunities and focus of the Board due to her extensive understanding of our business as our CEO. Our Board also believes that the combined role of Chairperson and CEO can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairperson of our Board and the CEO of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole. We aim to implement a high standard of corporate governance, which is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Code after the Listing save for matters disclosed above.

Diversity

We are committed to promote diversity in the Company to the extent practicable by taking into consideration a number of factors in respect of our corporate governance structure.

We have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the board diversity policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of business management, biotechnology, clinical research, life science, finance, investment, and accounting. They obtained degrees in various areas including microbiology, molecular genetics, biological sciences, biophysics, biophysical chemistry, biotechnology, materials sciences, engineering, management science, genetics, biochemistry, molecular biology, history, business administration, world economics and accounting. Our board diversity policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 45 years old to 74 years old with experience from different industries and sectors.

We are also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of the Company to enhance the effectiveness of corporate governance of the Company as a whole.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Code. Subsequent to the Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

Compliance Adviser

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including: (a) before the publication of any regulatory announcement, circular, or financial report; (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and (d) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPETITION

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

From time to time our Non-executive Directors may serve on the boards of both private and public companies within the broader healthcare and biopharmaceutical industries. However, as these Non-executive Directors are not members of our executive 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 the other companies in which these Directors may hold directorships from time to time.

FUTURE PLANS

See the section headed "Business-Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$1,999.36 million after deducting the underwriting fees and expenses payable by us in the Global Offering, assuming no Over-allotment Option is exercised and assuming an Offer Price of HK$8.56 per Offer Share, being the mid-point of the indicative Offer Price range of HK$8.18 to HK$8.95 per Offer Share in this prospectus. If the Offer Price is set at HK$8.95 per Share, being the high end of the indicative Offer Price range, the net proceeds from the Global Offering will increase by approximately HK$93.71 million. If the Offer Price is set at HK$8.18 per Share, being the low end of the indicative Offer Price range, the net proceeds from the Global Offering will decrease by approximately HK$91.31 million.

We intend to use the net proceeds we will receive from this offering for the following purposes:

(i) approximately HK$999.68 million (representing 50.0% of the net proceeds) is expected to be used to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of orelabrutinib concurrently in both China and the U.S., of which HK$599.81 million (representing 30.0 % of the net proceeds) is expected to be used to fund ongoing and planned clinical trials of orelabrutinib for treatment of B-cell malignancies, HK$199.94 million (representing 10.0 % of the net proceeds) is expected to be used to fund ongoing and planned clinical trials of orelabrutinib for treatment of auto-immune diseases, HK$199.94 million (representing 10.0 % of the net proceeds) is expected to be used to fund the preparation of registration filings for orelabrutinib's leading indications (r/r CLL/SLL; r/r MCL), the launch, and subject to regulatory approval, commercialization (including sales and marketing) of orelabrutinib. Approximately HK$443.86 million (representing 22.2% of the net proceeds) is expected to be allocated to our development of orelabrutinib in China, whereas approximately HK$555.82 million (representing 27.8% of the net proceeds) is expected to be allocated to our development of orelabrutinib in the U.S. Several Phase II and Phase III studies of orelabrutinib are currently undergoing in China. The NDA of orelabrutinib for r/r CLL/SLL has been submitted and accepted for review by the NMPA in November 2019 and the NDA for r/r MCL has been submitted and accepted for review by the NMPA in January 2020. For more information on the latest status and next key milestones for orelabrutinib, please refer to the section headed "Business – Orelabrutinib for B-cell Malignancies – Clinical Development Plan";

(ii) approximately HK$499.84 million (representing 25.0% of the net proceeds) is expected to be used to fund our two clinical stage product candidates, of which:

- HK$399.87 million (representing 20.0% of the net proceeds) is expected to be used to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of ICP-192. We are currently conducting a Phase I/IIa study for ICP-192 in patients with solid tumors. For more information on the latest status and next key milestones for ICP-192, please refer to the section headed "Business – ICP-192";

- HK$99.97 million (representing 5.0% of the net proceeds) is expected to be used to fund ongoing and planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of ICP-105. We are currently conducting a Phase I study for ICP-105 in patients with solid tumors. For more information on the latest status and next key milestones for ICP-105, please refer to the section headed "Business – ICP-105";

(iii) approximately HK$299.90 million (representing 15.0% of the net proceeds) is expected to be used to fund the R&D of the six IND-enabling stage candidates in our pipeline and the R&D and in-licensing of new drug candidates;

- approximately HK$19.99 million (representing 1% of the net proceeds) is expected to be allocated to each of the ICP-330 and ICP-723, two of our IND-enabling stage candidates, and approximately HK$49.98 million (representing 2.5% of the net proceeds) is expected to be allocated to our other four IND-enabling stage candidates. For more information on the latest status and next key milestones for ICP-330 and ICP-723, please refer to the section headed "Business – Selected Pre-Clinical Stage Drug Candidates.";

- approximately HK$209.93 million (representing 10.5% of the net proceeds) is expected to be used to fund the R&D and in-licensing of new drug candidates. We plan to pursue in-licensing of late-stage drug candidates that will complement our current pipeline, especially oralabrutinib, and allow us to fully utilize our sales force and manufacturing capacity; and

(iv) approximately HK$199.94 million (representing 10.0% of the net proceeds) is expected to be used for working capital and other general corporate purposes.

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

If the Over-allotment Option is exercised in full, and net proceeds that we will receive will be approximately HK$2,307.89 million, assuming an Offer Price of HK$8.56 per Share (being the mid-point of the indicative Offer Price range). In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds to the above purpose in the proportions stated above.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments with banks or financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

Goldman Sachs (Asia) L.L.C.

UBS AG Hong Kong Branch

China Merchants Securities (HK) Co., Limited

CMB International Capital Limited

SPDB International Capital Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 25,034,000 Hong Kong Offer Shares and the International Offering of initially 225,290,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 25,034,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in the Shares in issue and to be offered as mentioned in this prospectus and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 am on the Listing Date, the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled in their absolute discretion to terminate the Hong Kong Underwriting Agreement by written notice to the Company with immediate effect:

(a) there develops, occurs, exists or comes into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the "**Relevant Jurisdictions**"); 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 conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including 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 Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at Federal or New York State level or other competent authority), London, or any other 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

(v) any new law or regulation, 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 of) existing laws or regulations, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of sanctions, in whatever form, directly or indirectly, under any sanction laws, or regulations in, Hong Kong, the PRC or any other Relevant Jurisdiction; or

(vii) a change or development involving a prospective change in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(ix) a Director or a member of the Group's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management or taking directorship of a company; or

(x) the CEO, the Chief Medical Officer, the Chief Technology Officer or the Chief Financial Officer of the Company or any Director vacating his or her office; or

(xi) an authority 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

(xii) a contravention by any member of the Group of the Listing Rules or applicable laws and regulations; or

(xiii) a prohibition by an authority on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any Over-allotment Shares) pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or

(xv) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or 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

(xvi) any change or development involving a prospective change in, or a materialisation of any of the risks set out in the section headed "Risk Factors" of this prospectus; or

(xvii) any order or petition for the winding up or liquidation 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,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, 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 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:

(i) that any statement contained in any of this prospectus, the Application Forms, the formal notice and the announcement for adoption of mixed media offer (if any), the Pricing Disclosure Package (as defined in the International Underwriting Agreement), the Offering Circular and any other document issued, given or used in connection with the contemplated offering and sale of the Offer Shares or otherwise in connection with the Global Offering, including any roadshow materials relating to the Offer Shares and, in each case, all amendments or supplements thereto, the formal notice, the Price Determination Agreement, the Receiving Bank Agreement, the Registrar Agreement and any agreement between the Company and the **White Form**

eIPO Service Provider, the Preliminary Offering Circular, 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 (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto, but excluding the information relating to the Underwriters for use in the Offer Related Documents, namely the marketing name, legal name, logo and address of such underwriters) was, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any event, act or omission which gives or is likely to give rise to any liability of the Company as an indemnifying party pursuant to the indemnities given by it under the terms of 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, 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 in any respect, any of the representations, warranties, agreements and undertakings as set out in the schedules to the Hong Kong Underwriting Agreement; or

(vii) that approval by the Listing Committee of the Stock Exchange 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

(viii) the Company withdraws any of the Offer Related Documents or the Global Offering; or

(ix) any person (other than the Joint Sponsors) has withdrawn its consent to being named as an expert in this prospectus or to the issue of any of the Hong Kong Public Offering Documents.

Undertakings by the Company pursuant to the Hong Kong Underwriting Agreement

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Pre-IPO Incentivisation Plans and otherwise pursuant to the Listing Rules), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), the Company hereby undertakes to each of the Joint Global Coordinators, the Joint Bookrunners, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (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 below) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including 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 deposit any Shares or other securities of the Company, 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, or any interest in any of the foregoing (including 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

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (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). "Encumbrance" means any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind. 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 paragraphs (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.

The Company has agreed and undertaken that it will not effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below 25% on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters).

Undertakings by Dr. Jisong Cui pursuant to the Hong Kong Underwriting Agreement

Dr. Cui has undertaken to each of the Company, the Hong Kong Underwriters, the Joint Global Coordinators, the Joint Bookrunners and the Joint Sponsors that, without the prior written consent of the Company and the Joint Global Coordinators and unless in compliance with the requirements of the Listing Rules, during the period commencing on the date of the relevant Lock-up Undertakings (as defined below), and ending on the date which is 180 days after the Listing Date, she will procure Sunland BioMed Ltd, The Jisong Cui 2019 Irrevocable Trust and Stanley Holdings Limited to comply with the terms of their respective Deeds of Lock-up Undertakings. For further details on these lock-up undertakings, please refer to the section headed "– Undertakings by certain Shareholders" in this section.

Hong Kong Underwriters' interests in the Company

Save as disclosed in this section and save for its obligations under the Hong Kong Underwriting Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or purchase, or nominate persons to subscribe for or purchase, any Shares or any securities in our Company or any member of the Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Undertakings by the Company pursuant to the Listing Rules

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering, Over-allotment Option or pursuant to the Pre-IPO Incentivisation Plans, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

Undertakings by existing Shareholders

Each of the existing shareholders of the Company (the "**Existing Shareholders**") has entered into a deed of lock-up undertaking (the "**Lock-up Undertakings**") in favour of the Joint Global Coordinators and the Company imposing certain restrictions on dealings with their respective Shares. Dr. Renbin Zhao has also entered into a deed of lock-up undertaking in favour of the Joint Global Coordinators and the Company to procure certain Existing Shareholders in which she or her associates are interested (namely, Sunny View Holdings Limited, Wellesley Hill Holdings Limited and Grandview Irrevocable Trust) to comply with the terms of these Shareholders' respective Lock-up Undertakings.

Pursuant to the Lock-up Undertakings, which are largely similar in form, save for certain special circumstances, each of the Existing Shareholders undertakes that, *inter alia,* the Existing Shareholders will not, and will procure that no company or legal entity controlled by such Existing Shareholder or any nominee or trustee holding in trust for the Existing Shareholder will, at any time during the period ending on the date which is 180 days after the Listing Date, (the "**Lock-up Period**") without prior written consent of the Company and the Joint Global Coordinators:

(a) offer, pledge, charge, 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, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company) held by the Existing Shareholder as at the date of the deed of undertaking and any additional Shares or other securities of the Company acquired by the Investor after the date of the deed of undertaking and up to the Listing Date (including those acquired in the Global Offering) and subject to any other agreements between the Company and any of the Joint Global Coordinators (the "**Locked-up Shares**");

(b) enter into any swap or any other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Investor Shares;

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer to or contract to or agree to or publicly disclose that it will or may enter into any transaction described in (a), (b) or (c) above,

whether any such transaction described in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the Lock-up Period).

The Lock-up Undertakings are subject to certain exceptions, including, for example, (i) any transfer of Shares as required by applicable law or regulation, (ii) any transfer of Shares with the prior written consent of the Company and the Joint Global Coordinators, (iii) for certain Shareholders, the transfer of Shares under the stock borrowing arrangement as disclosed in this prospectus, (iv) for certain Shareholders, the transfer of Shares to trusts for the benefit of the Shareholder's family members and (v) for certain Shareholders, the pledge or charge of certain portion of their Locked-up Shares as security in favour of financial institutions.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See "Structure of the Global Offering – The International Offering".

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue up to an aggregate of 37,548,000 Shares, representing not more than 15% of the maximum number of Offer Shares initially available under the Global Offering at the Offer Price to, cover over allocations (if any) in the International Offering. See "Structure of the Global Offering – Over-allotment Option".

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commissions and Expenses

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$8.56 per Offer Share (which is the mid-point of the Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) will be approximately HK$98.57 million, inclusive of sponsor fees.

The Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares (excluding any Hong Kong Offer Shares reallocated to the International Offering).

Our Company may pay to the Joint Sponsors and Joint Global Coordinators for their respective accounts an incentive fee up to but not exceeding 1.0% of the aggregate Offer Price for each Offer Share.

Assuming an Offer Price of HK$8.56 per Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "**Commissions and Fees**") are estimated to be approximately HK$143.41 million (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans) in total.

The Commissions and Fees were determined after arm's-length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses that they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

The Global Offering consists of:

(i) the Hong Kong Public Offering of 25,034,000 Shares (subject to reallocation as mentioned below) in Hong Kong as described below under the section headed "– The Hong Kong Public Offering" in this prospectus; and

(ii) the International Offering of 225,290,000 Shares (subject to reallocation as mentioned below) outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A.

Investors may either:

(i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or

(ii) apply for or indicate an interest, if qualified to do so, for International Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 20% of the total issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued under the Pre-IPO Incentivisation Plans). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 22.33% of the enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option (assuming no additional Shares are issued under the Pre-IPO Incentivisation Plans) as set out in the paragraph headed "– The International Offering – Over-allotment Option" below.

(A) Hong Kong Public Offering

(1) Number of Offer Shares initially offered

The Company is initially offering 25,034,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering. This will represent approximately 2% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued under the Pre-IPO Incentivisation Plans).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities that regularly invest in shares and other securities. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong, other jurisdictions outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Offer Shares to be offered under the Hong Kong Public Offering and the International Offering respectively may be subject to reallocation as described in the section headed "– Pricing of the Global Offering" below.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered 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 it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares.

Completion of the Hong Kong Public Offering is subject to the conditions set out in the paragraph headed "– Conditions of the Global Offering" below.

(2) Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the 25,034,000 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: Pool A comprising 12,517,000 Hong Kong Offer Shares and Pool B comprising 12,517,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of HK$5 million or below will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with a total amount (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) of over HK$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If any Hong Kong Offer Shares in one pool (but not both pools) are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. 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 within either pool or between the pools and any application for more than 50% of the 25,034,000 Shares initially comprised in the Hong Kong Public Offering (that is 12,517,000 Hong Kong Offer Shares) are liable to be rejected.

(3) Reallocation and Clawback

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

If the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 75,098,000 (in the case of (i)), 100,130,000 (in the case of (ii)), and 125,162,000 Shares (in the case of (iii)), respectively, representing approximately 30%, 40%, and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B, and the number of Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Joint Global Coordinators deem appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

In addition to any mandatory reallocation required as described above, the Joint Global Coordinators may reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In particular, if (i) the International Offering is not fully subscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed; or (ii) the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is fully subscribed or oversubscribed with the number of Offer Shares validly applied for in the Hong Kong Public Offering representing less than 15 times of the number of Shares initially available for subscription under the Hong Kong Public Offering, the Joint Global Coordinators shall reallocate International Offer Shares originally included in the International Offering to the Hong Kong Public Offering, provided that in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, (i) the number of International Offer Shares reallocated to the Hong Kong Public Offering should not exceed 25,034,000 Shares, representing 10% of the Offer Shares initially available under the Global Offering, increasing the total number of Offer Shares available under the Hong Kong Public Offering to 50,068,000 Shares, representing approximately 20% of the Offer Shares; and (ii) the final Offer Price should be fixed at the bottom end of the indicative Offer Price range (i.e. HK$8.18 per Offer Share).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the results announcement of the Global Offering, expected to be published on Friday, March 20, 2020.

(4) Application

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Offering, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, upon application, the maximum Offer Price of HK$8.95 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "– Pricing of the Global Offering" below, is less than the maximum Offer Price of HK$8.95 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(B) The International Offering

(1) Number of Offer Shares initially offered

The number of International Offer Shares to be initially offered for subscription under the International Offering will be 225,290,000 Shares, representing approximately 90% of the Offer Shares under the Global Offering. Subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the International Offer Shares will represent approximately 18% of our total issued share capital immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans.

(2) Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the Shares with institutional and professional investors and other investors expected to have a sizeable demand for the Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in accordance with Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of the International Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "– Pricing of the Global Offering" below and determined by the Joint Global Coordinators and us. It will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Offer Shares after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

(3) Reallocation and Clawback

The total number of International 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 – Reallocation and Clawback" in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Offering.

(C) Over-allotment Option

We expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time and from time to time from the Listing Date, up to (and including) the date which is the 30th day after the last day for lodging of Application Forms under the Hong Kong Public Offering. A press announcement will be made in the event that the Over-allotment Option is exercised.

Pursuant to the Over-allotment Option, we may be required to allot and issue up to 37,548,000 Shares, representing approximately 15% 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 Offer Shares to be issued pursuant thereto will represent approximately 15% of the issued share capital of the Company immediately after the completion of the Global Offering (assuming no additional Shares are issued under the Pre-IPO Incentivisation Plans).

(D) Stabilisation

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited. The price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Goldman Sachs (Asia) L.L.C., as Stabilisation 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 any other 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 for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager or any person acting for it to conduct any such stabilizing activity. If such stabilizing activity is commenced, it will be done at the absolute discretion of the Stabilisation 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 Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, being 37,548,000 Shares, which is approximately 15% of the Offer Shares initially available under the Global Offering.

Stabilizing action will be entered into in accordance with the laws, rules and regulations in place in Hong Kong. Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares; (ii) 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; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) 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; (v) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

i. the Stabilisation Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;

ii. there is no certainty regarding the extent to which and the time period for which the Stabilisation Manager, or any person acting for it, will maintain such a position;

iii. liquidation of any such long position by the Stabilisation Manager may have an adverse impact on the market price of the Shares;

iv. no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Tuesday, April 14, 2020, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

v. the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and

vi. stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

We will ensure or procure that 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.

In connection with the Global Offering, the Stabilisation Manager may over-allocate up to and not more than an aggregate of 37,548,000 Shares and cover such over-allocations by (among other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilisation Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilisation Manger (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price.

(E) Pricing of the Global Offering

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, March 16, 2020 and in no event later than Friday, March 20, 2020.

The Offer Price will not be more than HK$8.95 per Offer Share and is expected to be not less than HK$8.18 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$8.95 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, amounting to a total of HK$11,110.85 for one board lot of 1,000 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative price range stated in this prospectus.**

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus. If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

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 Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

Based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Global Coordinators (on behalf of the Underwriters and with our consent) may reduce the number of Offer Shares and/or indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, publish notice of such reduction on the Stock Exchange's website at **www.hkexnews.hk**, and on our Company's website at **www.innocarepharma.com**. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in this prospectus and any other financial information which may change as a result of such reduction. Upon issue of such notice, the number of Offer Shares in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

As soon as practicable after such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change, and, where appropriate, extend the period under which the Hong Kong Public Offering is open for acceptance, and give potential investors who had applied for the Offer Shares to withdraw their applications.

In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If applications for Hong Kong Offer Shares have been submitted prior to the day that 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 Offer Price is so reduced, such applications can subsequently be withdrawn.

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of the Hong Kong Offer Shares and the results of applications in the Hong Kong Public Offering are expected to be announced on Friday, March 20, 2020 through a variety of channels described in the section headed "How to Apply for Hong Kong Offer Shares – Publication of Results" in this prospectus.

(F) Stock Borrowing Agreement

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilisation Manager, its affiliates, or any person acting for it may choose to borrow up to 37,548,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Sunland and Sunny View pursuant to a Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

(i) such stock borrowing arrangement with Sunland and Sunny View will only be effected by the Stabilisation Manager for settlement of over-allocations in the International Offering and covering any short position prior to the exercise of the Over-allotment Option;

(ii) the maximum number of Shares borrowed from Sunland and Sunny View under the Stock Borrowing Agreement will be limited to the maximum number of Shares issued upon exercise of the Over-allotment Option;

(iii) the same number of Shares as that borrowed must be returned to Sunland, Sunny View or each of its respective nominees on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full;

(iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, Listing Rules and regulatory requirements; and

(v) no payment will be made to Sunland or Sunny View by the Stabilisation Manager or its authorised agents in relation to such stock borrowing arrangement.

(G) Underwriting

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to, among other things, agreement on the Offer Price between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or about the Price Determination Date, shortly after the final Offer Price is determined.

Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

(H) Conditions Of The Global Offering

Acceptance of all applications for the Offer Shares will be conditional on:

(i) the Listing Committee granting the approval for listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;

(ii) the Offer Price having been agreed between the Joint Global Coordinators (on behalf of the Underwriters) and the Company;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason, the Offer Price is not agreed by Friday, March 20, 2020 between us and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the websites of the Company at **www.innocarepharma.com** and the Hong Kong Stock Exchange at **www.hkexnews.hk**, respectively, on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the Company's receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Monday, March 23, 2020, provided that the Global Offering has become unconditional in all respects at or before that time.

(I) Dealing Arrangements

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, March 23, 2020, it is expected that dealings in Shares on Hong Kong Stock Exchange will commence at 9:00 a.m. (Hong Kong time) on Monday, March 23, 2020.

The Shares will be traded in board lots of 1,000 Shares each and the stock code will be 9969.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

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 designated **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S; and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above, you must also: (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 authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if:

- you are an existing beneficial owner of Shares and/or a Substantial Shareholder of the Company and/or any of its subsidiaries;
- you are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- you are an associate (as defined in the Listing Rules) of any of the above;
- you are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- you 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 the **White Form eIPO** service at **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, March 11, 2020 until 12:00 noon on Monday, March 16, 2020 from:

(i) the following offices of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
Morgan Stanley Asia Limited	46/F, International Commerce Centre 1 Austin Road West Kowloon Hong Kong

Hong Kong Underwriters	Address
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
UBS AG Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central, Hong Kong
China Merchants Securities (HK) Co., Limited	48/F, One Exchange Square Central Hong Kong
CMB International Capital Limited	45/F, Champion Tower 3 Garden Road Central Hong Kong
SPDB International Capital Limited	33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

(ii) any of the designated branches of the following receiving bank:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road Quarry Bay, Hong Kong
	Causeway Bay Branch	505 Hennessy Road Causeway Bay, Hong Kong
Kowloon	Prince Edward Road West (Mong Kok) Branch	116-118 Prince Edward Road West Mong Kok, Kowloon
New Territories	Metro City Branch	Shop 209, Level 2, Metro City Phase 1 Tseung Kwan O New Territories
	Kau Yuk Road Branch	18-24 Kau Yuk Road Yuen Long New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, March 11, 2020 until 12:00 noon on Monday, March 16, 2020 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED – INNOCARE PHARMA 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:

- Wednesday, March 11, 2020 - 9:00 a.m. to 5:00 p.m.
- Thursday, March 12, 2020 - 9:00 a.m. to 5:00 p.m.
- Friday, March 13, 2020 - 9:00 a.m. to 5:00 p.m.
- Saturday, March 14, 2020 - 9:00 a.m. to 1:00 p.m.
- Monday, March 16, 2020 - 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. on Monday, March 16, 2020 to 12:00 noon on Monday, March 16, 2020, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

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 authorise 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, the Cayman Companies Law 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 Global Coordinators, the Joint Sponsors, 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 International Offer Shares nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving bank, 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 Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions 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 (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise (i) the Company to place your name(s) or the name of HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and such other registers as required under the Articles and (ii) the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "– Personal Collection" below to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "– Who can apply" in this section, may apply through the **White Form eIPO** service for the Hong Kong 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 authorise the designated **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, March 11, 2020 until 11:30 a.m. on Monday, March 16, 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, March 16, 2020 or such later time as provided under the paragraph headed "Effects of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of the **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. Only one application may be made for the benefit of any person. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of the **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "InnoCare Pharma Limited" **White Form eIPO** application submitted via the website at **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 2979-7888 or through the CCASS Internet System **https://ip.ccass.com** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre,
1/F, One & Two Exchange Square,
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allotted to you and such other registers as required under the Articles, and despatch share certificate(s) and/or refund monies under the arrangements separately agreed between the Company and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Global Coordinators, 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 this prospectus);

- agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents any personal data which they may require about you;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application 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 (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) 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 results of the Hong Kong Public Offering;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Law 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 authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and 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 authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Wednesday, March 11, 2020 - 9:00 a.m. to 8:30 p.m.
- Thursday, March 12, 2020 - 8:00 a.m. to 8:30 p.m.
- Friday, March 13, 2020 - 8:00 a.m. to 8:30 p.m.
- Saturday, March 14, 2020 - 8:00 a.m. to 1:00 p.m.
- Monday, March 16, 2020 - 8:00 a.m. to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, March 11, 2020 until 12:00 noon on Monday, March 16, 2020 (24 hours daily, except on the last application day).

The latest time for inputting **electronic application instructions** will be 12:00 noon on Monday, March 16, 2020, the last application day or such later time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, 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 application for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the designated **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day to make 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 connecting to the CCASS Phone System or the 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 Monday, March 16, 2020, the last application day, or such time as described in the paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

8. HOW MANY APPLICATIONS YOU CAN 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 made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the numbers of Hong Kong Offer Shares that may be applied for.

The maximum Offer Price is HK$8.95 per Hong Kong Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%. This means that one board lot of 1,000 Hong Kong Offer Shares, you will pay HK$9,040.19.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares under the terms and conditions set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering – Pricing of the Global Offering" 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 Monday, March 16, 2020. 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 force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, March 16, 2020 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" in this prospectus, an announcement will be made.

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 allotment of the Hong Kong Offer Shares on Friday, March 20, 2020 on the Company's website at **www.innocarepharma.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 dates and in the manner set out below:

- in the announcement to be posted on the Company's website at **www.innocarepharma.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, March 20, 2020;
- 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 Friday, March 20, 2020 to 12:00 midnight on Thursday, March 26, 2020;

- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, March 20, 2020 to Wednesday, March 25, 2020 on a business day (excluding Saturday, Sunday and public holidays);

- in the special allocation results booklets which will be available for inspection during opening hours from Friday, March 20, 2020 to Tuesday, March 24, 2020 at the receiving bank's designated 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 set out in the section headed "Structure of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the designated **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(s) 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$8.95 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 the paragraph headed "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, March 20, 2020.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in 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 despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Friday, March 20, 2020. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, March 23, 2020 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of share certificates or the share certificates becoming valid do so entirely 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 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 Friday, March 20, 2020 or such other date as notified by us on the Company's website at **www.innocarepharma.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not personally collect your refund cheque(s) and/or share certificate(s) within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address specified on the relevant Application Form on or before Friday, March 20, 2020, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Friday, March 20, 2020, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, March 20, 2020, 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 Public Offering 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 paragraph headed "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, March 20, 2020 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 Friday, March 20, 2020, or such other date as notified by the Company on the Company's website at **www.innocarepharma.com** and the website of the Stock Exchange at **www.hkexnews.hk** as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not personally collect your share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, March 20, 2020, by ordinary post and at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of share certificates into CCASS and refund of application monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, March 20, 2020, 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 the paragraph headed "Publication of Results" above on Friday, March 20, 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, March 20, 2020 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, March 20, 2020. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, March 20, 2020.

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 to enable the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
InnoCare Pharma Limited
Morgan Stanley Asia Limited
Goldman Sachs (Asia) L.L.C.

Dear Sirs,

We report on the historical financial information of InnoCare Pharma Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-72, 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 nine months ended 30 September 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 September 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-5 to I-72 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 11 March 2020 (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 preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2017 and 2018 and 30 September 2019 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended 30 September 2018 and other explanatory information (the "Interim Comparative Financial Information").

The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

Certified Public Accountants
Hong Kong
11 March 2020

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		Nine months ended 30 September	
		2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	*5*	102	1,617	895	839
Cost of sales		–	–	–	–
Gross profit		102	1,617	895	839
Other income and gains	*5*	11,424	31,395	20,978	81,377
Selling and distribution expenses		–	(558)	(419)	(1,735)
Research and development costs		(62,882)	(149,726)	(107,058)	(147,742)
Administrative expenses		(14,644)	(17,523)	(9,409)	(41,160)
Other expenses		(542)	(27,979)	(510)	(43,715)
Fair value changes of convertible redeemable preferred shares	*29*	(272,686)	(387,804)	(363,285)	(499,552)
Finance costs	*7*	(2,537)	(3,441)	(2,779)	(1,552)
Share of profits and losses of joint ventures	*17*	31	(4)	(4)	–
LOSS BEFORE TAX		(341,734)	(554,023)	(461,591)	(653,240)
Income tax expense	*10*	–	–	–	–
LOSS FOR THE YEAR/PERIOD	*6*	(341,734)	(554,023)	(461,591)	(653,240)
Attributable to:					
Owners of the parent		(341,734)	(549,950)	(460,298)	(651,917)
Non-controlling interests		–	(4,073)	(1,293)	(1,323)
		(341,734)	(554,023)	(461,591)	(653,240)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	*12*	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
LOSS FOR THE YEAR/PERIOD	(341,734)	(554,023)	(461,591)	(653,240)
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of financial statements	13,892	(27,502)	(28,155)	(43,568)
OTHER COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(327,842)	(581,525)	(489,746)	(696,808)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	(327,842)	(581,525)	(489,746)	(696,808)
Attributable to:				
Owners of the parent	(327,842)	(577,452)	(488,453)	(695,485)
Non-controlling interests	–	(4,073)	(1,293)	(1,323)
	(327,842)	(581,525)	(489,746)	(696,808)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2017	As at 31 December 2018	As at 30 September 2019
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	2,362	4,908	14,818
Goodwill	*14*	3,125	3,125	3,125
Other intangible assets	*15*	36,580	36,947	36,835
Right-of-use assets	*16*	9,716	13,053	88,499
Investments in joint ventures	*17*	1,163	1,159	1,159
Other non-current assets	*18*	880	78,463	32,452
Total non-current assets		53,826	137,655	176,888
CURRENT ASSETS				
Trade receivables		–	44	27
Deposits, prepayments and other receivables	*19*	6,678	17,788	38,622
Investments measured at fair value through profit or loss	*20*	–	169,054	90,392
Investments measured at amortised cost	*20*	10,023	–	–
Cash and bank balances	*21*	36,874	1,876,618	2,349,992
Total current assets		53,575	2,063,504	2,479,033
CURRENT LIABILITIES				
Trade payables	*22*	2,958	2,193	5,887
Loans and borrowings	*24*	25,000	50,395	–
Other payables and accruals	*25*	21,086	5,397	16,289
Deferred income	*26*	2,234	90	514
Lease liabilities	*16*	2,801	5,332	6,671
Loans from a related party	*28*	51,331	8,882	9,201
Total current liabilities		105,410	72,289	38,562
NET CURRENT (LIABILITIES)/ASSETS		(51,835)	1,991,215	2,440,471
TOTAL ASSETS LESS CURRENT LIABILITIES		1,991	2,128,870	2,617,359
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares	*29*	330,316	1,934,750	2,925,224
Convertible loan	*23*	–	957,269	1,000,983
Loans and borrowings	*24*	50,220	–	–
Lease liabilities	*16*	7,063	7,791	4,550
Deferred income	*26*	420	61,398	157,526
Deferred tax liabilities	*27*	6,036	6,036	6,036
Total non-current liabilities		394,055	2,967,244	4,094,319
Deficiency in assets		(392,064)	(838,374)	(1,476,960)
EQUITY				
Equity attributable to owners of the parent				
Share capital	*30*	3	3	4
Reserves	*31*	(392,067)	(904,304)	(1,541,568)
		(392,064)	(904,301)	(1,541,564)
Non-controlling interests		–	65,927	64,604
Total equity		(392,064)	(838,374)	(1,476,960)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2017

	Attributable to owners of the parent								
	Share capital	Other reserve	Share-based payments reserve	Asset revaluation reserve	Foreign exchange 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*	*RMB'000*
	(note 30)	*(note 31(a))*	*(note 33)*		*(note 31(b))*				
At 1 January 2017	3	–	2,459	(6,036)	(4,428)	(47,323)	(55,325)	3,061	(52,264)
Loss for the year	–	–	–	–	–	(341,734)	(341,734)	–	(341,734)
Exchange differences on translation of financial statements	–	–	–	–	13,892	–	13,892	–	13,892
Total comprehensive income/(loss) for the year	–	–	–	–	13,892	(341,734)	(327,842)	–	(327,842)
Contribution from a holder of convertible redeemable preferred shares	–	602	–	–	–	–	602	–	602
Acquisition of non-controlling interests	–	(19,894)	–	–	–	–	(19,894)	(3,061)	(22,955)
Share-based payments	–	–	10,395	–	–	–	10,395	–	10,395
At 31 December 2017	3	(19,292)	12,854	(6,036)	9,464	(389,057)	(392,064)	–	(392,064)

Year ended 31 December 2018

	Attributable to owners of the parent								
	Share capital	Other reserve	Share-based payments reserve	Asset revaluation reserve	Foreign exchange 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*	*RMB'000*
	(note 30)	*(note 31(a))*	*(note 33)*		*(note 31(b))*				
At 1 January 2018	3	(19,292)	12,854	(6,036)	9,464	(389,057)	(392,064)	–	(392,064)
Loss for the year	–	–	–	–	–	(549,950)	(549,950)	(4,073)	(554,023)
Exchange differences on translation of financial statements	–	–	–	–	(27,502)	–	(27,502)	–	(27,502)
Total comprehensive loss for the year	–	–	–	–	(27,502)	(549,950)	(577,452)	(4,073)	(581,525)
Share-based payments	–	–	65,215	–	–	–	65,215	–	65,215
Capital injection from a non-controlling shareholder of a subsidiary *(note 1(c))*	–	–	–	–	–	–	–	70,000	70,000
At 31 December 2018	3	(19,292)	78,069	(6,036)	(18,038)	(939,007)	(904,301)	65,927	(838,374)

For the nine months ended 30 September 2019

	Attributable to owners of the parent									
	Share capital	Share Premium	Other reserve	Share-based payments reserve	Asset revaluation reserve	Foreign exchange 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*	*RMB'000*	*RMB'000*
		(note 30)	*(note 31(a))*	*(note 33)*		*(note 31(b))*				
At 1 January 2019	3	–	(19,292)	78,069	(6,036)	(18,038)	(939,007)	(904,301)	65,927	(838,374)
Loss for the period	–	–	–	–	–	–	(651,917)	(651,917)	(1,323)	(653,240)
Exchange differences on translation of financial statements	–	–	–	–	–	(43,568)	–	(43,568)	–	(43,568)
Total comprehensive loss for the period	–	–	–	–	–	(43,568)	(651,917)	(695,485)	(1,323)	(696,808)
Issue of shares	1	9,341	–	–	–	–	–	9,342	–	9,342
Share-based payments	–	–	–	48,880	–	–	–	48,880	–	48,880
At 30 September 2019	4	9,341	(19,292)	126,949	(6,036)	(61,606)	(1,590,924)	(1,541,564)	64,604	(1,476,960)

For the nine months ended 30 September 2018

	Attributable to owners of the parent								
	Share capital	Other reserve	Share-based payments reserve	Asset revaluation reserve	Foreign exchange 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*	*RMB'000*
	(note 30)	*(note 31(a))*	*(note 33)*		*(note 31(b))*				
At 1 January 2018	3	(19,292)	12,854	(6,036)	9,464	(389,057)	(392,064)	–	(392,064)
Loss for the period	–	–	–	–	–	(460,298)	(460,298)	(1,293)	(461,591)
Exchange differences on translation of financial statements	–	–	–	–	(28,155)	–	(28,155)	–	(28,155)
Total comprehensive loss for the period	–	–	–	–	(28,155)	(460,298)	(488,453)	(1,293)	(489,746)
Share-based payments	–	–	48,912	–	–	–	48,912	–	48,912
Capital injection from a non-controlling shareholder of a subsidiary *(note 1(c))*	–	–	–	–	–	–	–	70,000	70,000
At 30 September 2018 (unaudited)	3	(19,292)	61,766	(6,036)	(18,691)	(849,355)	(831,605)	68,707	(762,898)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Nine months ended 30 September	
		2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(341,734)	(554,023)	(461,591)	(653,240)
Adjustments for:					
Finance costs	*7*	2,537	3,441	2,779	1,552
Share of profits and losses of joint ventures	*17*	(31)	4	4	–
Interest income	*5*	(213)	(8,416)	(459)	(51,047)
Fair value changes of a convertible loan	*23*	–	27,269	–	43,714
Fair value changes of convertible redeemable preferred shares	*29*	272,686	387,804	363,285	499,552
Depreciation of property, plant and equipment	*13*	552	1,078	752	1,080
Depreciation of right-of-use assets	*16*	3,149	4,219	2,485	5,039
Amortisation of other intangible assets	*15*	17	91	68	355
Share-based payment expenses		10,395	65,215	48,912	48,880
		(52,642)	(73,318)	(43,765)	(104,115)
Decrease/(increase) in trade receivables		2	(44)	–	17
Decrease/(increase) in deposits, prepayments and other receivables		12,497	(11,111)	(4,933)	(10,296)
Increase/(decrease) in trade payables	*22*	2,795	(765)	(570)	3,694
(Decrease)/increase in other payables and accruals		(4,945)	311	(3,546)	10,892
(Decrease)/increase in deferred income	*26*	(7,276)	58,834	1,817	(3,448)
Cash used in operations		(49,569)	(26,093)	(50,997)	(103,256)
Interest received	*5*	213	8,416	274	40,508
Net cash flows used in operating activities		(49,356)	(17,677)	(50,723)	(62,748)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income in wealth management products		809	1,337	309	2,998
Receipt of government grants for property, plant and equipment		–	–	–	100,000
Purchases of investments		(143,430)	(483,500)	(200,601)	(832,500)
Purchases of items of property, plant and equipment	*13*	(1,417)	(3,624)	(1,783)	(10,990)
Purchases of other intangible assets		–	(16,458)	(16,381)	(243)
Increase in other non-current assets		(880)	(77,583)	(562)	(31,126)
Proceeds upon maturity of investments		170,224	323,133	197,181	908,164
(Increase)/decrease in time deposits		–	(631,414)	–	224,722
Investment in a joint venture		(132)	–	–	–
Net cash flows from/(used in) investing activities		25,173	(888,109)	(21,837)	361,025

	Notes	Year ended 31 December		Nine months ended 30 September	
		2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares		–	–	–	9,342
Proceeds from issue of convertible redeemable preferred shares		31,029	1,165,184	333,706	412,672
Proceeds from convertible loan	*23*	–	930,000	–	–
Loans from a related party		43,794	–	–	–
Repayment of loans from a related party		–	(31,508)	(31,507)	–
Repayment of loans from third parties		(20,000)	(25,000)	(15,000)	(50,000)
Finance expense paid		(1,823)	(3,080)	(2,486)	(1,880)
Capital injection from a non-controlling shareholder of a subsidiary		–	70,000	70,000	–
Acquisition of non-controlling interests		(22,955)	–	–	–
Principal portion of lease payments		(3,235)	(4,296)	(2,025)	(5,251)
Net cash flows from financing activities	*32*	26,810	2,101,300	352,688	364,883
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,627	1,195,514	280,128	663,160
Cash and cash equivalents at beginning of year/period		32,228	36,874	36,874	1,245,204
Effect of foreign exchange rate changes, net		2,019	12,816	18,411	34,936
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*21*	36,874	1,245,204	335,413	1,943,300
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances as stated in the consolidated statements of financial position	*21*	36,874	1,876,618	335,413	2,349,992
Time deposits with original maturity of more than three months but less than one year when acquired	*21*	–	(631,414)	–	(406,692)
Cash and cash equivalents as stated in the consolidated statements of cash flows		36,874	1,245,204	335,413	1,943,300

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2017	As at 31 December 2018	As at 30 September 2019
		RMB'000	*RMB'000*	*RMB'000*
CURRENT ASSETS				
Due from a subsidiary	*39(a)*	107,340	444,927	558,431
Cash and bank balances	*21*	20	909,431	1,203,529
Total current assets		107,360	1,354,358	1,761,960
CURRENT LIABILITIES				
Loans from a related party	*35(b)*	51,331	8,882	9,215
Due to a subsidiary	*39(b)*	–	82,635	–
Total current liabilities		51,331	91,517	9,215
NET CURRENT ASSETS		56,029	1,262,841	1,752,745
TOTAL ASSETS LESS CURRENT LIABILITIES		56,029	1,262,841	1,752,745
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares	*29*	330,316	1,934,750	2,925,224
Total non-current liabilities		330,316	1,934,750	2,925,224
Deficiency in assets		(274,287)	(671,909)	(1,172,479)
EQUITY				
Share capital	*30*	3	3	4
Reserves	*39(c)*	(274,290)	(671,912)	(1,172,483)
Total equity		(274,287)	(671,909)	(1,172,479)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2015. The registered office of the Company is located at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were involved in the research and development of biological 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, the particulars of which are set out below:

Name	Place and date of registration/ incorporation and place of operations	Nominal value of issued ordinary shares/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Ocean Prominent Limited *(note (a))*	British Virgin Islands 18 March 2014	US$1	100%	–	Investment holding
Sunny Investments Limited *(note (d))*	Hong Kong 8 March 2013	HK$1	–	100%	Investment holding
InnoCare Pharma Inc. *(note (a))*	United States of America ("USA") 25 October 2018	US$10,000,000	–	100%	Clinical trial
InnoCare Pharma Australia Pty Ltd. *(note (a))*	Australia 30 March 2017	AU$10	–	100%	Clinical trial
Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司) *(note (b))*	People's Republic of China/Mainland China 13 December 2013	US$50,000,000	–	100%	Research and development
Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. (南京天印健華醫藥科技有限公司) *(note (b))*	People's Republic of China/Mainland China 31 March 2014	RMB10,000,000	–	100%	Research and development
Beijing Tiancheng Pharma Tech Co., Ltd. (北京天誠醫藥科技有限公司) *(note (b))*	People's Republic of China/Mainland China 9 December 2015	RMB34,290,000	–	100%	Research and development
Shanghai Tian Jin Pharma Tech Co., Ltd. (上海天瑾醫藥科技有限公司) *(note (b))*	People's Republic of China/Mainland China 20 July 2016	RMB4,000,000	–	100%	Research and development
Guangzhou InnoCare Pharma Tech Co., Ltd.(廣州諾誠健華醫藥科技有限公司) *(note (c))*	People's Republic of China/Mainland China 14 August 2018	RMB1,000,000,000	–	93%	Research and development

Notes:

(a) No audited financial statements have been prepared for these entities for the years ended 31 December 2017 and 2018 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of their incorporation.

(b) The statutory financial statements for these entities for the years ended 31 December 2017 and 2018 were audited by Baker Tilly China Certified Public Accountants (天職國際會計師事務所(特殊普通合夥)), certified public accountants registered in the People's Republic of China ("PRC").

(c) The statutory financial statement for the entity for the period from its date of incorporation to 31 December 2018 was audited by Grant Thornton China Certified Public Accountants (致同會計師事務所(特殊普通合夥)), certified public accountants registered in the People's Republic of China ("PRC"). The corresponding capital injection from a non-controlling shareholder amounting to RMB70,000,000 had been received in 2018.

(d) The financial statements for the entity for the year ended 31 December 2017 and 2018 was audited by Baker Tilly Hong Kong Limited, Certified Public Accountants.

2.1 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 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information consistently throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for certain investments in wealth management products and certain financial liabilities which have been measured at fair value through profit or loss.

The Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern, which assumes that the Group will be able to meet its obligations and continue its operations for the coming twelve months notwithstanding that as at 30 September 2019, the Group had net liabilities of RMB1,476,960,000 and accumulated losses of RMB1,590,924,000. In the opinion of the directors of the Company, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for the next twelve months after 30 September 2019. This is due to the following considerations:

(a) The primarily causes for the net liabilities and accumulated losses as at 30 September 2019 are the significant fair value changes of the convertible redeemable preferred shares, details of which are included in note 29 to the Historical Financial Information. These fair value changes will not affect the future cash flows of the Group. In addition, in view of the redemption terms of the convertible redeemable preferred shares, the Group is not required to incur any cash outflows to redeem the preferred shares in the next twelve months after 30 September 2019;

(b) The Group still maintained a net current asset position of RMB2,440,471,000 as at 30 September 2019; and

(c) The Group has performed a working capital forecast for the next twelve months and will have sufficient liquid funds to finance its operations.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial 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 or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 3	*Definition of a Business*[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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated statement of profit or loss and the Group's other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the equity. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. 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 and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to 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;

(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 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:

Plant and machinery	10% to 33%
Devices and servers	10% to 33%
Office equipment	20% to 33%
Leasehold improvements	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 profit or loss in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Intangible asset is amortised on the straight-line basis over the following useful life.

Software	3 years

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured in accordance with HKAS 40 *Investment Property*.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost 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 transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost 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 profit or loss when the asset is derecognised, modified or impaired.

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 profit or loss.

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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as convertible loans and instruments, loans and borrowings, or payables.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans from a related party, convertible redeemable preferred shares, a convertible loan and loans and borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible loan and convertible redeemable preferred shares as financial liabilities at fair value through profit or loss, details of which are included in notes 23 and 29, respectively, to the Historical Financial Information.

Financial liabilities

Loans and borrowings

After initial recognition, 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 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 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 profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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, 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 of 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 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 country 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 consolidation 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 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 carry-forward 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 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 other income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at nominal amount, and are released to profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

During the Relevant Periods, revenue of the Group was primarily arising from research and development services to the customers. Revenue was recognised only when it satisfied a performance obligation by rendering the service or transferring the control of the result of research and development and there is no unfulfilled obligation that could affect the buyer's acceptance of the result. Before that, the counterparty had no right to receive and consume the benefits of the research and development services.

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.

Contract liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

The Company operates share option and restricted stock units ("RSUs") schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees 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 independent qualified professional valuer not connected with the Group, which has appropriate qualifications and experience in the valuation of similar share-based payments. Further details are included in note 33 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to 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. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

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 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 (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the United States Dollar ("US$"). As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profit or loss are translated into RMB at the weighted average exchange rates for the year or period.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year or period are translated into RMB at the weighted average exchange rates for the year or period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Intangible assets not yet available for intended use are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill at 31 December 2017 and 2018 and 30 September 2019 were RMB3,125,000, RMB3,125,000 and RMB3,125,000, respectively. Further details are included in note 14 to the Historical Financial Information.

Estimation of the fair value of financial assets and financial liabilities

Certain financial assets and financial liabilities are measured at fair value at the end of each of the Relevant Periods as disclosed in note 36 to the Historical Financial Information.

The fair value of financial investments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select methods and make assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets. Further details are included in notes 20 and 37 to the Historical Financial Information.

The convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions such as the timing of the liquidation, redemption or the initial public offering event as well as the probability of the various scenarios were based on the Group's best estimates. Further details are included in note 29 to the Historical Financial Information.

The convertible loan borrowed by a subsidiary of the Company exhibits the characteristics of an embedded derivative and the Group has designated the entire instrument as a financial liability at fair value through profit or loss. As it is not traded in an active market, the Group applied the discounted cash flow method to determine its fair value by using the risk-free rate plus an implied spread. Key assumptions such as the discount rate were based on the Group's best estimates. Further details are included in notes 23 and 37 to the Historical Financial Information.

Fair value measurement of share-based payments

The Group has set up the 2015 Global Share Plan, 2016 Global Share Plan and 2018 Global Share Plan and granted options and RSUs to the Company's directors, the Group's employees and consultants. The fair value of the options is determined by the binomial option-pricing model at the grant dates. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by the board of directors of the Company. The fair value of the RSUs is determined by using back-solve method from the most recent transaction price of the Company's Preferred Shares. Further details are included in note 33 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Since the Group's revenue and operating losses were mainly from the activities related to research and development in Mainland China, and most of the Group's identifiable operating assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments.*

Information about major customers

Revenue from each of the major customers which amounted to 10% or more of the Group's revenue during the Relevant Periods and the nine months ended 30 September 2018 is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Customer A	41	–	–	–
Customer B	20	–	–	–
Customer C	15	–	–	–
Customer D	–	623	623	–
Customer E	–	472	–	–
Customer F	–	175	113	207
Customer G	–	–	–	96
	76	1,270	736	303

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Revenue from contracts with customers				
– Research and development services	102	1,617	895	839
Timing of revenue recognition from contracts with customers				
– At a point in time	102	1,617	895	839

The performance obligation is satisfied upon delivery of the research and development services report and payment is generally due within 90 days from delivery.

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Other income and gains				
Government grants *(note)*	10,403	17,543	16,288	27,006
Bank interest income	213	8,416	459	51,047
Investment income from investments in wealth management products	808	1,337	309	2,998
Foreign exchange gains, net	–	4,099	3,922	326
	11,424	31,395	20,978	81,377

Note: Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

6. LOSS FOR THE YEAR/PERIOD

The Group's loss is arrived at after charging:

	Notes	Year ended 31 December		Nine months ended 30 September	
		2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Depreciation of property, plant and equipment	*13*	552	1,078	752	1,080
Depreciation of right-of-use assets	*16*	3,149	4,219	2,485	5,039
Amortisation of other intangible assets	*15*	17	91	68	355
Auditor's remuneration		106	103	90	453
Listing expense		–	–	–	13,875
Fair value changes of a convertible loan	*23*	–	27,269	–	43,714
Fair value changes of a convertible redeemable preferred shares	*29*	272,686	387,804	363,285	499,552
Employee benefit expenses (excluding directors' and chief executive's remuneration):					
Wages and salaries		16,623	24,923	12,721	32,640
Pension scheme contributions		4,013	5,683	4,017	6,963
Staff welfare expenses		2,319	2,007	1,971	1,978
Share-based payment expenses		2,706	6,728	5,046	20,671
		25,661	39,341	23,755	62,252

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Transaction cost for the issue of the Company's convertible redeemable preferred shares	133	1,994	1,741	978
Interest on lease liabilities	689	662	412	438
Interest on loans from third parties	1,177	599	462	69
Interest on loans from a related party	538	186	164	67
	2,537	3,441	2,779	1,552

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The aggregate amounts of remuneration of the directors and chief executive for the Relevant Periods and the nine months ended 30 September 2018 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Fees	–	–	–	–
Other emoluments:				
Salaries, bonuses, allowances and benefits in kind	2,613	3,399	2,620	3,052
Pension scheme contributions	150	90	67	67
Share-based payment expenses	7,689	58,487	43,866	28,208
	10,452	61,976	46,553	31,327

The remuneration of each director of the Company for the Relevant Periods and the nine months ended 30 September 2018 is set out below:

Year ended 31 December 2017	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Jisong Cui	1,812	68	3,083	4,963
Renbin Zhao	801	82	4,049	4,932
	2,613	150	7,132	9,895
An Independent non-executive director:				
Zemin Zhang	–	–	557	557
	2,613	150	7,689	10,452

Year ended 31 December 2018	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Jisong Cui	2,437	–	23,180	25,617
Renbin Zhao	962	90	34,750	35,802
	3,399	90	57,930	61,419
An Independent non-executive director:				
Zemin Zhang	–	–	557	557
	3,399	90	58,487	61,976

Nine months ended 30 September 2019	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Jisong Cui	2,161	–	12,588	14,749
Renbin Zhao	891	67	15,472	16,430
	3,052	67	28,060	31,179
An independent non-executive director:				
Zemin Zhang	–	–	148	148
	3,052	67	28,208	31,327

Nine months ended 30 September 2018	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Share-based payments	Total remuneration
(unaudited)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Jisong Cui	1,898	–	17,385	19,283
Renbin Zhao	722	67	26,063	26,852
	2,620	67	43,448	46,135
An independent non-executive director:				
Zemin Zhang	–	–	418	418
	2,620	67	43,866	46,553

There were no emoluments paid or payable to other directors of the Company, nor arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the nine months ended 30 September 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the nine months ended 30 September 2018 always included two directors, details of whose remuneration are set out in note 8 to the Historical Financial Information. Details of the remuneration of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Salaries, bonuses, allowances and benefits in kind	2,592	3,198	2,127	3,455
Pension scheme contributions	279	141	117	5
Share-based payments	1,422	3,050	2,288	9,615
	4,293	6,389	4,532	13,075

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		Nine months ended 30 September	
	2017	2018	2018	2019
			(Unaudited)	
HK$1,000,001 to HK$1,500,000	1	1	2	–
HK$1,500,001 to HK$2,000,000	1	1	–	–
HK$2,000,001 to HK$2,500,000	1	–	–	–
HK$2,500,001 to HK$3,000,000	–	–	1	–
HK$3,000,001 to HK$3,500,000	–	–	–	1
HK$4,000,001 to HK$4,500,000	–	1	–	–
HK$4,500,001 to HK$5,000,000	–	–	–	1
HK$6,000,001 to HK$6,500,000	–	–	–	1

* During the Relevant Periods and the nine months ended 30 September 2018, share options and restricted stock units were granted under the 2015 Global Share Plan to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in note 33 to the Historical Financial Information. The fair values of such granted share options and restricted stock units, which have been recognised in the consolidated statements of profit or loss over the vesting periods, were determined as at each of the grant dates and the amounts included in the Historical Financial Information for the Relevant Periods and the nine months ended 30 September 2018 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), Ocean Prominent Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Ocean Prominent Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to Beijing InnoCare Pharma Tech Co., Ltd. and Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. ("InnoCare Nanjing"), since they were recognised as High and New Technology Enterprises in 2017 and 2018, respectively, and are entitled to a preferential tax rate of 15% for a three-year period.

Australia

The subsidiary incorporated in Australia is subject to income tax at the rate of 27.5% on the estimated assessable profits arising in Australia during the Relevant Periods.

United States of America

The subsidiary incorporated in Delaware, United States is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in Delaware at a rate of 8.7% during the Relevant Periods.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Loss before tax	(341,734)	(554,023)	(461,591)	(653,240)
Tax at the statutory tax rate of 25%	(85,434)	(138,506)	(115,398)	(163,310)
Effect of tax rate differences in other jurisdictions	70,811	114,222	103,734	136,358
Preferential tax rates applicable to certain subsidiaries	1,383	871	624	11,710
Additional deductible allowance for qualified research and development costs	(7,806)	(17,287)	(10,927)	(19,103)
Tax losses not recognised	20,739	40,377	21,953	33,655
Expenses not deductible for tax	307	323	14	690
Tax charge at the Group's effective rate	–	–	–	–

The Group also had tax losses of RMB119,115,749, RMB295,829,742, RMB220,686,860 and RMB502,968,672 for the years ended 31 December 2017 and 2018, and the nine months ended 30 September 2018 and 30 September 2019, respectively, that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDEND

No dividends have been declared and paid by the Company in respect of 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 due to the number of ordinary shares as at each reporting date during the Relevant Periods and the nine months ended 30 September 2018 is different from the number of ordinary shares immediately after the completion of public listing of the Company's shares.

13. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Devices and servers	Office equipment	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	809	907	82	54	–	1,852
Accumulated depreciation	(121)	(223)	(9)	(2)	–	(355)
Net carrying amount	688	684	73	52	–	1,497
At 1 January 2017, net of accumulated depreciation	688	684	73	52	–	1,497
Additions	1,217	167	33	–	–	1,417
Depreciation provided during the year	(263)	(249)	(20)	(20)	–	(552)
At 31 December 2017, net of accumulated depreciation	1,642	602	86	32	–	2,362
At 31 December 2017:						
Cost	2,026	1,074	115	54	–	3,269
Accumulated depreciation	(384)	(472)	(29)	(22)	–	(907)
Net carrying amount	1,642	602	86	32	–	2,362

	Plant and machinery	Devices and servers	Office equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
At 1 January 2018:						
Cost	2,026	1,074	115	54	–	3,269
Accumulated depreciation	(384)	(472)	(29)	(22)	–	(907)
Net carrying amount	1,642	602	86	32	–	2,362
At 1 January 2018, net of accumulated depreciation	1,642	602	86	32	–	2,362
Additions	2,810	315	32	–	467	3,624
Depreciation provided during the year	(739)	(294)	(29)	(16)	–	(1,078)
At 31 December 2018, net of accumulated depreciation	3,713	623	89	16	467	4,908
At 31 December 2018:						
Cost	4,836	1,389	147	54	467	6,893
Accumulated depreciation	(1,123)	(766)	(58)	(38)	–	(1,985)
Net carrying amount	3,713	623	89	16	467	4,908
30 September 2019						
At 1 January 2019:						
Cost	4,836	1,389	147	54	467	6,893
Accumulated depreciation	(1,123)	(766)	(58)	(38)	–	(1,985)
Net carrying amount	3,713	623	89	16	467	4,908
At 1 January 2019, net of accumulated depreciation	3,713	623	89	16	467	4,908
Additions	289	379	28	–	10,294	10,990
Depreciation provided during the period	(746)	(286)	(32)	(16)	–	(1,080)
At 30 September 2019, net of accumulated depreciation	3,256	716	85	–	10,761	14,818
At 30 September 2019:						
Cost	5,125	1,768	175	54	10,761	17,883
Accumulated depreciation	(1,869)	(1,052)	(90)	(54)	–	(3,065)
Net carrying amount	3,256	716	85	–	10,761	14,818

Certain subsidiaries of the Company enjoyed government grants related to equipments during the Relevant Periods. Details of such government grants are as follows:

(a) A subsidiary of the Company, Beijing InnoCare Pharma Tech Co., Ltd. ("Beijing InnoCare"), has obtained the right to use certain equipment which were purchased and owned by the local government to conduct the activities of research and development since 2017 for free. The Group has recorded such government grants at a nominal amount.

(b) A subsidiary of the Company, InnoCare Nanjing, has obtained the right to use certain equipment which were purchased and owned by the local government to conduct the activities of research and development for a 5-year term for free since the initial delivery dates. The Group has recorded such government grants at a nominal amount.

14. GOODWILL

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Cost and net carrying amount at beginning and end of the year/period	3,125	3,125	3,125

The goodwill was resulted from the acquisition of a subsidiary of the Group, Beijing InnoCare.

Impairment testing of goodwill

The cash flows generated from the subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, management considered that Beijing InnoCare is a separate cash-generating unit ("CGU"). For the purpose of performing the impairment test, the goodwill is allocated to this subsidiary acquired.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a 20-year period based on the valid term of the relevant patents. The cash flows of the unit are projected based on the forecasted sales of the new drugs after the approval of new drug applications ("NDA") and within in the patent protection periods. No revenue and cash flows are forecasted after the expiration of the patents. The senior management considers that using a 20-year forecast period for the financial budget in the goodwill impairment test is appropriate because the useful lives of Beijing InnoCare's relevant intellectual properties are no less than twenty years, and it generally takes longer for a biotechnology company to a reach perpetual growth mode, compared to companies in other industries, especially when its products are still under clinical trials and the markets of such products are at an early stage of development with substantial growth potential. Hence, the financial budget covering a 20-year period was used as the senior management of the Group believes that a forecasted period longer than five years is feasible and reflects a more accurate entity value.

Key assumptions used in the calculation are as follows:

	As at 31 December	
	2017	2018
Gross margin (% of revenue)	86.0%	86.0%
Terminal growth rate	0%	0%
The pre-tax discount rate	20.2%	16.2%

Assumptions were used in the value-in-use calculation of the cash-generating unit as at 31 December 2017 and 2018. The following describes each key assumption on which senior management has based its cash flow projections to undertake impairment testing of goodwill:

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since the year when Beijing InnoCare's products are launched.

Terminal growth rate – The forecasted terminal growth rate is based on senior management's expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

The pre-tax discount rate used is before tax and reflects specific risks relating to the cash-generating unit.

As of 31 December 2017 and 2018, the recoverable amount of the cash-generating unit exceeds its carrying amount by RMB1,168.0 million and RMB2,837.9 million, respectively.

Based on the result of the goodwill impairment testing, the recoverable amount of the CGU exceeded its carrying amounts at 31 December 2017 and 2018.

As of 30 September 2019, considering the Group has discovered and developed the current pipeline of nine drug candidates with best-in-class and/or first-in-class potential, including one candidate in registrational trials approaching the NDA submission, two candidates that are currently under clinical evaluation in Phase I/II trials and six candidates at the IND-enabling stage, the directors of the Company are of the view that there will be significant market opportunities for their product candidates when they obtain the NDA approval and achieve commercialisation in future.

Based on the above assessment and no impairment indicator was noted as of 30 September 2019, the directors of the Company are of the opinion that no impairment provision is considered necessary for the goodwill as at that date.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, on impairment testing of the goodwill as of the dates indicated.

	Recoverable amount of the goodwill exceeds its carrying amount decrease by	
	As at 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Possible changes of key assumptions		
The gross margin rate decreased by 5.0%	179,305	372,437
Pre-tax discount rate increased by 1.0%	137,375	292,995

Considering that there was sufficient headroom based on the above, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

15. OTHER INTANGIBLE ASSETS

	Development cost	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2017			
At 1 January 2017:			
Cost	36,580	56	36,636
Accumulated amortisation	–	(39)	(39)
Net carrying amount	36,580	17	36,597
Cost at 1 January 2017,			
Net of accumulated amortisation	36,580	17	36,597
Amortisation provided during the year	–	(17)	(17)
At 31 December 2017	36,580	–	36,580
At 31 December 2017:			
Cost	36,580	56	36,636
Accumulated amortisation	–	(56)	(56)
Net carrying amount	36,580	–	36,580
31 December 2018			
At 1 January 2018:			
Cost	36,580	56	36,636
Accumulated amortisation	–	(56)	(56)
Net carrying amount	36,580	–	36,580
Cost at 1 January 2018,			
Net of accumulated amortisation	36,580	–	36,580
Addition	–	458	458
Amortisation provided during the year	–	(91)	(91)
At 31 December 2018	36,580	367	36,947
At 31 December 2018:			
Cost	36,580	514	37,094
Accumulated amortisation	–	(147)	(147)
Net carrying amount	36,580	367	36,947

	Development cost	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
30 September 2019			
At 1 January 2019:			
Cost	36,580	514	37,094
Accumulated amortisation	–	(147)	(147)
Net carrying amount	36,580	367	36,947
Cost at 1 January 2019,			
Net of accumulated amortisation	36,580	367	36,947
Addition	–	243	243
Amortisation provided during the period	–	(355)	(355)
At 30 September 2019	36,580	255	36,835
At 30 September 2019:			
Cost	36,580	787	37,367
Accumulated amortisation	–	(532)	(532)
Net carrying amount	36,580	255	36,835

The development cost acquired through business combination in 2016 is mainly related to the development of the orelabrutinib product.

Impairment testing of the development cost

The management of the Group performed annual impairment testing during the Relevant Periods for the development cost which was not yet available for use. For impairment testing, the development cost is allocated to the CGU at the orelabrutinib production line level, which is supposed to be able to generate cash flows independently from those of the other products.

The recoverable amount of the CGU is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by senior management of the Group covering a 17-year period based on the remaining valid term of the patent related to the orelabrutinib product. The senior management considers that using a 17-year forecast period for financial budget in the impairment testing of the development cost is appropriate because the useful life of the relevant intellectual property related to the orelabrutinib product is no less than seventeen years, and it generally takes longer for a biotechnology company to reach perpetual growth mode, compared to companies in other industries, especially when its product is still under clinical trial and the market of such product is at an early stage of development with substantial growth potential. Hence, the financial budget covering a 17-year period was used as the senior management of the Group believes that a forecasted period longer than five years is feasible and reflects a more accurate product value.

Key assumptions used in the calculation are as follows:

	As at 31 December	
	2017	2018
Gross margin (% of revenue)	86.0%	86.0%
Terminal growth rate	0%	0%
The pre-tax discount rate	20.9%	16.9%

Assumptions were used in the value-in-use calculation of cash-generating unit as at 31 December 2017 and 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the development cost:

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve since the year when the orelabrutinib product is launched.

Terminal growth rate – The forecasted terminal growth rate is based on senior management's expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

The pre-tax discount rate used is before tax and reflects specific risks relating to the unit.

As of 31 December 2017 and 2018, the recoverable amount of the cash-generating unit exceeded its carrying amount by RMB781.7 million and RMB1,476.2 million, respectively. Based on the result of the impairment test, the recoverable amount of the CGU exceeded its carrying amounts at 31 December 2017 and 2018.

As of 30 September 2019, considering the candidate related to orelabrutinib product was in registrational trials approaching the NDA submission, the directors of the Company are of the view that there will be significant market opportunity for the product candidate when they obtain the NDA approval and achieve commercialisation in future.

Based on the above assessment and no impairment indicator was noted as of 30 September 2019, the directors of the Company are of the opinion that no impairment provision is considered necessary for the development cost as at that date.

The following tables set forth the impact of reasonably possible changes in each of the key assumptions, with all other variables held constant, on impairment testing of the development cost as of the dates indicated.

	Recoverable amount of the development cost exceeds its carrying amount decrease by	
	As at 31 December	
	2017	**2018**
	RMB'000	*RMB'000*
Possible changes of key assumptions		
The gross margin rate decreased by 5.0%	101,340	168,220
Pre-tax discount rate increased by 1.0%	77,380	126,990

Considering that there was sufficient headroom based on the assessment, the directors of the Company believe that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount.

16. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

	As at 31 December		**As at 30 September**
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Right-of-use assets			
Non-current assets	9,716	13,053	88,499
Lease liabilities			
Current liabilities	2,801	5,332	6,671
Non-current liabilities	7,063	7,791	4,550
	9,864	13,123	11,221

Certain subsidiaries of the Company were granted by the local governments to occupy certain buildings owned by them during the Relevant Periods. Details of such government grants are as follows:

(a) A subsidiary of the Company, Beijing InnoCare has obtained the right to use two buildings, each of which covering 6,640 square metres and 1,650 square metres, at a below-market rental price to conduct research and development activities during the period from January 2016 to December 2020 and from June 2016 to May 2021, respectively. The Group has recorded such government grants at a nominal amount.

(b) A subsidiary of the Company, InnoCare Nanjing, has obtained the right to use one building covering 3,350 square metres to conduct operating, and research and development activities for free during the period from May 2015 to May 2020. In addition, the expenditure of the initial leasehold improvement for this building was borne by the local government. The Group has recorded such government grant at a nominal amount.

The carrying amounts of the Group's right-of-use assets and lease liabilities, and the movements during the Relevant Periods are as follows:

	Right-of-use assets	**Lease liabilities**
	Office and laboratory	
	RMB'000	*RMB'000*
As at 1 January 2017	12,865	13,099
Depreciation expense	(3,149)	–
Accretion of interest	–	689
Payments	–	(3,924)
As at 31 December 2017	9,716	9,864
Less: Current portion	–	(2,801)
Non-current portion	–	7,063
As at 1 January 2018	9,716	9,864
Additions	7,556	7,556
Depreciation expense	(4,219)	–
Accretion of interest	–	662
Payments	–	(4,959)
As at 31 December 2018	13,053	13,123
Less: Current portion	–	(5,332)
Non-current portion	–	7,791

	Right-of-use assets			Lease liabilities
	Office and laboratory	Land use right	Total	Office and laboratory
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2019	13,053	–	13,053	13,123
Additions	3,348	77,137	80,485	3,349
Depreciation expense	(4,653)	(386)	(5,039)	–
Accretion of interest	–	–	–	438
Payments	–	–	–	(5,689)
As at 30 September 2019	11,748	76,751	88,499	11,221
Less: current portion	–	–	–	(6,671)
Non-current portion	11,748	76,751	88,499	4,550

The Group recognised rental expenses from short-term leases of RMB101,000, RMB104,000, RMB54,000 and RMB78,000 for the Relevant Periods and the nine months ended 30 September 2018, respectively.

17. INVESTMENTS IN JOINT VENTURES

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	1,163	1,159	1,159

Particulars of the Group's joint ventures are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest			Principal activities
			ownership interest	voting power	profit sharing	
Beijing Tianshi Pharma Tech Co., Ltd. ("InnoCare Beijing Tianshi")	RMB2,000,000	China	50%	50%	50%	Research and development
Beijing Tiannuo Pharma Tech Co., Ltd. ("InnoCare Beijing Tiannuo")	RMB2,000,000	China	50%	50%	50%	Research and development

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	31 December		30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Share of the joint ventures' profits and losses for the year/period	31	(4)	–
Aggregate carrying amount of the Group's investments in the joint ventures	1,163	1,159	1,159

18. OTHER NON-CURRENT ASSETS

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Prepayment for land use right	–	77,137	–
Prepayment for other long-term assets	880	1,326	32,452
	880	78,463	32,452

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Interest receivable	–	6,272	16,812
Value-added tax recoverable	3,791	7,004	14,997
Prepayments	838	3,291	5,031
Other receivables	2,049	1,221	1,782
	6,678	17,788	38,622

The financial assets included in the above balances are non-interest-bearing, unsecured and repayable on demand and relate to receivables for which there was no recent history of default.

The financial assets included in the above balances relate to receivables for which there were no recent history of default. In addition, there is no significant change in the economic factors based on the assessment of the forward looking information, so the directors of the Company are of the opinion that the ECL in respect of these balances is immaterial.

20. INVESTMENTS

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Investments measured at fair value through profit or loss *(note (i))*	–	169,054	90,392
Investments measured at amortised cost *(note (ii))*	10,023	–	–

Notes:

(i) Investments measured at fair value through profit or loss

The investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected yield rates ranging from 3.6% to 4.6% and 3.81% to 3.92% per annum for the year ended 31 December 2018 and the nine months ended 30 September 2019, respectively. The yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

The fair values are based on cash flows discounted using the expected yield rate based on management judgement and are within level 2 of the fair value hierarchy.

(ii) Investments measured at amortised cost

Investments measured at amortised cost are wealth management products, denominated in RMB, with a guaranteed yield rate of 2.8% per annum for the year ended 31 December 2017. The investment is held for collections of contractual cash flow and contractual cash flow of the investment qualify for solely payment of principal and interest, and hence it is measured at amortised cost.

21. CASH AND BANK BALANCES

Group

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	36,874	1,876,618	2,349,992
Less:			
Time deposits with original maturity of more than three months but less than one year when acquired	–	(631,414)	(406,692)
Cash and cash equivalents	36,874	1,245,204	1,943,300
Denominated in:			
RMB	30,713	953,130	1,128,438
US$	6,037	292,020	811,242
Others	124	54	3,620
Cash and cash equivalents	36,874	1,245,204	1,943,300

Company

	As at 31 December		As at 30 September
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	20	909,431	1,203,529
Less:			
Time deposits with original maturity of more than three months but less than one year when acquired	–	(631,414)	(406,692)
Cash and cash equivalents	20	278,017	796,837
Denominated in:			
US$	20	278,017	796,837

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. Time deposits are made for varying periods of between three months and twelve months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

	As at 31 December		As at 30 September
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables aged within 3 months based on the invoice date	2,958	2,193	5,887

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

23. CONVERTIBLE LOAN

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Non-current portion			
Convertible loan	–	957,269	1,000,983

	Convertible loan
	RMB'000
At 31 December 2017 and 1 January 2018	–
Proceeds	930,000
Changes in fair value	27,269
At 31 December 2018 and 1 January 2019	957,269
Changes in fair value	43,714
At 30 September 2019	1,000,983

In August 2018, Guangzhou InnoCare Pharma Tech Co., Ltd. ("Guangzhou InnoCare") was jointly established by Guangzhou Kaide Technology Development Limited ("Guangzhou Kaide") and a subsidiary of the Company. In addition, Guangzhou Kaide provided Guangzhou InnoCare with a convertible loan amounting to RMB930 million, which bears interest at 6.5% per annum and is due on 31 December 2024. Under the loan agreement, Guangzhou Kaide has been granted an option to convert the loan into ordinary shares of Guangzhou InnoCare under certain conditions. The Group does not bifurcate any embedded derivatives from the host instrument and has designated the loan from Guangzhou Kaide with a convertible right ("convertible loan") as a financial liability at fair value through profit or loss. Further details are included in note 37 to the Historical Financial Information.

24. LOANS AND BORROWINGS

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Included in current liabilities			
Interest-free loans and borrowings from third parties *(note (i))*	25,000	–	–
Interest-bearing loan from a third party *(note (ii))*	–	50,395	–
Included in non-current liabilities			
Interest-bearing loan from a third party *(note (ii))*	50,220	–	–
	75,220	50,395	–

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Loans and borrowings:			
Within one year	25,000	50,395	–
In the second year	50,220	–	–
	75,220	50,395	–

Notes:

(i) The loans and borrowings were settled in 2018 when they were due.

(ii) In 2016, Beijing Changping Technology Park Limited ("Changping") injected capital to the Company's wholly-owned subsidiary, Beijing Tiancheng Pharma Tech Co., Ltd. at a cash consideration of RMB50 million. Under the investment agreement, the Group has a call option to repurchase the shares of Changping at a predetermined price from the third year after the capital injection. In addition, Changping has a put option to sell its shares to the Group at a predetermined price from the sixth year after the capital injection. The redemption price has been determined as the initial principal of the capital injection plus the interest of time deposit, therefore, it is classified as a borrowing measured at amortised cost. The borrowing was fully settled in May 2019.

25. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Payable for other intangible assets acquired	16,000	–	–
IPO related service fee	–	–	14,244
Payroll payable	2,786	4,378	1,004
Taxes other than income tax	217	575	508
Payables for property, plant and equipment	928	–	–
Interest payable	185	–	–
Contract liabilities	–	190	249
Other payables	970	254	284
	21,086	5,397	16,289

Other payables are non-interest-bearing and repayable on demand.

26. DEFERRED INCOME

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
Government grants			
Current	2,234	90	514
Non-current	420	61,398	157,526
	2,654	61,488	158,040

The movements in government grants during the Relevant Periods are as follows:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
			(Unaudited)
At 1 January	9,931	2,654	61,488
Grants received during the year/period	2,234	61,068	105,560
Amount recognised in profit or loss	(9,511)	(2,234)	(9,008)
At end of year/period	2,654	61,488	158,040

The grants were related to the subsidies received from local government authorities to support the subsidiaries' research and development activities and the purchase of certain items of property, plant and equipment. The grants were recognised in profit or loss when conditions of the grants are met.

27. DEFERRED TAX LIABILITIES

	Development cost
	RMB'000
At 31 December 2017 and 2018, and 30 September 2019	6,036

The deferred tax liability related to the development cost was recognised from the business combination in 2016 with the applicable tax rate of 16.5%. Since the intangible asset was not yet available for use and no impairment indicator was identified by management, there was no deferred tax charged in the consolidated statement of profit or loss during the Relevant Periods.

28. LOANS FROM A RELATED PARTY

The loans from a related party arise from loans from a holder of convertible redeemable preferred shares of the Company, of which a non-interest-bearing loan of US$6.59 million was borrowed in April 2017 and settled in February 2018, and the other loan of US$1.28 million was borrowed in July 2017 and bears interest at 1% per annum. The loan will be repaid at the earlier of (i) 21 July 2023 and (ii) the consummation of the initial public offering of the Company's shares.

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Group and Company

Convertible redeemable preferred shares (the "Preferred Shares") issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company' shares, or when agreed by the majority of the holders of each class of the Preferred Shares.

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing preferred shares, details of which are included below:

		Purchase price (US$/Share)		Number of Preferred Shares		Total consideration	
	Date of issuance	*(Note a)* Before the share sub-division	After the share sub-division	Before the share sub-division	After the share sub-division	Denominated in US$	Approximately equivalent to RMB
Series A Preferred Shares	6 March 2016	1.2420	0.0248	1,110,000	55,500,000	1,484,772	9,693,182
Series B1 Preferred Shares	29 April 2016	2.8720	0.0574	1,323,000	66,150,000	3,799,681	25,000,000
Series B2 Preferred Shares	26 January 2017	N/A	0.0545	N/A	55,566,000	3,030,348	21,003,948
Series B1 Preferred Shares *(Note b)*	27 July 2017	N/A	0.0574	N/A	(22,200,000)	(1,275,047)	(8,595,729)
Series B3 Preferred Shares	4 October 2017	N/A	0.0570	N/A	26,460,000	1,508,706	10,017,657
Series C Preferred Shares	5 February 2018	N/A	0.3780	N/A	145,506,500	55,000,000	346,310,400
Series D1 Preferred Shares	28 November 2018	N/A	0.8794	N/A	182,518,529	160,500,000	1,107,205,000
Series D2 Preferred Shares	21 June 2019	N/A	0.8794	N/A	22,743,742	19,999,980	136,943,863

Note (a): Pursuant to the Company's shareholders' resolution passed on 6 September 2016, every authorised share of the issued convertible redeemable preferred shares is sub-divided into 50 times with a par value of US$0.000002.

Note (b): Pursuant to the shareholders' resolution passed on 21 July 2017, the Company repurchased 22,200,000 issued convertible redeemable preferred shares from King Bridge Investments Limited ("King Bridge") for an aggregate consideration of US$1,275,047 plus relevant interest. All the rights attached with the Preferred Shares have been terminated upon entering into such repurchase agreement.

Note (c): Series B Preferred Shares include Series B1 Preferred Shares, Series B2 Preferred Shares and Series B3 Preferred Shares; Series D Preferred Shares include Series D1 Preferred Shares and Series D2 Preferred Shares.

The key terms of all series of the Preferred Shares are summarised as follows:

Dividend rights

Prior to the Qualified IPO (see definition below), the declaration or payment of dividends or any other kinds of profit distributions of the Company and its subsidiaries and the material change of the dividend policies of the Company and its subsidiaries shall obtain the prior approval of the Company's board of directors (including the affirmative votes of series B director, series C director and series D director, respectively, which shall not be unreasonably withheld or delayed). Holders of the Preferred Shares shall be entitled to the same dividends and distribution as those declared or paid on ordinary shares on an as-converted basis. No dividends have been declared by the Company up to the date of this report.

"Qualified IPO" is defined as a firm underwritten initial public offering by the Company (or other vehicle to be established for the purpose of the qualified public offering with the prior written consent of the holders of the Preferred Shares) of its shares on an internationally recognised stock exchange or any PRC stock exchanges pursuant to a prospectus or offering circular under applicable securities laws resulting in a portion of the shares of the Company becoming freely tradable.

Conversion option

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time, or automatically be converted to ordinary shares at the then effective applicable conversion price upon (i) the closing of a Qualified IPO; or (ii) (a) with respect to the series A Preferred Shares and series B Preferred Shares, upon the prior written consent of the holders of at least two thirds (2/3) of the series A Preferred Shares and series B Preferred Shares (voting together as a single class); (b) with respect to the series C Preferred Shares, upon the prior written consent of the majority of the holders of the series C Preferred Shares (voting separately as a single class); (c) with respect to the series D Preferred Shares, upon the prior written consent of the majority of the holders of the series D Preferred Shares (voting separately as a single class).

Liquidation preferences

Upon occurrence of a Deemed Liquidation Event (see definition below), either voluntary or involuntary, distributions to the members of the Company shall be made in the following manner before any to the ordinary shareholders:

Firstly, the holders of the series D Preferred Shares then outstanding shall be entitled to receive with respect to each series D Preferred Share held by such holders, on parity with each other and prior and in preference to any distribution of any of the assets or funds to the holders of the series C Preferred Shares, series B Preferred Shares, series A Preferred Shares or ordinary shares by reason of their ownership of such shares, the amount ("Series D Preference Amount") equal to 100% of the series D original issuance price plus an annual return on investment equal to 10% of such series D original issuance price calculated from the series D original issue date to the payment date, and plus any declared but unpaid dividends relating to the series D Preferred Shares;

Second, the holders of the series C Preferred Shares then outstanding shall be entitled to receive with respect to each series C Preferred Share held by such holders, on parity with each other and prior and in preference to any distribution of any of the assets or funds to the holders of the series B Preferred Shares, series A Preferred Shares or ordinary shares by reason of their ownership of such shares, the amount ("Series C Preference Amount") equal to 100% of the series C original issuance price plus an annual return on investment equal to 10% of such series C original issuance price calculated from the series C original issue date to the payment date, and plus any declared but unpaid dividends relating to series C Preferred Shares;

Third, the holders of the series B Preferred Shares then outstanding and the holders of the series A Preferred Shares then outstanding shall be entitled to receive with respect to each series B Preferred Share and series A Preferred Share, on parity with each other and prior and in preference to any distribution of any of the assets or funds to the holders of ordinary shares by reason of their ownership of such shares, the amount equal to:

i. with respect to each series B Preferred Share, 100% of the series B original issue price, plus an annual return on investment equal to 12% of such series B original issue price calculated from the series B original issue date to the payment date, and plus any declared but unpaid dividends relating to such series B Preferred Shares (the "Series B Preference Amount"); and

ii. with respect to each series A Preferred Share, 100% of the series A original issue price, plus an annual return on investment equal to 12% of such series A original issue price calculated from the series A original issue date to the payment date, and plus any declared but unpaid dividends relating to such series A Preferred Shares (the "Series A Preference Amount").

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Preference Amount, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of such class of Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive.

After the payment has been distributed or paid in full to holders of Preferred Shares, then the remaining assets and funds available for distribution to the shareholders shall be distributed ratably among holders of Preferred Shares and ordinary shares, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted into ordinary shares immediately prior to such Deemed Liquidation Event (see definition below).

Notwithstanding the foregoing, if the aggregate amount per share which any holder of any Preferred Shares is entitled to receive exceeds 3 times of its original issue price (the "Maximum Participating Amount"), such holder of such Preferred Share shall be entitled to receive at its sole discretion, upon such Deemed Liquidation Event (see definition below), the greater of (i) the Maximum Participating Amount, or (ii) the amount such holder would have received if all Preferred Shares had been converted into ordinary shares immediately prior to such Deemed Liquidation Event (see definition below).

"Deemed Liquidation Event" is defined as: (a) any liquidation, winding up or dissolution of the Company; (b) a sale, lease, transfer or other disposition, in a single transaction or series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to a third party; (c) a transfer or an exclusive licensing, in a single transaction or series of related transactions, of all or substantially all of the intellectual properties of the Company and its subsidiaries taken as a whole to a third party; (d) a sale, transfer or other disposition of a majority of the equity securities of the Company (including all issued and outstanding shares, shares issuable upon conversion or exercise of all convertible or exercisable securities, and shares authorised or reserved under the equity share option plan ("ESOP") and any other option plan and warrant) to a third party; or (e) a merger, consolidation, amalgamation or acquisition of the Company and its subsidiaries taken as a whole by a third party, or any other corporate reorganisation or scheme of arrangement or other business combination of the Company and its subsidiaries taken as a whole with or into any other business entity in which the shareholder of the Company immediately prior to such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity immediately after such merger, consolidation or business combination, provided that the following event shall not be deemed as a Deemed Liquidation Event: (i) any merger or consolidation between subsidiaries of the Company or (ii) any merger or consolidation solely for the purpose of changing domicile of the Company.

Redemption feature

At any time after the earlier of (i) the occurrence of any material misrepresentation or inaccuracy in or breach by any warrantor of any of its representations, warranties, agreements, covenants or undertakings under the Transaction Documents (see definition below) or any fraud or wilful misconduct by any warrantor which would have a Material Adverse Effect (see definition below) on the Company and its subsidiaries, or (ii) the 5th anniversary of the series D original issue date if a Qualified IPO of the Company has not been consummated by that time, any holders of any Preferred Share, may request redemption by the Company of all or part of the outstanding Preferred Shares held by such redeeming holders out of funds legally available therefor in accordance with the orders, procedures and other requirements under the following terms.

The redemption price shall be paid by the Company to the holders of the Preferred Shares in amount equal to 100% of the original issue price on each Preferred Share, plus:

i. any declared but unpaid dividends with respect thereto and a compounded 8% per annum return (calculated from the series A original issue date to actual full payment date of the series A redemption price) (the "Series A Redemption Price") for the series A Preferred Shares;

ii. any declared but unpaid dividends with respect thereto and a compounded 8% per annum return (calculated from the series B original issue date to actual full payment date of the series B redemption price) (the "Series B Redemption Price") for the series B Preferred Shares;

iii. any declared but unpaid dividends with respect thereto and a compounded 15% per annum return (calculated from the series C original issue date to actual full payment date of the series C redemption price) (the "Series C Redemption Price") for the series C Preferred Shares;

iv. plus any declared but unpaid dividends with respect thereto and a compounded 8% per annum return (calculated from the series D original issue date to actual full payment date of the series D redemption price) for the series D Preferred Shares.

"Transaction Documents" is defined as the second amended and restated shareholders agreement dated as of 28 November 2018, the series D share subscription agreement, the fifth amended and restated memorandum and articles of association of the Company, the management rights letter to the purchaser of the series D Preferred Shares, the indemnification agreement with the director of the Company appointed by the holders of the series D preferred shares, and any other agreements entered into in writing in connection with the transactions contemplated hereby.

"Material Adverse Effect" is defined as a material adverse effect on (a) the ability of any warrantor to consummate or perform the transactions contemplated by the series D share subscription agreement, or (b) the operations, results of operations, condition (financial or otherwise), properties, assets, liabilities, business or prospects of the Company and its subsidiaries, taken as a whole.

The Group does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there is no material credit risk change during the Relevant Periods.

The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders demand the Company to redeem the preferred shares within 12 months after the end of each of the Relevant Periods.

The movements of the convertible redeemable preferred shares are set out below:

	Series A Preferred Shares	**Series B Preferred Shares**	**Series C Preferred Shares**	**Series D Preferred Shares**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	15,234	30,828	–	–	46,062
Issue	–	31,029	–	–	31,029
Redemption	–	(8,596)	–	–	(8,596)
Changes in fair value	87,686	185,000	–	–	272,686
Currency translation differences	(3,507)	(7,358)	–	–	(10,865)
At 31 December 2017 and at 1 January 2018	99,413	230,903	–	–	330,316
Issue	–	–	346,310	831,477	1,177,787
Changes in fair value	62,614	142,821	180,684	1,685	387,804
Currency translation differences	6,543	14,895	21,877	(4,472)	38,843
At 31 December 2018 and at 1 January 2019	168,570	388,619	548,871	828,690	1,934,750
Issue	–	–	–	412,672	412,672
Changes in fair value	42,680	97,373	131,770	227,729	499,552
Currency translation differences	5,793	13,339	18,753	40,365	78,250
At 30 September 2019	217,043	499,331	699,394	1,509,456	2,925,224

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Discount rate	18%	14%	14%
Risk-free interest rate	2.0%	2.5%	1.55%
Lack of marketability discount	21%	16%	8%
Volatility	56%	60%	63%

The discount rate (pre-tax) was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of the China Government Bond as of each of the valuation date with a maturity life equal to the period from the respective appraisal dates to the expected liquidation date. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on implied volatility of comparable companies as of the valuation date. Probability weight under each of the redemption feature and liquidation preferences were based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the Preferred Shares on the valuation date.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

Below is a summary of significant unobservable inputs to the valuation of financial liabilities categorised within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

	Valuation technique	Significant unobservable input	Range	Sensitivity of the input to the fair value
				RMB'000
Convertible redeemable preferred shares	Discount cash flow method; option-pricing method and equity allocation model;	Risk-free interest rate	31 December 2017: 2.0%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by (402)/427
			31 December 2018: 2.5%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by (9,751)/9,923
			30 September 2019: 1.55%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by (11,317)/11,513
		Lack of marketability discount	31 December 2017: 21%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by (4,149)/4,151

Valuation technique	Significant unobservable input	Range	Sensitivity of the input to the fair value
			RMB'000
		31 December 2018: 16%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by (23,419)/23,401
		30 September 2019: 8%	1% increase/(decrease) in the risk-free rate would result in a (decrease)/increase in fair value by (28,348)/28,329

30. SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 3 November 2015 with an initial authorised share capital of US$50,000 divided into 500,000,000 shares with a par value of US$0.0001 each. In September 2016, the authorised share capital was further sub-divided into 25,000,000,000 shares with a par value of US$0.000002 each.

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
Ordinary shares of US$0.000002 each	3	3	4

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital	Share premium
	'000	*RMB'000*	*RMB'000*
Issued and fully paid:			
As at 1 January 2017, 31 December 2017, 31 December 2018 and 1 January 2019	194,462	3	–
Settlement of RSUs and share options	105,794	1	9,341
As at 30 September 2019	300,256	4	9,341

31. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Other reserve

The Group's other reserve includes:

(i) The excess of consideration for purchasing the remaining 10% shares of its subsidiary held by a non-controlling shareholder over the proportion of the carrying amounts of the subsidiary's net assets acquired; and

(ii) The capital contribution was from a holder of the Preferred Shares of the Company. The Company obtained an interest-free loan of US$6.59 million from King Bridge in April 2017 (note 28). Management of the Company measured the loan at fair value on initial recognition, and the difference between the loan amount and its fair value was treated as a contribution to the Company. The loan was fully settled by the Company in February 2018.

(b) Foreign exchange reserve

The foreign exchange 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.

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

Except for the transactions mentioned in note 35(a)(i), there were no major non-cash transactions during the Relevant Periods.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Loans from a related party	Convertible redeemable preferred shares	Convertible loan	Loans and borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	12	46,062	–	95,045	13,099	154,218
Changes from financing activities	43,794	31,029	–	(21,002)	(3,924)	49,897
Changes in fair value	–	272,686	–	–	–	272,686
Currency translation differences	(1,609)	(10,865)	–	–	–	(12,474)
Non-cash transaction *(note 35(a)(i))*	8,596	(8,596)	–	–	–	–
Accretion of interest	538	–	–	1,177	689	2,404
At 31 December 2017 and 1 January 2018	51,331	330,316	–	75,220	9,864	466,731
Changes from financing activities	(31,508)	1,165,184	930,000	(25,424)	(4,959)	2,033,293
Changes in fair value	–	387,804	27,269	–	–	415,073
Currency translation differences	1,476	38,843	–	–	–	40,319
Non-cash transaction *(note 35(a)(i))*	(12,603)	12,603	–	–	–	–
New lease arrangements	–	–	–	–	7,556	7,556
Accretion of interest	186	–	–	599	662	1,447
At 31 December 2018 and 1 January 2019	8,882	1,934,750	957,269	50,395	13,123	2,964,419
Changes from financing activities	–	412,672	–	(50,466)	(5,689)	356,517
Changes in fair value	–	499,552	43,714	–	–	543,266
Currency translation differences	252	78,250	–	–	–	78,502
New lease arrangements	–	–	–	–	3,349	3,349
Accretion of interest	67	–	–	71	438	576
At 30 September 2019	9,201	2,925,224	1,000,983	–	11,221	3,946,629
At 31 December 2017 and 1 January 2018	51,331	330,316	–	75,220	9,864	466,731
Changes from financing activities	(31,507)	333,706	–	(15,331)	(2,437)	284,431
Changes in fair value	–	363,285	–	–	–	363,285
Currency translation differences	1,491	45,072	–	–	–	46,563
Non-cash transaction	(12,604)	12,604	–	–	–	–
New lease arrangements	–	–	–	–	665	665
Accretion of interest	164	–	–	462	412	1,038
At 30 September 2018 (unaudited)	8,875	1,804,983	–	60,351	8,504	1,162,713

33. SHARE-BASED PAYMENTS

The Company operates three share-based payment schemes, 2015 Global Share Plan, 2016 Global Share Plan and 2018 Global Share Plan (the "Schemes") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Schemes include the Company's directors, the Group's employees and consultants.

"Class A Ordinary Shares" means the Company's class A ordinary shares, with a par value of US$0.000002 per share.

"Class B Ordinary Shares" means the Company's class B ordinary shares, with a par value of US$0.000002 per share, all of which shall be reserved and issued for employee incentive purposes under the employee stock option plan as adopted by the board of directors of the Company.

2015 Global Share Plan

The 2015 Global Share Plan became effective on 6 September 2016 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 183,888,050 Class B Ordinary Shares. The 2015 Global Share Plan permits the awards of share options and RSUs. Share options and RSUs do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

The Group granted 52,144,445 share options at exercise prices of US$0.024 or US$0.0264, and 130,951,006 RSUs at par value of the Company's shares to certain eligible individuals under the plan as of 30 September 2019.

2016 Global Share Plan

The 2016 Global Share Plan became effective on 6 September 2016 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 22,200,000 Class B Ordinary Shares. The 2016 Global Share Plan permits the awards of RSUs, which do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

No RSUs have been granted by the Group under the 2016 Global Share Plan as of 30 September 2019.

2018 Global Share Plan

The 2018 Global Share Plan became effective on 28 November 2018 and, unless otherwise cancelled or amended, will continue in effect for a term of 10 years from the date of grant. The maximum aggregate number of shares that may be issued under this plan is 68,498,464 Class B Ordinary Shares. The 2018 Global Share Plan permits the awards of RSUs, which do not confer rights to the holders to vote or receive dividends or any other rights until the shares are issued.

The Group has granted 1,300,000 RSUs at an exercise price of US$0.178 to certain eligible individuals under the plan as of 30 September 2019.

Share options

The share options have vesting terms in schedule from the grant date over 4 years on the condition that the directors and employees remain in service and fulfil certain performance conditions of the Company and individuals.

Subject to the achievement of certain performance conditions and the directors and employees' continued status as a service provider through each of the applicable vesting dates and to the extent permitted by applicable law, the option shall be vested in whole or in part in accordance with the option rules and the vesting schedule set forth as follows:

(1) 60% of the share options have been granted on the condition that the eligible directors and employees remain in service ("time options"). The time options will be vested within 4 years from the vesting commencement date. Specifically, 25% of the time options shall become vested upon the first anniversary of the vesting commencement date by one-time, and the remaining vesting of time options shall subsequently vest in equal and continuous annually instalments over the three years thereafter, which shall vest on each of the following three anniversaries of such date ("the Vesting Rule").

(2) 20% of the share options have been granted as company performance-based share options to the directors and employees of the Group ("company performance-based options"). The vesting of such company performance-based options shall be subject to the achievement of the company performance target. The company performance-based options will be vested within 4 years from the vesting commencement date. The Vesting Rule is the same as what has been set forth in (1) above.

(3) the remaining 20% of the share options have been granted as individual performance-based share options to the directors and employees ("individual performance-based options"). The vesting of such individual performance-based options shall be subject to the achievement of the individual performance target. The individual performance-based options will be vested within 4 years from the vesting commencement date. The Vesting Rule is the same as what has been set forth in (1) above.

For those awards, evaluations are made as of each reporting period to assess the likelihood of performance criteria being met. Share-based payment expenses are then adjusted to reflect the revision of original estimates.

The exercise prices and exercise periods of the share options outstanding under 2015 Global Share Plan as at the end of each of the Relevant Periods are as follows:

	Number of Share options	Average exercise price per share option
		US$
Outstanding as of 1 January 2017, 31 December 2017, 31 December 2018 and 1 January 2019 *(note)*	52,144,445	0.0253
Exercised during the period	(52,144,445)	0.0253
As at 30 September 2019	–	

Note: There were 24,222,223 share options with an exercise price of US$0.024 each and 27,922,222 share options with an exercise price of US$0.0264 each.

Fair value of share options

The fair value of equity-settled share options granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used.

	31 December		30 September
	2017	2018	2019
Expected volatility (%)	62	59	N/A
Risk-free interest rate (%)	2.37	2.61	N/A
Expected life of options (year)	8.68	7.68	N/A
Weighted average share price (US$ per share)	0.16	0.43	N/A

RSUs

The Group also grants RSUs at the par value of the ordinary shares to the Company's directors and the Group's employees and consultants under the 2015 Global Share Plan. Besides, the Group also grants RSUs at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan.

The RSUs have vesting terms in different schedules from the grant date over 4 years, 5 years or certain milestone-based requirements. Once the vesting conditions underlying the respective RSUs are met, the shares under RSUs will be issued to the grantees at par value.

(1) For vesting schedule as 4 years or 5 years, specifically, the RSUs awarded vest in tranches from the grant date over a certain service period, on the condition that employees remain in service and met the certain performance condition of the Company and individuals. There are three types for the period of cliff vesting set as follows:

(a) The period of cliff vesting equals to 1 year, 25% of the RSUs shall become vested upon the first anniversary of the vesting commencement date by one time;

(b) The period of cliff vesting equals to 2 years, 40% of the RSUs shall become vested upon the first (or second) anniversary of the vesting commencement date by one time; or

(c) The period of cliff vesting equals to 3 years, 60% of the RSUs shall become vested upon the third anniversary of the vesting commencement date by one time.

After the agreed period of cliff vesting, the remaining vesting of RSUs shall subsequently vest in equal and continuous annually instalments over the three or two years thereafter, which shall vest on each of the following three or two anniversaries of such date.

(2) For vesting schedule as certain milestone-based awards, the RSUs are vested subject to the directors and employees' continued status as a service provider and the achievement of a specified performance target including but not limited to the completion of marketing authorisation of various drug candidates or achievement of certain sales targets.

Subject to the achievement of certain milestone conditions, certain performance conditions and the directors and employees' continued status as a service provider through each of the applicable vesting dates, and to the extent permitted by applicable law, the RSUs shall be vested in whole or in part in accordance with the rules and the vesting schedule as same as what has been set forth regards share options above.

The following RSUs were outstanding under the Schemes as at the end of each of the Relevant Periods are as follows:

	Number of RSUs			
	2015 Global share plan	**2016 Global share plan**	**2018 Global share plan**	**Total**
Outstanding as of 1 January 2017	33,183,335	–	–	33,183,335
Granted during the year	37,055,556	–	–	37,055,556
Outstanding as of 31 December 2017 and 1 January 2018	70,238,891	–	–	70,238,891
Granted during the year	43,306,560	–	–	43,306,560
Outstanding as of 31 December 2018 and 1 January 2019	113,545,451	–	–	113,545,451
Granted during the period	17,405,555	–	1,300,000	18,705,555
Exercised during the period	(53,649,670)	–	–	(53,649,670)
Outstanding as of 30 September 2019	77,301,336	–	1,300,000	78,601,336

The fair value of each RSU at the respective grant dates is determined by using back-solve method from the most recent transaction price of the Company's Preferred Shares.

The Group recognised share-based payment expenses of RMB10.4 million, RMB65.2 million, RMB48.9 million and RMB48.9 million for the years ended 31 December 2017 and 2018 and the nine months ended 30 September 2019 and 30 September 2018, respectively.

At the date of approval of this Historical Financial Information, 136,509,788 RSUs have been reserved for further grant or vesting under the Schemes, which represented approximately 16% of the Group's ordinary shares and the convertible redeemable preferred shares in issue as at that date.

34. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Plant and machinery	–	1,542	175,197

35. RELATED PARTY TRANSACTIONS

Group and Company

(a) The Group had the following transactions with a related party during the Relevant Periods and the nine months ended 30 September 2018:

		Year ended 31 December		Nine months ended 30 September	
	Note	2017	2018	2018	2019
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Loans from a related party:					
King Bridge	*(i)*	52,390	–	–	–
Repayment to a related party:					
King Bridge	*(i)*	–	44,112	44,112	–

(b) Outstanding balances with a related party:

	As at 31 December		As at 30 September
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Loans from a related party:			
King Bridge	51,331	8,882	9,215

Note:

(i) In April 2017, the Company obtained an interest-free loan of US$6,590,918 from a holder of convertible redeemable preferred shares, King Bridge, of which US$4,590,918 was repaid in cash by the Company and the remaining US$2,000,000 was settled by issuing to King Bridge with the equivalent consideration of Series C Preferred Shares in February 2018 when it was due (the "non-cash transaction for this settlement").

In July 2017, the Company repurchased 22,000,000 Series B Preferred Shares of its own from the preferred shareholder, King Bridge, at an aggregate consideration of US$1,275,047 (the "non-cash transaction for this redemption") which is unsecured, interest-bearing at 1% per annum and repayable at the earlier of (i) 21 July 2023 and (ii) the consummation of the initial public offering of the Company's ordinary shares. The Company expects to fully settle the consideration prior to the listing.

(c) Compensation of key management personnel of the Group:

	Year ended 31 December		Nine months ended 30 September	
	2017	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(Unaudited)	
Short-term employee benefits	2,613	4,534	3,196	5,602
Pension scheme contributions	150	90	67	72
Share-based payment expenses	7,689	61,079	45,810	35,700
Total compensation paid to key management personnel	10,452	65,703	49,073	41,374

Further details of directors' and the chief executive's remuneration are included in note 8 to the Historical Financial Information.

36. 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
	RMB'000
Financial assets included in deposits, prepayments and other receivables	2,049
Investments measured at amortised cost	10,023
Cash and bank balances	36,874
	48,946

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,958	–	2,958
Loans and borrowings	75,220	–	75,220
Financial liabilities included in other payables and accruals	18,083	–	18,083
Lease liabilities	9,864	–	9,864
Loans from a related party	51,331	–	51,331
Convertible redeemable preferred shares	–	330,316	330,316
	157,456	330,316	487,772

As at 31 December 2018

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	44	–	44
Financial assets included in deposits, prepayments and other receivables	7,493	–	7,493
Investments measured at fair value through profit or loss	–	169,054	169,054
Cash and bank balances	1,876,618	–	1,876,618
	1,884,155	169,054	2,053,209

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,193	–	2,193
Loans and borrowings	50,395	–	50,395
Financial liabilities included in other payables and accruals	444	–	444
Lease liabilities	13,123	–	13,123
Loans from a related party	8,882	–	8,882
Convertible redeemable preferred shares	–	1,934,750	1,934,750
Convertible loan	–	957,269	957,269
	75,037	2,892,019	2,967,056

As at 30 September 2019

Financial assets

	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	27	–	27
Financial assets included in deposits, prepayments and other receivables	18,594	–	18,594
Investments measured at fair value through profit or loss	–	90,392	90,392
Cash and bank balances	2,349,992	–	2,349,992
	2,368,613	90,392	2,459,005

Financial liabilities

	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	5,887	–	5,887
Financial liabilities included in other payables and accruals	14,526	–	14,526
Lease liabilities	11,221	–	11,221
Loans from a related party	9,201	–	9,201
Convertible redeemable preferred shares	–	2,925,224	2,925,224
Convertible loan	–	1,000,983	1,000,983
	40,835	3,926,207	3,967,042

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, investments in wealth management products, trade receivables, financial assets included in deposits, prepayments and other receivables, trade payables, loans and borrowings, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At the end of each of the Relevant Periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments measured at fair value through profit or loss	–	169,054	–	169,054

As at 30 September 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments measured at fair value through profit or loss	–	90,392	–	90,392

Liabilities measured at fair value:

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
Convertible redeemable preferred shares	–	–	330,316	330,316

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
Convertible redeemable preferred shares	–	–	1,934,750	1,934,750
Convertible loan	–	–	957,269	957,269
	–	–	2,892,019	2,892,019

As at 30 September 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss:				
Convertible redeemable preferred shares	–	–	2,925,224	2,925,224
Convertible loan	–	–	1,000,983	1,000,983
	–	–	3,926,207	3,926,207

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial instruments in Level 2

The fair value of investments in wealth management products that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data, such as the discount rate where it is available.

Financial instruments in Level 3

The following table gives information about how the fair value of the convertible loan is determined. Further details of the convertible redeemable preferred shares are included in note 29 to the Historical Financial Information.

	Fair value	Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
	RMB'000		*(%)*	
At 31 December 2018	957,269	the discount rate	5.27	note
At 30 September 2019	1,000,983	the discount rate	5.15	note

Note: The relationship between unobservable inputs and fair value is the higher the discount rate, the lower the fair value of the convertible loan.

During the Relevant Periods, 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.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and bank balances, investments measured at fair value through profit or loss, investments measured at amortised cost, loans and borrowings, a convertible loan and convertible redeemable preferred shares. 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, trade payables and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The directors of the Company review and agree 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 US$	5	81	69
If RMB strengthens against US$	(5)	(81)	(69)
31 December 2018			
If RMB weakens against US$	5	50	43

	Increase/ (decrease) in rate of foreign currency	Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
If RMB strengthens against US$	(5)	(50)	(43)
30 September 2019			
If RMB weakens against US$	5	4	3
If RMB strengthens against US$	(5)	(4)	(3)

Credit risk

The carrying amounts of cash and bank balances, investments measured at amortised cost, investments measured at fair value through profit or loss, trade receivables, other receivables and other financial assets represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and bank balances, investments measured at amortised cost, investments measured at fair value through profit or loss since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from on-performance by these counterparties.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also expects that there is no significant credit risk associated with other receivables and other financial assets since counterparties to these financial assets have no history of default.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by 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 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,958	–	–	–	2,958
Loans and borrowings	–	25,424	50,429	–	75,853
Financial liabilities included in other payables and accruals	2,083	16,000	–	–	18,083
Lease liabilities	–	2,947	8,202	–	11,149
Loans from a related party	–	43,477	8,052	–	51,529
Convertible redeemable preferred shares *(note a)*	–	–	–	105,827	105,827
	5,041	87,848	66,683	105,827	265,399

	As at 31 December 2018				
	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,193	–	–	–	2,193
Loans and borrowings	–	50,429	–	–	50,429
Financial liabilities included in other payables and accruals	444	–	–	–	444
Lease liabilities	–	5,611	8,640	–	14,251
Loans from a related party	–	–	8,992	–	8,992
Convertible redeemable preferred shares *(note a)*	–	–	2,171,924	–	2,171,924
Convertible loan *(note b)*	–	–	–	1,302,775	1,302,775
	2,637	56,040	2,189,556	1,302,775	3,551,008

	As at 30 September 2019				
	On demand	Less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	5,887	–	–	–	5,887
Financial liabilities included in other payables and accruals	14,526	–	–	–	14,526
Lease liabilities	–	6,461	3,388	–	9,849
Loans from a related party	–	9,245	–	–	9,245
Convertible redeemable preferred shares *(note a)*	–	–	2,861,962	–	2,861,962
Convertible loan *(note b)*	–	–	–	1,302,775	1,302,775
	20,413	15,706	2,865,350	1,302,775	4,204,244

Note:

(a) The liquidity risk of convertible redeemable preferred shares is the original issue price of Preferred Shares plus the respective predetermined interest (the "redemption amount"), assuming that no consummation of public listing of the Company's shares before the fifth anniversary of the series D original issue date and the holders of the Preferred Shares request the Company to redeem all of the Preferred Shares.

(b) The liquidity risk of the convertible loan is the original loan principal plus the predetermined interest of 6.5% per annum, assuming that it will be due on 31 December 2024 without any conversion into ordinary shares of Guangzhou Innocare.

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 monitors capital (including share capital and preferred shares on an as-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares.

39. FINANCIAL POSITION AND RESERVE MOVEMENTS OF THE COMPANY

(a) The amount due from a subsidiary

The amount due from a subsidiary is non-interest bearing, denominated in US$, receivable on demand and approximated to its fair value.

(b) The amount due to a subsidiary

The amount due to a subsidiary was non-interest bearing, denominated in US$, repayable on demand and approximated to its fair value.

(c) Reserves

	31 December 2017				
	Other reserve	Share-based payments reserve	Foreign exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017	–	2,459	(793)	(11,087)	(9,421)
Loss for the year	–	–	–	(283,624)	(283,624)
Exchange differences on translation of financial statements into the presentation currency	–	–	7,758	–	7,758
Total comprehensive income/(loss) for the year	–	–	7,758	(283,624)	(275,866)
Contribution from a holder of convertible redeemable preferred shares	602	–	–	–	602
Share-based payments	–	10,395	–	–	10,395
At 31 December 2017	602	12,854	6,965	(294,711)	(274,290)

	31 December 2018				
	Other reserve	Share-based payments reserve	Foreign exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	602	12,854	6,965	(294,711)	(274,290)
Loss for the year	–	–	–	(453,499)	(453,499)
Exchange differences on translation of financial statements into the presentation currency	–	–	(9,338)	–	(9,338)
Total comprehensive loss for the year	–	–	(9,338)	(453,499)	(462,837)
Share-based payments	–	65,215	–	–	65,215
At 31 December 2018	602	78,069	(2,373)	(748,210)	(671,912)

	30 September 2019					
	Share Premium	Other reserve	Share-based payments reserve	Foreign exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	–	602	78,069	(2,373)	(748,210)	(671,912)
Loss for the period	–	–	–	–	(531,068)	(531,068)
Exchange differences on translation of financial statements into the presentation currency	–	–	–	(27,724)	–	(27,724)
Total comprehensive loss for the period	–	–	–	(27,724)	(531,068)	(558,792)
Issue of shares	9,341	–	–	–	–	9,341
Share-based payments	–	––	48,880	–	–	48,880
At 30 September 2019	9,341	602	126,949	(30,097)	(1,279,278)	(1,172,483)

	30 September 2018				
	Other reserve	Share-based payments reserve	Foreign exchange Reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	602	12,854	6,965	(294,711)	(274,290)
Loss for the period	–	–	–	(412,515)	(412,515)
Exchange differences on translation of financial statements into the presentation currency	–	–	(10,082)	–	(10,082)
Total comprehensive loss for the period	–	–	(10,082)	(412,515)	(422,597)
Share-based payments	–	48,912	–	–	48,912
At 30 September 2018	602	61,766	(3,117)	(707,226)	(647,975)

40. EVENTS AFTER THE REPORTING PERIOD

On 4 November 2019, the Group granted 1,840,000 RSUs at an exercise price of US$0.178 to certain eligible individuals under the 2018 Global Share Plan. In January 2020, the Group cancelled the granted 16,000,000 RSUs which were at an exercise price of US$0.000002 to certain eligible individuals under the 2015 Global Share Plan, granted 16,792,599 immediate exercisable RSUs under the 2015 Global Share Plan and 15,490,012 immediate exercisable RSUs under the 2016 Global Share Plan at nil exercise price, and granted 1,015,000 RSUs at an exercise price of US$0.178 under the 2018 Global Share Plan.

41. 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 September 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 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 September 2019 as if the Global Offering had taken place on that date as set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the Global Offering been completed as at 30 September 2019 or at any future date. It is prepared based on our consolidated net tangible liabilities as of 30 September 2019 as set out in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets do not form part of the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

	Audited consolidated net tangible liabilities attributable to owners of the Company as of 30 September 2019	**Estimated net proceeds from the Global Offering**	**Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing**	**Unaudited pro forma adjusted consolidated net tangible assets as of 30 September 2019**	**Unaudited pro forma adjusted consolidated net tangible assets per share as of 30 September 2019**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*	*(note 3)*		*(note 4)*	*(note 5)*
Based on an Offer price of HK$8.18 per share	(1,581,524)	1,722,594	2,925,224	3,066,294	2.45	2.74
Based on an Offer price of HK$8.95 per share	(1,581,524)	1,888,289	2,925,224	3,231,989	2.58	2.88

Notes:

1. The consolidated net tangible liabilities attributable to owners of the Company as at 30 September 2019 is arrived at after deducting goodwill and other intangible assets of RMB39,960,000 from the audited consolidated net liabilities attributable to owners of the Company of RMB1,541,564,000 as at 30 September 2019, as shown in the Accountants' Report.

2. The estimated net proceeds from the Global Offering are based on estimated low end and high end offer prices of HK$8.18 or HK$8.95 per share after deduction of the underwriting fees and commissions and other related listing expense which are not recorded in consolidated statements of profit or loss for the Relevant Periods and do not take into account any share (i) which may be allotted and issued upon exercise of the Over-allotment Option or (ii) upon the exercise of the share options granted or any shares that may be issued by the Company under the ESOP plan.

3. Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into Ordinary Shares. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to owners of the Company will be increased by RMB2,925,224,000, being the carrying amounts of the Preferred Shares as at 30 September 2019.

4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per share is arrived at after adjustments referred to note 2 and 3 above and on the basis that 1,251,617,235 shares are in issue, assuming that the conversion of Preferred Shares into Ordinary Shares and the Global Offering had been completed on 30 September 2019. However, this does not take into account any options or share award units to be granted, or any shares which may be issued upon the exercise of the share options and the share award units by the Company under the ESOP plan.

5. The unaudited pro forma adjusted consolidated net tangible assets per share are converted into Hong Kong dollars at the rate of RMB0.89553 to HK$1.00, which was the exchange rate prevailing on 2 March 2020 with reference to the rate published by the People's Bank of China.

6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2019.

The following is the preliminary financial information of our Group as of and for the year ended December 31, 2019 (the "**2019 Preliminary Financial Information**"), together with a management's discussion and analysis of our Group's financial condition and results of operations. The preliminary financial information has been prepared based on the consolidated financial statements of the Group prepared in accordance with HKFRS. The 2019 Preliminary Financial Information was not audited. Investors should bear in mind that the 2019 Preliminary Financial Information in this appendix may be subject to adjustments.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	**2018**	**2019**
		RMB'000	*RMB'000*
		(Audited)	*(Unaudited)*
REVENUE	*4*	1,617	1,247
Cost of sales		–	–
Gross profit		1,617	1,247
Other income and gains	*4*	31,395	104,449
Selling and distribution expenses		(558)	(3,458)
Research and development costs		(149,726)	(213,123)
Administrative expenses		(17,523)	(63,623)
Other expenses		(27,979)	(159,909)
Fair value changes of convertible redeemable preferred shares		(387,804)	(1,814,018)
Finance costs		(3,441)	(1,916)
Share of profits and losses of joint ventures		(4)	–
LOSS BEFORE TAX	*5*	(554,023)	(2,150,351)
Income tax expense	*6*	–	–
LOSS FOR THE YEAR		(554,023)	(2,150,351)
Attributable to:			
Owners of the parent		(549,950)	(2,141,388)
Non-controlling interests		(4,073)	(8,963)
		(554,023)	(2,150,351)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	RMB(2.83)	RMB(9.32)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	**2018**	**2019**
		RMB'000	*RMB'000*
		(Audited)	*(Unaudited)*
LOSS FOR THE YEAR		(554,023)	(2,150,351)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of financial statements		(27,502)	(34,167)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		(581,525)	(2,184,518)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(581,525)	(2,184,518)
Attributable to:			
Owners of the parent		(577,452)	(2,175,555)
Non-controlling interests		(4,073)	(8,963)
		(581,525)	(2,184,518)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018	As at 31 December 2019
		RMB'000	*RMB'000*
		(Audited)	*(Unaudited)*
NON-CURRENT ASSETS			
Property, plant and equipment		4,908	48,479
Goodwill		3,125	3,125
Other intangible assets		36,947	37,011
Right-of-use assets		13,053	86,311
Investments in joint ventures		1,159	1,159
Other non-current assets		78,463	30,861
Total non-current assets		137,655	206,946
CURRENT ASSETS			
Trade receivables		44	37
Deposits, prepayments and other receivables		17,788	36,590
Investments measured at fair value through profit or loss		169,054	80,347
Cash and bank balances		1,876,618	2,291,773
Total current assets		2,063,504	2,408,747
CURRENT LIABILITIES			
Trade payables	*9*	2,193	8,197
Loans and borrowings		50,395	–
Other payables and accruals		5,397	41,528
Deferred income		90	645
Lease liabilities		5,332	6,204
Loans from a related party		8,882	9,098
Total current liabilities		72,289	65,672
NET CURRENT ASSETS		1,991,215	2,343,075
TOTAL ASSETS LESS CURRENT LIABILITIES		2,128,870	2,550,021
NON-CURRENT LIABILITIES			
Convertible loan	*10*	957,269	1,117,176
Convertible redeemable preferred shares	*11*	1,934,750	4,213,772
Lease liabilities		7,791	3,394
Deferred income		61,398	157,389
Deferred tax liabilities		6,036	6,036
Total non-current liabilities		2,967,244	5,497,767
DEFICIENCY IN ASSETS		(838,374)	(2,947,746)
Equity attributable to owners of the parent			
Share capital		3	4
Reserves		(904,304)	(3,004,714)
		(904,301)	(3,004,710)
Non-controlling interests		65,927	56,964
Total equity		(838,374)	(2,947,746)

NOTES TO THE 2019 PRELIMINARY FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 3 November 2015. The registered office of the Company is located at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009 Cayman Islands.

The Company is an investment holding company. During the year, the Group was involved in the research and development of biological products.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Ocean Prominent Limited	British Virgin Islands	US$1	100%	–	Investment holding
Sunny Investments Limited	Hong Kong	HK$1	–	100%	Investment holding
InnoCare Pharma Inc.	United States of America ("USA")	US$10,000,000	–	100%	Clinical trial
InnoCare Pharma Australia Pty Ltd.	Australia	AU$10	–	100%	Clinical trial
Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司)	People's Republic of China/Mainland China	US$50,000,000	–	100%	Research and development
Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. (南京天印健華醫藥科技有限公司)	People's Republic of China/Mainland China	RMB10,000,000	–	100%	Research and development
Beijing Tiancheng Pharma Tech Co., Ltd. (北京天誠醫藥科技有限公司)	People's Republic of China/Mainland China	RMB34,290,000	–	100%	Research and development
Shanghai Tian Jin Pharma Tech Co., Ltd. (上海天瑾醫藥科技有限公司)	People's Republic of China/Mainland China	RMB4,000,000	–	100%	Research and development
Guangzhou InnoCare Pharma Tech Co., Ltd. (廣州諾誠健華醫藥科技有限公司)	People's Republic of China/Mainland China	RMB1,000,000,000	–	93%	Research and development
Guangzhou InnoCare Biological Tech Co., Ltd. (諾誠健華(廣州)生物科技有限公司)	People's Republic of China/Mainland China	US$30,000,000	–	100%	Research and development

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

2.1 BASIS OF PREPARATION

The 2019 Preliminary 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 Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The 2019 Preliminary Financial Information and comparative financial information as of and for the years ended December 31, 2018 and 2019 have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products which have been measured at fair value.

These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except for the amendments to HKFRS 9, HKAS 19, HKAS 28 and Annual Improvements to HKFRSs 2015-2017 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any impact on the consolidated financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

Since the Group's revenue and operating losses were mainly from the activities related to research and development in Mainland China, and most of the Group's identifiable operating assets and liabilities were located in Mainland China, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about major customers

Revenue from each of the major customers which amounted to 10% or more of the Group's revenue during the reporting periods are set out below:

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Customer A	175	254
Customer B	623	–
Customer C	472	–
	1,270	254

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Revenue from contracts with customers		
- research and development services	1,617	1,247
Timing of revenue recognition from contracts with customers		
- At a point in time	1,617	1,247

The performance obligation is satisfied upon delivery of the research and development services report and payment is generally due within 90 days from delivery.

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Other income and gains		
Government grants *(note)*	17,543	28,328
Bank interest income	8,416	72,047
Investment income from investments in wealth management products	1,337	3,772
Foreign exchange gains, net	4,099	302
	31,395	104,449

Note: Government grants have been received from the PRC local government authorities to support the subsidiaries' research and development activities. There are no unfulfilled conditions related to these government grants.

5. LOSS BEFORE TAX

Our Group's loss before tax is arrived at after charging:

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Depreciation of property, plant and equipment	1,078	1,462
Depreciation of right-of-use assets	4,219	7,204
Amortisation of other intangible assets	91	400
Auditor's remuneration	103	558
Listing expense	–	20,289
Fair value changes of a convertible loan	27,269	159,907
Fair value changes of convertible redeemable preferred shares	387,804	1,814,018
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	28,322	57,083
Pension scheme contributions	5,773	9,880
Staff welfare expenses	2,007	2,484
Share-based payment expenses	65,215	65,804
	101,317	135,251

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("BVI"), Ocean Prominent Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Ocean Prominent Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the years.

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income. Preferential tax treatment is available to Beijing InnoCare Pharma Tech Co., Ltd. and Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. ("InnoCare Nanjing"), since they were recognised as High and New Technology Enterprises in 2017 and 2018, respectively, and are entitled to a preferential tax rate of 15% for a three-year period.

Australia

The subsidiary incorporated in Australia is subject to income tax at the rate of 27.5% on the estimated assessable profits arising in Australia during the years.

United States of America

The subsidiary incorporated in Delaware, United States is subject to statutory United States federal corporate income tax at a rate of 21%. It is also subject to the state income tax in Delaware at a rate of 8.7% during the years.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Loss before tax	(554,023)	(2,150,351)
Tax at the statutory tax rate of 25%	(138,506)	(537,588)
Effect of tax rate differences in other jurisdictions	114,222	469,493
Preferential tax rates applicable to certain subsidiaries	871	15,736
Additional deductible allowance for qualified research and development costs	(17,287)	(23,986)
Tax losses not recognised	40,377	75,734
Expenses not deductible for tax	323	611
Tax charge at the Group's effective rate	–	–

The Group also has tax losses of RMB683,673,637 for the year (2018: RMB295,829,742), that will expire in one to five years for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

7. DIVIDENDS

No dividends have been declared and paid by the Company during the years ended 31 December 2018 and 2019.

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

Loss figures are calculated as follows:

	Year ended December 31	
	2018	**2019**
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Loss		
Loss for the year attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	(549,950)	(2,141,388)

	Number of shares	
	2018	**2019**
	(Audited)	*(Unaudited)*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	194,461,950	229,726,655

The computation of basic and diluted loss per share for the years ended 31 December 2019 and 2018 respectively excluded the unvested share options and restricted stock units of the Company.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2019 and 2018 in respect of a dilution as the impact of the conversion of the convertible redeemable preferred shares, the exercise of share options and restricted stock units, or the convertible loan had an anti-dilutive effect on the basic loss per share amounts presented. Accordingly, dilutive loss per share for the year ended 31 December 2019 and 2018 are the same as basic loss per share.

9. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Within 3 months	2,193	8,197

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

10. CONVERTIBLE LOAN

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Non-current portion		
Convertible loan	957,269	1,117,176

	Convertible loan
	RMB'000
At 1 January 2019	957,269
Changes in fair value	159,907
At 31 December 2019 (Unaudited)	1,117,176
At 1 January 2018	–
Proceeds	930,000
Changes in fair value	27,269
At 31 December 2018 (Audited)	957,269

In August 2018, Guangzhou InnoCare Pharma Tech Co., Ltd. ("Guangzhou InnoCare") was jointly established by Guangzhou Kaide Technology Development Limited ("Guangzhou Kaide", it was renamed Guangzhou Development Zone Financial Holding Group Co., Ltd. since September 2019) and a subsidiary of the Company. In addition, Guangzhou Kaide provided Guangzhou InnoCare with a convertible loan amounting to RMB930 million, which bears interest at 6.5% per annum and is due on 31 December 2024. Under the loan agreement, Guangzhou Kaide has been granted an option to convert the loan into ordinary shares of Guangzhou InnoCare under certain conditions. The Group does not bifurcate any embedded derivatives from the host instrument and has designated the loan from Guangzhou Kaide with a convertible right ("convertible loan") as a financial liability at fair value through profit or loss.

11. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Convertible redeemable preferred shares (the "Preferred Shares") issued by the Company are redeemable upon occurrence of certain future events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an initial public offering of the Company' shares, or when agreed by the majority of the holders of each class of the Preferred Shares.

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing preferred shares, details of which are included below:

		Purchase price (US$/Share)		Number of Preferred Shares		Total consideration	
	Date of issuance	*(Note a)* Before the share sub-division	After the share sub-division	Before the share sub-division	After the share sub-division	Denominated in US$	Approximately equivalent to RMB
Series A Preferred Shares	6 March 2016	1.2420	0.0248	1,110,000	55,500,000	1,484,772	9,693,182
Series B1 Preferred Shares	29 April 2016	2.8720	0.0574	1,323,000	66,150,000	3,799,681	25,000,000
Series B2 Preferred Shares	26 January 2017	N/A	0.0545	N/A	55,566,000	3,030,348	21,003,948
Series B1 Preferred Shares *(Note b)*	27 July 2017	N/A	0.0574	N/A	(22,200,000)	(1,275,047)	(8,595,729)
Series B3 Preferred Shares	4 October 2017	N/A	0.0570	N/A	26,460,000	1,508,706	10,017,657
Series C Preferred Shares	5 February 2018	N/A	0.3780	N/A	145,506,500	55,000,000	346,310,400
Series D1 Preferred Shares	28 November 2018	N/A	0.8794	N/A	182,518,529	160,500,000	1,107,205,000
Series D2 Preferred Shares	21 June 2019	N/A	0.8794	N/A	22,743,742	19,999,980	136,943,863

Note (a): Pursuant to the Company's shareholders' resolution passed on 6 September 2016, every authorised share of the issued convertible redeemable preferred shares is sub-divided into 50 times with a par value of US$0.000002.

Note (b): Pursuant to the shareholders' resolution passed on 21 July 2017, the Company repurchased 22,200,000 issued convertible redeemable preferred shares from King Bridge Investments Limited ("King Bridge") for an aggregate consideration of US$1,275,047 plus relevant interest. All the rights attached with the Preferred Shares have been terminated upon entering into such repurchase agreement.

Note (c): Series B Preferred Shares include Series B1 Preferred Shares, Series B2 Preferred Shares and Series B3 Preferred Shares; Series D Preferred Shares include Series D1 Preferred Shares and Series D2 Preferred Shares.

The key terms of all series of the Preferred Shares are summarised as follows:

Dividend rights

Prior to the Qualified IPO (see definition below), the declaration or payment of dividends or any other kinds of profit distributions of the Company and its subsidiaries and the material change of the dividend policies of the Company and its subsidiaries shall obtain the prior approval of the Company's board of directors (including the affirmative votes of series B director, series C director and series D director, respectively, which shall not be unreasonably withheld or delayed). Holders of the Preferred Shares shall be entitled to the same dividends and distribution as those declared or paid on ordinary shares on an as-converted basis. No dividends have been declared by the Company up to the date of this report.

"Qualified IPO" is defined as a firm underwritten initial public offering by the Company (or other vehicle to be established for the purpose of the qualified public offering with the prior written consent of the holders of the Preferred Shares) of its shares on an internationally recognised stock exchange or any PRC stock exchanges pursuant to a prospectus or offering circular under applicable securities laws resulting in a portion of the shares of the Company becoming freely tradable.

Conversion option

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time, or automatically be converted to ordinary shares at the then effective applicable conversion price upon (i) the closing of a Qualified IPO; or (ii) (a) with respect to the series A Preferred Shares and series B Preferred Shares, upon the prior written consent of the holders of at least two thirds (2/3) of the series A Preferred Shares and series B Preferred Shares (voting together as a single class); (b) with respect to the series C Preferred Shares, upon the prior written consent of the majority of the holders of the series C Preferred Shares (voting separately as a single class); (c) with respect to the series D Preferred Shares, upon the prior written consent of the majority of the holders of the series D Preferred Shares (voting separately as a single class).

Liquidation preferences

Upon occurrence of a Deemed Liquidation Event (see definition below), either voluntary or involuntary, distributions to the members of the Company shall be made in the following manner before any to the ordinary shareholders:

Firstly, the holders of the series D Preferred Shares then outstanding shall be entitled to receive with respect to each series D Preferred Share held by such holders, on parity with each other and prior and in preference to any distribution of any of the assets or funds to the holders of the series C Preferred Shares, series B Preferred Shares, series A Preferred Shares or ordinary shares by reason of their ownership of such shares, the amount ("Series D Preference Amount") equal to 100% of the series D original issuance price plus an annual return on investment equal to 10% of such series D original issuance price calculated from the series D original issue date to the payment date, and plus any declared but unpaid dividends relating to the series D Preferred Shares;

Second, the holders of the series C Preferred Shares then outstanding shall be entitled to receive with respect to each series C Preferred Share held by such holders, on parity with each other and prior and in preference to any distribution of any of the assets or funds to the holders of the series B Preferred Shares, series A Preferred Shares or ordinary shares by reason of their ownership of such shares, the amount ("Series C Preference Amount") equal to 100% of the series C original issuance price plus an annual return on investment equal to 10% of such series C original issuance price calculated from the series C original issue date to the payment date, and plus any declared but unpaid dividends relating to series C Preferred Shares;

Third, the holders of the series B Preferred Shares then outstanding and the holders of the series A Preferred Shares then outstanding shall be entitled to receive with respect to each series B Preferred Share and series A Preferred Share, on parity with each other and prior and in preference to any distribution of any of the assets or funds to the holders of ordinary shares by reason of their ownership of such shares, the amount equal to:

i. with respect to each series B Preferred Share, 100% of the series B original issue price, plus an annual return on investment equal to 12% of such series B original issue price calculated from the series B original issue date to the payment date, and plus any declared but unpaid dividends relating to such series B Preferred Shares (the "Series B Preference Amount"); and

ii. with respect to each series A Preferred Share, 100% of the series A original issue price, plus an annual return on investment equal to 12% of such series A original issue price calculated from the series A original issue date to the payment date, and plus any declared but unpaid dividends relating to such series A Preferred Shares (the "Series A Preference Amount").

If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full Preference Amount, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of such class of Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive.

After the payment has been distributed or paid in full to holders of Preferred Shares, then the remaining assets and funds available for distribution to the shareholders shall be distributed ratably among holders of Preferred Shares and ordinary shares, based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted into ordinary shares immediately prior to such Deemed Liquidation Event (see definition below).

Notwithstanding the foregoing, if the aggregate amount per share which any holder of any Preferred Shares is entitled to receive exceeds 3 times of its original issue price (the "Maximum Participating Amount"), such holder of such Preferred Share shall be entitled to receive at its sole discretion, upon such Deemed Liquidation Event (see definition below), the greater of (i) the Maximum Participating Amount, or (ii) the amount such holder would have received if all Preferred Shares had been converted into ordinary shares immediately prior to such Deemed Liquidation Event (see definition below).

Deemed Liquidation Event" is defined as: (a) any liquidation, winding up or dissolution of the Company; (b) a sale, lease, transfer or other disposition, in a single transaction or series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to a third party; (c) a transfer or an exclusive licensing, in a single transaction or series of related transactions, of all or substantially all of the intellectual properties of the Company and its subsidiaries taken as a whole to a third party; (d) a sale, transfer or other disposition of a majority of the equity securities of the Company (including all issued and outstanding shares, shares issuable upon conversion or exercise of all convertible or exercisable securities, and shares authorised or reserved under the equity share option plan ("ESOP") and any other option plan and warrant) to a third party; or (e) a merger, consolidation, amalgamation or acquisition of the Company and its subsidiaries taken as a whole by a third party, or any other corporate reorganisation or scheme of arrangement or other business combination of the Company and its subsidiaries taken as a whole with or into any other business entity in which the shareholder of the Company immediately prior to such merger, consolidation or business combination hold shares representing less than a majority of the voting power of the outstanding share capital of the surviving business entity immediately after such merger, consolidation or business combination, provided that the following event shall not be deemed as a Deemed Liquidation Event: (i) any merger or consolidation between subsidiaries of the Company or (ii) any merger or consolidation solely for the purpose of changing domicile of the Company..

Redemption feature

At any time after the earlier of (i) the occurrence of any material misrepresentation or inaccuracy in or breach by any warrantor of any of its representations, warranties, agreements, covenants or undertakings under the Transaction Documents (see definition below) or any fraud or wilful misconduct by any warrantor which would have a Material Adverse Effect (see definition below) on the Company and its subsidiaries, or (ii) the 5th anniversary of the series D original issue date if a Qualified IPO of the Company has not been consummated by that time, any holders of any Preferred Share, may request redemption by the Company of all or part of the outstanding Preferred Shares held by such redeeming holders out of funds legally available therefor in accordance with the orders, procedures and other requirements under the following terms.

The redemption price shall be paid by the Company to the holders of the Preferred Shares in amount equal to 100% of the original issue price on each Preferred Share, plus:

i. any declared but unpaid dividends with respect thereto and a compounded 8% per annum return (calculated from the series A original issue date to actual full payment date of the series A redemption price) (the "Series A Redemption Price") for the series A Preferred Shares;

ii. any declared but unpaid dividends with respect thereto and a compounded 8% per annum return (calculated from the series B original issue date to actual full payment date of the series B redemption price) (the "Series B Redemption Price") for the series B Preferred Shares;

iii. any declared but unpaid dividends with respect thereto and a compounded 15% per annum return (calculated from the series C original issue date to actual full payment date of the series C redemption price) (the "Series C Redemption Price") for the series C Preferred Shares;

iv. plus any declared but unpaid dividends with respect thereto and a compounded 8% per annum return (calculated from the series D original issue date to actual full payment date of the series D redemption price) for the series D Preferred Shares.

"Transaction Documents" is defined as the second amended and restated shareholders agreement dated as of 28 November 2018, the series D share subscription agreement, the fifth amended and restated memorandum and articles of association of the Company, the management rights letter to the purchaser of the series D Preferred Shares, the indemnification agreement with the director of the Company appointed by the holders of the series D preferred shares, and any other agreements entered into in writing in connection with the transactions contemplated hereby.

"Material Adverse Effect" is defined as a material adverse effect on (a) the ability of any warrantor to consummate or perform the transactions contemplated by the series D share subscription agreement, or (b) the operations, results of operations, condition (financial or otherwise), properties, assets, liabilities, business or prospects of the Company and its subsidiaries, taken as a whole.

The Group does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there is no material credit risk change during the eleven months ended 31 December 2019.

The convertible redeemable preferred shares were classified as non-current liabilities unless the preferred shareholders demand the Company to redeem the preferred shares within 12 months after the year ended 31 December 2019.

The movements of the convertible redeemable preferred shares are set out below:

	Series A Preferred Shares	**Series B Preferred Shares**	**Series C Preferred Shares**	**Series D Preferred Shares**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	168,570	388,619	548,871	828,690	1,934,750
Issue	–	–	–	412,672	412,672
Changes in fair value	194,570	442,178	521,062	656,208	1,814,018
Currency translation differences	4,364	10,009	13,291	24,668	52,332
At 31 December 2019 (Unaudited)	367,504	840,806	1,083,224	1,922,238	4,213,772
At 1 January 2018	99,413	230,903	–	–	330,316
Issue	–	–	346,310	831,477	1,177,787
Changes in fair value	62,614	142,821	180,684	1,685	387,804
Currency translation differences	6,543	14,895	21,877	(4,472)	38,843
At 31 December 2018	168,570	388,619	548,871	828,690	1,934,750

The Group applied the discount cash flow method to determine the underlying equity value of the Company and adopted the option-pricing method and equity allocation model to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	2018	2019
	RMB'000	*RMB'000*
	(Audited)	*(Unaudited)*
Discount rate	14%	13%
Risk-free interest rate	2.5%	1.65%
Lack of marketability discount	16%	6%
Volatility	60%	65%

The discount rate (pre-tax) was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of the China Government Bond as of each of the valuation date with a maturity life equal to the period from the respective appraisal dates to the expected liquidation date. The lack of marketability discount was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. The volatility was estimated based on implied volatility of comparable companies as of the valuation date. Probability weight under each of the redemption feature and liquidation preferences were based on the Group's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the Preferred Shares on the valuation date.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of credit risk of these instruments are not material.

BUSINESS REVIEW AND OUTLOOK

We are a clinical stage biopharmaceutical company committed to discovering, developing and commercializing potential best-in-class and/or first-in-class drugs for the treatment of cancer and autoimmune diseases. Led by a well-known management team of seasoned industry executives, we have built a biopharmaceutical platform with strong in-house R&D capabilities. Our vision is to become a global biopharmaceutical leader that develops and delivers innovative therapies for patients worldwide.

Leveraging our management team's global vision and local expertise, we have built a balanced drug portfolio. Our drug candidates are targeting both evidence-based and novel biological pathways. Our discovery and development efforts are focused on drug candidates with evidence-based targets that have the potential to be best-in-class from a safety and efficacy perspective. We also devote significant efforts in identifying novel targets and developing therapies with global breakthrough potential. In less than four years, our team has discovered and developed a pipeline of nine drug candidates, including one candidate with an NDA for r/r CLL/SLL and an NDA for MCL submitted and accepted for review by the NMPA, two candidates under clinical evaluation in Phase I/II trials and six candidates at the IND-enabling stage.

During the year, We are currently building a 50,000 m^2 manufacturing facility in Guangzhou for commercial scale production with an annual production capacity of one billion pills, which is expected to be completed and ready for use in the fourth quarter of 2020. The facility is designed to comply with good-manufacturing practice (GMP) requirements of the U.S., Europe, Japan and China. To support our near-term product launches, we have assembled our sales and marketing leadership team and are ramping up our commercialization team, which is expected to have 80 to 90 sales representatives by the end of 2020.

For the year ended December 31, 2019, we recorded a total revenue of RMB1.2 million, which represented a 22.9% decrease from the total revenue of RMB1.6 million for the year ended December 31, 2018. We experienced an decrease of 22.9% in gross profit accordingly since there were no cost of sales generated from the sales of products in the reporting periods. We also recorded an increase in our loss for the year from RMB554.0 million for the year ended December 31, 2018 to RMB2,150.4 million for the year ended December 31, 2019, representing an increase of 288.1%.

Going forward, we plan to implement the following strategies, which we believe, will further strengthen our core competitive strengths and enable us to capture rising business opportunities:

- Rapidly advance orelabrutinib through clinical development in B-cell malignancies and;
- Advance the development of ICP-192 and ICP-105 for solid tumors with aberrant FGFR signaling in China and worldwide;
- Develop orelabrutinib and other potential candidates for autoimmune diseases;
- Enhance our pipeline through in-house discovery and business development efforts;
- Build manufacturing and commercialization capabilities;
- Maximize the global value of our drug candidates.

Since December 31, 2019 and up to the Latest Practicable Date, our business generally experienced continued growth and, to the best of our knowledge, there is no change to the overall economic and market condition in China or in the industry in which we operate that may have a material adverse effect to our business operations and financial position.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND OPERATION RESULTS

Analysis of Key Items of Results of Operations

Revenue

	Year Ended December 31,			
	2018		2019	
	RMB'000	*%*	*RMB'000*	*%*
			(unaudited)	
	(in thousands, except percentages)			
Revenue from continuing operations				
Research and development services	1,617	100	1,247	100

Our revenue decreased by 22.9% from RMB1.6 million in 2018 to RMB1.2 million in 2019, which was primarily attributable to the decrease of service orders. None of such research and development services involved orelabrutinib (ICP-022) or other drug candidates in our pipeline.

Gross Profit and Gross Profit Margin

	Year Ended December 31,			
	2018		2019	
	RMB'000	*%*	*RMB'000*	*%*
			(unaudited)	
	(in thousands, except percentages)			
Research and development services	1,617	100	1,247	100

As a result of the foregoing, our gross profit decreased from RMB1.6 million in 2018 to RMB1.2 million in 2019.

Other Income and Gains

Our other income and gains increased by 232.7% from RMB31.4 million in 2018 to RMB104.4 million in 2019, primarily attributable to (i) RMB63.6 million increase in bank interest income from RMB8.4 million in 2018 to RMB72.1 million in 2019; (ii) RMB10.8 million increase in government grants from PRC local government authorities to support our subsidiaries' research and development activities from RMB17.5 million in 2018 to RMB28.3 million in 2019.

Research and development costs

Our research and development costs increased by 42.3% from RMB149.7 million in 2018 to RMB213.1 million in 2019, primarily due to the expansion of our clinical trials and the increase in share-based compensation. Such increase in R&D costs resulted from the following:

- RMB23.6 million increase of R&D employees cost from RMB26.6 million to RMB50.2 million;
- RMB18.7 million increase of third party contracting cost from RMB19.6 million to RMB38.3 million;
- RMB17.4 million increase of direct clinical trial expenses from RMB20.1 million to RMB37.5 million.

Administrative Expenses

Our administrative expenses increased by 263.1% from RMB17.5 million in 2018 to RMB63.6 million in 2019, primarily attributable to (i) an increase in employee cost of our administrative personnel from RMB9.9 million to RMB20.0 million; (ii) an increase in listing expense of RMB20.8 million from nil to RMB20.8 million; and (iii) an increase in depreciation and amortisation expenses from RMB1.3 million to RMB3.6 million.

Other expenses

Our other expenses increased by 471.5% from RMB28.0 million in 2018 to RMB159.9 million in 2019, primarily due to the increase of RMB132.6 million of fair value changes of the Guangzhou Kaide convertible loan from RMB27.3 million to RMB159.9 million.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares increased by 367.8% from RMB387.8 million in 2018 to RMB1,814.0 million in 2019, primarily attributable to major milestones achieved by us, including the NDA acceptance of orelabrutinib for r/r CLL/SLL by the NMPA in November 2019 and the NDA submission to the NMPA for r/r MCL in January 2020. These milestones have significantly reduced the development risks in relation to orelabrutinib, our Company's lead drug candidate, increasing the probability of success of the drug, which in turn boosts our Company's valuation.

Finance Costs

Our finance costs decreased by 44.3% from RMB3.4 million in 2018 to RMB1.9 million in 2019, primarily due to the decrease in the transaction costs for the issue of our convertible redeemable preferred shares.

Analysis of Key Items of Financial Position

Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,	
	2018	**2019**
		(Unaudited)
	(RMB in thousands)	
CURRENT ASSETS		
Trade receivables	44	37
Deposits, prepayments and other receivables	17,788	36,590
Investments measured at fair value through profit or loss	169,054	80,347
Cash and bank balances	1,876,618	2,291,773
Total current assets	2,063,504	2,408,747
CURRENT LIABILITIES		
Trade payables	2,193	8,197
Loans and borrowings	50,395	–
Other payables and accruals	5,397	41,528
Deferred income	90	645
Lease liabilities	5,332	6,204
Loans from a related party	8,882	9,098
Total current liabilities	72,289	65,672
NET CURRENT ASSETS	1,991,215	2,343,075

We had net current assets of RMB2,343.1 million as of December 31, 2019, which was primarily attributable to our cash and bank balances of RMB2,291.8 million and investments measured at fair value through profit or loss of RMB80.3 million, partially offset by Other payables and accruals of RMB41.5 million.

Deposits, Prepayments and Other Receivables

Our deposits, prepayments and other assets increased from RMB17.8 million as of December 31, 2018 to RMB36.6 million as of December 31, 2019, primarily due to (i) RMB6.8 million increase in deductible input VAT from RMB7.0 million as of December 31, 2018 to RMB13.8 million as of December 31, 2019; (ii) RMB5.0 million increase in Intermediary fees to be offset with the financing funds from the initial public offering of the Company's shares from nil as of December 31, 2018 to RMB5.0 million as of December 31, 2019; and (iii) RMB4.7 million increase in R&D prepayments from RMB2.3 million as of December 31, 2018 to RMB7.0 million as of December 31, 2019.

Investments measured at fair value through profit or loss

The investments measured at fair value through profit or loss are wealth management products, denominated in RMB, with expected yield rates ranging from 3.57% to 3.81% per annum for the year ended 31 December 2019 (for the year ended 31 December 2018: 3.6% to 4.6%), respectively. The yields on all of these wealth management products are not guaranteed, and hence they were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Pursuant to our investment policy, we only invested in wealth management products that were issued and managed by state-owned or established banks in China, which helped mitigate our risk exposure.

Loans and borrowings

In 2016, Beijing Changping Technology Park Limited ("Changping") injected capital to our Company's wholly-owned subsidiary, Beijing Tiancheng Pharma Tech Co., Ltd. at a cash consideration of RMB50 million. Under the investment agreement, our Group has a call option to repurchase the shares of Changping at a predetermined price from the third year after the capital injection. In addition, Changping has a put option to sell its shares to our Group at a predetermined price from the sixth year after the capital injection. The redemption price has been determined as the initial principal of the capital injection plus the interest of time deposit, therefore, it was classified as a borrowing measured at amortised cost. The borrowing was fully settled in May 2019.

Other Payables and Accruals

Our other payables and accruals increased from RMB5.4 million as of December 31, 2018 to RMB41.5 million as of December 31, 2019, primarily due to (i) an increase in construction progress payable from nil as of December 31, 2018 to RMB16.1 million as of December 31, 2019; (ii) an increase in IPO related service payables to Intermediaries from nil as of December 31, 2018 to RMB14.7 million as of December 31, 2019; and (iii) an increase in payroll payables from RMB4.4 million as of December 31, 2018 to RMB9.5 million as of December 31, 2019.

Indebtedness

The following table sets forth the breakdown of our loans and borrowings from third parties as of the dates indicated:

	As of December 31,	
	2018	**2019**
		(unaudited)
	(RMB in thousands)	
Included in current liabilities		
Interest-bearing loan from a third party	50,395	–
Lease liabilities	5,332	6,204
	55,727	6,204
Included in non-current liabilities		
Lease liabilities	7,791	3,394
Total indebtedness	63,518	9,598

Our total loans and borrowings decreased from RMB63.5 million as of December 31, 2018 to 9.6 million as of December 31, 2019, due to the borrowing from a third party was fully settled in May 2019.

Key Financial Ratios

The following table sets forth our selected key financial ratio:

	As of/for the year ended December 31,	
	2018	**2019**
		(unaudited)
Current ratio	28.5	36.7

Current ratio equals current assets divided by current liabilities as of the end of the year.

The increase in current ratio was primarily due to the increase of cash and bank balances from RMB1,876.6 million as of December 31, 2018 to RMB2,291.8 million as of December 31, 2019, partially offset by a decrease in investments measured at fair value through profit or loss from RMB169.1 million as of December 31, 2018 to RMB80.3 million as of December 31, 2019.

DISCLOSURE ABOUT MARKET RISK

See "Financial Information – Market Risk Disclosure" in this prospectus for further information.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since we were not yet listed on the Stock Exchange during the year ended December 31, 2019, the Corporate Governance Code as set out in Appendix 14 to the Listing Rules was not applicable to us during such period under review. After the Listing, we will comply with all the code provisions set forth in the Corporate Governance Code.

REVIEW OF OUR PRELIMINARY FINANCIAL INFORMATION

The members of the audit committee have discussed with our management, and reviewed, the 2019 Preliminary Financial Information as set out in the appendix.

The figures in respect of our Group's consolidated statement of financial position, consolidated statement of profit or loss, statement of comprehensive income and the related notes thereto for the year ended December 31, 2019 as set out in the 2019 Preliminary Financial Information above have been agreed to by the Reporting Accountants following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcement of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, to the amounts set out in our Group's draft consolidated financial statements for the year. The work performed by the Reporting Accountants in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Reporting Accountants on the 2019 Preliminary Financial Information.

PURCHASE, SALE OR REDEMPTION OF OUR COMPANY'S SHARES

Since we were not yet listed on the Stock Exchange in during the year ended December 31, 2019, this disclosure requirement is not applicable to us.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Companies Law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 3 November 2015 under the Cayman Companies Law. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Law and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on January 3, 2020 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting

the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the Directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated if:

(aa) he resigns by notice in writing delivered to our Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a Director by virtue of any provision of law or is removed from office pursuant to the Articles.

The Board may appoint one or more of its body to be managing Director, joint managing Director, or deputy managing Director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Law, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing Director, joint managing Director, deputy managing Director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or

other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including Directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(viii) ***Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. 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.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairperson of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person

authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

Our Company must hold an annual general meeting of our Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the Directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the Directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairperson.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Law or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix IV.

(j) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES LAW

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Law provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the Directors resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to our Company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from September 16, 2019.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Law required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorizing civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's Articles of Association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Ogier, our Company's legal adviser as to Cayman Islands law, have sent to our Company a letter of advice summarizing certain aspects of the Cayman Companies Law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies and available for inspection – Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of the Cayman Companies Law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on November 3, 2015. Our registered office address is at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman, KY1 – 9009, Cayman Islands. As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, the Articles and the Memorandum. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix IV in this prospectus.

Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on October 15, 2019. Our corporate headquarters and principal place of business in Hong Kong is at 40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong. Ms. Yeung Ching Man has been appointed as our authorised representative for the acceptance of service of process and notices in Hong Kong. The address of service of process is 40/F, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

As the date of this prospectus, our Company's head office was located at Building 8, No. 8 Life Science Park Road, Zhongguancun Life Science Park, Changping, Beijing, PRC.

2. Changes in Our Share Capital of Our Company

As at November 3, 2015, being the date of incorporation of the Company, our authorised share capital was US$50,000, divided into 500,000,000 ordinary shares of the Company of an initial par value of US$0.0001 each.

On September 6, 2016, the Company underwent a subdivision of shares whereby the Company's authorised share capital of US$50,000 was amended by re-designation from 500,000,000 ordinary shares of the Company of US$0.0001 par value each into 25,000,000,000 shares of the Company of US$0.000002 par value each. For further details, please refer to the sections headed "History, Development and Corporate Structure" and "Share Capital" in this prospectus.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this prospectus:

(a) on February 5, 2018, our Company allotted and issued an aggregate of 145,506,500 Series C Preferred Shares to the then Series C Preferred Shareholders pursuant to the Series C Share Purchase Agreement;

(b) on February 5, 2018, Jianxin Venture Capital (Cayman) Limited transferred 26,460,000 Series B Preferred Shares to Hankang Fund I, L.P.;

(c) on November 28, 2018, our Company allotted and issued an aggregate of 182,518,529 Series D Preferred Shares to the then Series D Preferred Shareholders pursuant to the Series D1 Share Purchase Agreement;

(d) on November 28, 2018, Hankang Fund II, L.P. transferred 24,250,544 Series C Preferred Shares to Loyal Valley Capital Advantage Fund LP;

(e) on June 21, 2019, our Company allotted and issued 22,743,742 Series D Preferred Shares to Highbury Investment pursuant to the Series D2 Share Purchase Agreement, and LVC Lion Fund II LP transferred 34,115,613 Series D Preferred Shares to Highbury Investment;

(f) on July 31, 2019, our Company (i) transferred 33,062,447 and 67,231,488 Class B ordinary shares to Golden Autumn Group Limited and Strausberg Group Limited, respectively, and (ii) allotted and issued 41,099,078 and 27,399,386 Class B ordinary shares to Golden Autumn Group Limited and Strausberg Group Limited, respectively; and

(g) on September 6 and 12, 2019, our Company allotted and issued an aggregate of 105,794,115 Class B ordinary shares to Sunland, Sunny View, Dr. Zemin Zhang and other individual senior management and employees of the Group or their investment holding vehicles pursuant to the Pre-IPO Incentivisation Plans.

For details of our Company's authorised and issued share capital and consideration relating to the allotment of the Preferred Shares above, please refer to the sections headed "Share Capital – Authorised and Issued Share Capital" and "History, Development and Corporate Structure – Major Corporate Development and Shareholding Changes of Our Group".

Save as disclosed above, there has been no alternation in our share capital within two years immediately preceding the date of this prospectus.

3. Changes in Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note II to the Accountants' Report as set out in Appendix I.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this prospectus:

On February 26, 2018, the registered capital of InnoCare Beijing Nuocheng increased from RMB32 million to US$30 million.

On August 14, 2018, InnoCare Guangzhou was established under the laws of the PRC with a registered capital of RMB1 billion.

On October 5, 2018, InnoCare Pharma Inc. was incorporated under the laws of the United States.

On January 29, 2019, the registered capital of InnoCare Beijing Nuocheng increased from US$30 million to US$50 million.

On June 17, 2019, the registered capital of InnoCare Beijing Tiancheng decreased from RMB51,000,000 to RMB34,290,000. On 8 May 2019, InnoCare Beijing Tiancheng and Beijing Changping entered into a share repurchase agreement, pursuant to which InnoCare Beijing Tiancheng agreed to repurchase all of the equity interests held by Beijing Changping in InnoCare Beijing Tiancheng, and as a result, InnoCare Beijing Tiancheng became an indirect wholly owned subsidiary of the Company on June 17, 2019.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I, our Company has no other subsidiaries.

4. Resolutions of the Shareholders of Our Company dated October 8, 2019

Written resolutions of our Shareholders were passed on October 8, 2019 pursuant to which, among others:

(a) conditional on (i) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as to be stated in this prospectus and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the Offer Price having been determined; (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (iv) the Underwriting Agreements having been duly executed by the Underwriters and our Company:

(1) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Directors were authorised to determine the Offer Price for, and to allot and issue the Offer Shares;

(2) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to

subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or, pursuant to the exercise of any options which may be granted under the Pre-IPO Incentivisation Plans or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

(3) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Pre-IPO Incentivisation Plans;

(4) the general unconditional mandate as mentioned in paragraph (2) above was 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 purchase Shares referred to in paragraph (3) above up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Pre-IPO Incentivisation Plans; and

(5) the acknowledgement by all the Preferred Shareholders of the agreed conversion number as applicable and the resolution not to exercise the right to further adjustment of conversion ratio; and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

Each of the general mandates referred to in paragraphs (a)(2), (a)(3) and (a)(4) above will remain in effect until whichever is the earliest of:

- 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 to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on October 8, 2019, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase 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 from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law.

(iii) 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 of shares in issue. A 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 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 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 as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the Directors resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as cancelled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive 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 publication of an announcement of a listed company's 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), the listed company may not repurchase its shares 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.

(vi) 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, 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 repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing 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 a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares 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. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,251,617,235 Shares in issue immediately following the completion of the Global Offering, but assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 125,161,723 Shares being repurchased by our Company during the period prior to the earliest of:

- The conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

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 in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% 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.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

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) were entered into by members of our Group within the two years preceding the date of this prospectus which are or may be material:

(a) the second amended and restated shareholders agreement dated November 28, 2018 entered into among the Company, Sunland BioMed Ltd., Sunny View Holdings Limited, Stanley Holdings Limited, Wellesley Hill Holdings Limited, Ms. Renbin Zhao, Ms. Jisong Cui, Ocean Prominent Limited, Sunny Investments Limited, Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), Beijing Tiancheng Pharma Tech Co., Ltd. (北京天誠醫藥科技有限公司), Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. (南京天印健華醫藥科技有限公司), Shanghai Tianjin Pharma Tech Co., Ltd. (上海天瑾醫藥科技有限公司), InnoCare Pharma Australia Pty Ltd, Guangzhou InnoCare Pharma Tech Co., Ltd. (廣州諾誠健華醫藥科技有限公司), Success Growth Limited, King Bridge Investments Limited, Hankang Fund I, L.P., Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P., Pivotal Chi Limited, Hankang Fund II, LP, Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP, Hankang Fund III, LP, EXCEL SAGE LIMITED (傑賢有限公司), Epiphron Capital Fund II, L.P., Sun Bridge Holdings Limited, LVC Lion Fund LP and LVC Lion Fund II LP, pursuant to which shareholder rights were agreed among the parties;

(b) the share subscription agreement dated November 28, 2018 entered into among the Company, Sunland BioMed Ltd., Sunny View Holdings Limited, Stanley Holdings Limited, Wellesley Hill Holdings Limited, Ms. Renbin Zhao, Ms. Jisong Cui, Ocean Prominent Limited, Sunny Investments Limited, Beijing InnoCare Pharma Tech Co., Ltd. (北京諾誠健華醫藥科技有限公司), Beijing Tiancheng Pharma Tech Co., Ltd. (北京天誠醫藥科技有限公司), Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd. (南京天印健華醫藥科技有限公司), Shanghai Tianjin Pharma Tech Co., Ltd. (上海天瑾醫藥科技有限公司), InnoCare Pharma Australia Pty Ltd, Guangzhou InnoCare Pharma Tech Co., Ltd. (廣州諾誠健華醫藥科技有限公司) and Loyal Valley Capital Advantage Fund LP, Loyal Valley Capital Advantage Fund II LP, LVC Lion Fund LP, LVC Lion Fund II LP, EXCEL SAGE LIMITED (傑賢有限公司), Sun Bridge Holdings Limited, Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P., Pivotal Chi Limited, Hankang Fund III, LP and Epiphron Capital Fund II, L.P. as purchasers (collectively, the "**Purchasers**"), pursuant to which the Purchasers subscribed for, and the Company issued, an aggregate of 182,518,529 Series D Preferred Shares for an aggregate consideration of US$160,500,000;

(c) the indemnification agreement dated November 28, 2018 entered into between the Company and Lijun Lin, whereby the Company agrees to hold harmless and indemnify Lijun Lin, in his corporate status as a Director;

(d) the share purchase agreement dated June 6, 2019 entered into between the Company and Highbury Investment Pte Ltd, pursuant to which Highbury Investment Pte Ltd subscribed for, and the Company issued, 22,743,742 Series D Preferred Shares for a consideration of US$20,000,000;

(e) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Vivo Capital Fund VIII, L.P., Vivo Capital Surplus Fund VIII, L.P., Vivo Opportunity Fund, L.P., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Golden Valley Global Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Hankang Biotech Fund I, L.P., Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Magic City Group Limited 妙城集團有限公司, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(i) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Matthews International Capital Management, LLC, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(j) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Rock Springs Capital Master Fund LP, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(k) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Tiger Pacific Master Fund LP, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(l) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Octagon Investments Master Fund LP, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(m) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, China Structural Reform Fund Corporation Limited, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(n) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Orient Sun Rise Global Superior Choice SPC – Global Superior Choice Series Fund One SP, Orient Sun Rise Global Superior Choice SPC – Vision Fund 1 SP, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch, China Merchants Securities (HK) Co., Limited and CMB International Capital Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(o) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, Athos Asia Event Driven Master Fund, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(p) the cornerstone investment agreement dated March 9, 2020 entered into between the Company, WT Investment Management, Morgan Stanley Asia Limited, Goldman Sachs (Asia) L.L.C., UBS AG Hong Kong Branch and China Merchants Securities (HK) Co., Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(q) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

(i) Registered trademarks

As at the Latest Practicable Date, we were the owner of the following material registered trademarks, details of which are as follows:

No.	Trademark	Registered Owners
1	诺诚健华	InnoCare Beijing Nuocheng
2	INNOCARE	InnoCare Beijing Nuocheng
3	InnoCare 诺诚健华	InnoCare Beijing Nuocheng

(b) Domain Name

As at the Latest Practicable Date, the following was the key domain name registration of our Group, which was registered by InnoCare Beijing Nuocheng:

www.innocarepharma.com

(c) Patents Applications

For a discussion of the details of the material filed patent applications by the Company in connection with our clinical and pre-clinical products, please refer to the section headed "Business – Summary of patents and patent applications of our product candidates" in this prospectus.

Save as aforesaid, as at 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 Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' Service Contracts and Appointment Letters

(a) Executive Directors and Non-executive Directors

Each of the executive Directors and Non-executive Directors has entered into a service agreement with our Company under which the initial term of their service agreement shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than three months' prior notice.

Pursuant to the service agreements entered into with our Company, the executive Directors and Non-executive Directors will receive no remuneration as Director's fee, though they may receive salary in the capacity of him/her being a member of the senior management of the Company.

(b) Independent Non-executive Director

Each of our INEDs has entered into an appointment letter with our Company effective from the Listing Date. The initial term of their appointment letters shall commence from the date of their appointment for a period of three years or until the third annual general meeting of the Company after the Listing Date, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing. Under these appointment letters, Ms. Lan Hu and Dr. Kaixian Chen as our INEDs will receive a monthly director's fee of RMB30,000 per month upon the effective date of their appointment, while Dr. Zemin Zhang will not receive any director's fees.

Details of the Company's remuneration policy is described in the section headed "Directors and Senior Management – Remuneration of Directors and Senior Management" in this prospectus.

2. Remuneration of Directors

(i) For the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019:

(a) the total amount of salaries, bonuses, allowances, benefits in kind and pension scheme contributions, paid or payable by us to (i) Dr. Jisong Cui were approximately RMB1.8 million, RMB2.4 million and RMB2.2 million, respectively and (ii) Dr. Renbin Zhao were approximately RMB0.8 million, RMB1.0 million and RMB0.9 million, respectively; and

(b) the total amount of share-based payment expenses paid or payable by us to (i) Dr. Jisong Cui were approximately RMB3.1 million, RMB23.2 million and RMB12.6 million, respectively, (ii) Dr. Renbin Zhao were approximately RMB4.0 million, RMB34.8 million and RMB15.5 million, respectively and (iii) Dr. Zemin Zhang were approximately RMB0.6 million, RMB0.6 million and RMB0.1 million, respectively.

(ii) During the Track Record Period, the aggregate amount of emoluments which were paid by the Company to the five highest paid individuals of the Group for the two years ended December 31, 2017 and 2018 and the nine months ended September 30, 2019 were approximately RMB14.2 million, RMB67.8 million and RMB44.3 million, respectively.

(iii) It is estimated that emoluments of approximately RMB35.19 million in aggregate will be paid to our Directors and proposed Directors in respect of the financial year ending December 31, 2019 under arrangements in force at the date of this prospectus.

(iv) Under the arrangements currently in force, as at the Latest Practicable Date, none of our Directors had a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of Interests

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued under the Pre-IPO Incentivisation Plans), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its 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/or short positions (as applicable) which he/she is 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 recorded 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 for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Name of Director or CEO	Nature of interest	Number and class of securities immediately after Completion of the Global Offering	Approximate percentage of interest in our Company immediately after Completion of the Global Offering[1]
Dr. Jisong Cui	Interest in controlled corporation, trustee	114,129,916 Shares[2]	9.12%
Dr. Renbin Zhao	Interest in controlled corporation, trustee	155,574,893 Shares[3]	12.43%
Dr. Yigong Shi	Immediate family of a beneficial owner	155,574,893 Shares[4]	12.43%
Mr. Quanhong Yuan	Interest in controlled corporation	57,107,982 Shares[5]	4.56%
Mr. Lijun Lin	Interest in controlled corporation	125,675,447 Shares[6]	10.04%
Dr. Zemin Zhang	Beneficial owner	11,111,111 Shares[7]	0.89%

Notes:

(1) The calculation is based on the total number of 1,251,617,235 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no further Shares are issued pursuant to the Pre-IPO Incentivisation Plans).

(2) Includes (1) 94,129,916 Shares indirectly held by Dr. Jisong Cui through Sunland as beneficial owner and (2) 20,000,000 Shares held by Dr. Jisong Cui and Premier Trust, Inc. as trustees of The Jisong Cui 2019 Irrevocable Trust, of which Dr. Jisong Cui's immediate family members are the beneficiaries.

(3) Includes (1) 108,260,375 Shares indirectly held by Dr. Renbin Zhao through Sunny View as beneficial owner, (2) deemed interest in 27,778,300 Shares held through Wellesley Hill Holdings Limited which in turn is owned by Dr. Renbin Zhao's children whom are under 18 years of age and (3) 19,536,218 Shares held by Dr. Renbin Zhao and Premier Trust, Inc. as trustees of Grandview Irrevocable Trust, of which Dr. Renbin Zhao's immediate family members are the beneficiaries.

(4) Dr. Yigong Shi does not hold any legal or beneficial interest in the share capital of our Company; however, solely pursuant to Part XV of the SFO, Dr. Yigong Shi is deemed to be interested in the same number of Shares interested by his spouse, Dr. Renbin Zhao.

(5) Includes 47,578,982 Shares held indirectly by Mr. Quanhong Yuan through his shareholding interests in Hankang Biotech Limited which in turn holds the entire share capital of Hankang Capital Management Limited, the general partner of Hankang Fund I, L.P., Hankang Fund II, L.P. and Hankang Fund III, L.P. and approximately 9,529,000 Shares to be subscribed by Hankang Biotech Fund I, L.P. as a cornerstone investor in the Global Offering (based on the Offer Price of HK$8.18 (being the low end of the Offer Price range)). For further details, please refer to sections headed "History, Development and Corporate Structure – Pre-IPO Investments" and "Cornerstone Investors" in this prospectus.

(6) Includes 120,911,447 Shares held indirectly through the LVC Entities and approximately 4,764,000 Shares to be subscribed by Golden Valley Global Limited (based on the Offer Price of HK$8.18 (being the low end of the Offer Price range)) as a cornerstone investor in the Global Offering. For further details, please refer to sections headed "Substantial Shareholders" and "Cornerstone Investors" in this prospectus.

(7) Includes (1) 7,777,778 Shares held directly by Dr. Zemin Zhang and (2) his entitlement to restricted share units equivalent to 3,333,333 Shares, subject to vesting conditions.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering and taking no account of any additional Shares which may be issued pursuant to the Pre-IPO Incentivisation Plans, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, please see the section headed "Substantial Shareholders" in this prospectus.

Save as set out above, as at the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and taking no account of any additional Shares which may be issued pursuant to the Pre-IPO Incentivisation Plans, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such Capital.

4. Disclaimers

Save as disclosed in the sections headed "Directors and Senior Management", "Financial Information", "Underwriting", "Substantial Shareholders" and "Statutory and General Information – Further Information about Our Directors" in this prospectus:

(i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(ii) none of the Directors or the experts named in the section headed "Other Information – Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;

(iv) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;

(v) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the Pre-IPO Incentivisation Plans, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), 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 the Group; and

(vi) save as disclosed in the section headed "Directors and Senior Management" in this prospectus, none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is 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 into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

D. PRE-IPO INCENTIVISATION PLANS

The following is a summary of the principal terms of the Pre-IPO Incentivisation Plans. The 2015 Pre-IPO Incentivisation Plan and the 2016 Pre-IPO Incentivisation Plan were adopted and approved by resolutions in writing by the Board and the Shareholders on September 6, 2016. The 2016 Pre-IPO Incentivisation Plan was subsequently amended by resolutions in writing by the Board and Shareholders passed on February 5, 2018. The 2018 Pre-IPO Incentivisation Plan was adopted and approved by resolutions in writing by the Board and the Shareholders on November 28, 2018. The terms of each of the Pre-IPO Incentivisation Plans are substantially similar.

(a) Summary of terms

Duration. Subject to the termination provisions under the Pre-IPO Incentivisation Plans, the Pre-IPO Incentivisation Plans shall be valid and effective for a period of 10 years commencing on the adoption date after which period no further awards will be granted, but the provisions thereof shall in all other respects remain in full force and effect and shall not affect the ability of the Administrator (as defined below) to exercise the powers granted to it under the Pre-IPO Incentivisation Plans with respect to awards granted under the Pre-IPO Incentivisation Plans prior to the date of such termination.

Administration. The Pre-IPO Incentivisation Plans shall be subject to the administration of the Board or a committee appointed by the Board. Pursuant to the 2015 Pre-IPO Incentivisation Plan and the 2016 Pre-IPO Incentivisation Plan (as amended by the resolutions in writing by the Board passed on February 5, 2018) and pursuant to the 2018 Pre-IPO Incentivisation Plan, the committee shall include five Directors, each respectively appointed by Sunny View, Sunland, King Bridge, Vivo Capital and Loyal Valley (which includes Loyal Valley Capital Advantage Fund LP and Loyal Valley Capital Advantage Fund II LP) (where applicable) (the "**Administrator**"). The Administrator shall have the right (i) to construe and interpret the terms of the Pre-IPO Incentivisation Plans and awards granted pursuant to the Pre-IPO Incentivisation Plans; (ii) to determine the persons who will be granted awards under the Pre-IPO Incentivisation Plans, the purchase price and the exercise price and other terms (e.g., any performance criteria upon which the exercise of an option or the settlement of an award is conditioned) of awards granted thereto; (iii) to prescribe, amend and rescind rules and regulations relating to the Pre-IPO Incentivisation Plans; (iv) to modify or amend each award including without limitation, the discretionary authority to adjust the timeline when the vested options held by non-PRC participants can be exercisable and (v) to make such other decisions or take any other action as it shall deem appropriate in the administration of the Pre-IPO Incentivisation Plans.

Award Agreement. Each award granted under the Pre-IPO Incentivisation Plans shall be evidenced by an award agreement between the Company and a participant, the form of which shall be approved from time to time by the Administrator. The provisions of the various award agreements entered into under the Pre-IPO Incentivisation Plans need not be identical.

Types of awards. The Pre-IPO Incentivisation Plans provides for awards of options, share purchase rights and restricted share units ("**RSUs**").

(i) **Options**. On and subject to the Pre-IPO Incentivisation Plans, the Administrator shall be entitled to make an offer to any eligible participant to take up options in respect of such number of Shares as the Administrator may determine and at the exercise price determined by the Administrator in its sole discretion and disclosed under the award agreement. An option shall be deemed exercised when the Company receives (i) notice in writing from the eligible participant to the Company in the specified form under the award agreement; (ii) full payment for the Shares with respect to which the option is exercised, together with any applicable tax withholding; and (iii) all representations, indemnifications and documents requested by the Administrator.

(ii) **Share Purchase Rights**. On and subject to the Pre-IPO Incentivisation Plans, each share purchase right shall be evidenced by an award agreement. The purchase price and exercise price (as the case may be) shall be determined by the Administrator in its sole discretion and any Shares awarded or sold pursuant to the share purchase rights shall be subject to such forfeiture conditions, rights of repurchase or redemption, rights of first refusal and other transfer restrictions as the Administrator may determine or as provided in the Memorandum and Articles.

(iii) **RSUs**. A restricted share unit may be earned in whole or in part upon the passage of time or the attainment of performance criteria established by the Administrator and may be settled for cash, Shares or other securities or a combination of cash, Shares or other securities as established by the Administrator.

Payment. The consideration to be paid for the Shares to be issued under the Pre-IPO Incentivisation Plans, including the method of payment, shall be determined by the Administrator subject to the provisions in the Pre-IPO Incentivisation Plans and applicable law. The tax withholding to be paid for the Shares shall be determined according to the provisions in the Pre-IPO Incentivisation Plans and applicable law.

Non-transferability of Awards. Unless otherwise determined by the Administrator and so provided in the applicable award agreement, no award shall be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or pursuant to a domestic relations order, and shall not be subject to execution, attachment, or similar process, and each award may be exercised during the lifetime of the eligible participant only by the eligible participant.

Maximum number of Shares.

(i) Pursuant to the Pre-IPO Incentivisation Plans, the maximum number of Shares in respect of which awards may be granted shall not exceed 274,586,514 Shares. As at the Latest Practicable Date, an aggregate of 138,076,726 Shares have been issued to directors, senior management and employees of the Group or their affiliates pursuant to share awards already vested, and 136,509,788 Shares have been reserved and are currently held by Golden Autumn Group Limited and Strausberg Group Limited for further grant or vesting of awards under the Pre-IPO Incentivisation Plans. Each of Golden Autumn Group Limited and Strausberg Group Limited is a special purpose vehicle managed by the trustee of Lakeview Trust and Summit Trust, TMF (Cayman) Ltd., established for the purpose of holding Shares pursuant to the Pre-IPO Incentivisation Plans.

(ii) No employee of the Group shall be granted an award which, if exercised or settled in full, would result in such employee becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued under all the awards previously granted to him which have been exercised, and, issuable or settled under all the awards previously granted to him which are for the time being subsisting and unexercised, would exceed ten percent (10%) of the aggregate number of Shares for the time being issued and issuable under the plan.

(iii) The maximum number of Shares referred to in paragraphs (i) and (ii) will be adjusted, in such manner as an independent financial adviser or the auditor of the Company shall confirm to the Board in writing, in the event of any alteration in the capital structure of the Company whether by way of capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company or otherwise howsoever.

Right of Repurchase. Unless otherwise precisely provided in the award agreement, all or part of the eligible participant's option may be repurchased by the Company or the Company's assignees at a price determined by the Administrator in its sole discretion, but only to the extent that the option was vested or had become vested upon the eligible participant's termination of service without cause. The eligible participant shall reach an agreement with the Company on the repurchase of the vested options within 90 days, otherwise the vested options of such eligible participant will be automatically forfeited for no consideration.

Change in Control. In the event of a Change in Control, each outstanding award, and, if applicable, each right of the Company to repurchase or redeem restricted shares acquired pursuant thereto, may be assumed or substituted by an equivalent award of the successor corporation. Any award which is neither assumed or substituted for by the successor corporation in connection with the Change in Control nor exercised as of the date of the Change in Control shall terminate and cease to be outstanding effective as of the date of the Change in Control, unless otherwise decided by the Administrator at its sole discretion. With respect to any restricted Shares acquired pursuant thereto, if such

restricted shares are not assumed or substituted for by the successor corporation in connection with the Change in Control as of the date of Change in Control, such restricted shares will be forfeited and automatically transferred to and reacquired by the Company at the original purchase price or exercise price upon the date of Change in Control and the eligible participant will have no further rights thereunder.

For the above purpose, a "Change in Control" means the occurrence of any of the following events: (i) any person becoming the beneficial owner, directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company's then outstanding voting securities; or (ii) the consummation of the sale, lease or disposition by the Company of all or substantially all of the Company's assets; or (iii) the consummation of a scheme of arrangement, merger, consolidation or other similar business combination involving the Company and any other corporation or corporations, other than a scheme of arrangement, merger, consolidation or other similar business combination that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least 50% of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after the scheme of arrangement, merger, consolidation or other similar business combination.

(b) Outstanding options, share purchase rights and RSUs

As at the Latest Practical Date, the aggregate number of underlying Shares pursuant to the outstanding RSUs granted under the Pre-IPO Incentivisation Plans is 65,456,336 Shares in aggregate, representing approximately 5.23% of the total issued Shares immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Pre-IPO Incentivisation Plans.

(c) General

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the Pre-IPO Incentivisation Plans.

(d) Directors, senior management, connected persons of our Group and other management and employees

Our Directors and senior management, who are considered connected persons of our Group and other management and employees, are granted outstanding RSUs under the Pre-IPO Incentivisation Plans to subscribe for an aggregation of 65,456,336 outstanding Shares, representing approximately 5.23% of the issued share capital of our Company upon completion of the Global Offering, and assuming the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued pursuant to the Pre-IPO Incentivisation Plans. The proposal to grant the RSUs under the Pre-IPO Incentivisation Plans to the grantees as set out below has been approved by the Board.

Below is a list of grantees of the RSUs under the Pre-IPO Incentivisation Plans:

Name of Grantee	Number of outstanding Shares underlying RSUs granted	Approximate percentage of issued Shares immediately after completion of the Global Offering[1]
Director		
Dr. Zemin Zhang	3,333,333	0.27%
Senior Management[2]	16,333,333[3]	1.30%
Other employees	45,789,670[4]	3.66%
Total	**65,456,336**	**5.23%**

Note:

(1) These percentages are calculated on the basis of 1,251,617,235 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised and without taking into account any additional Shares to be issued upon the exercise of the Pre-IPO Incentivisation Plans.

(2) Senior management members consist of Dr. Zhixin Rick Xu, Mr. Shaojing Tong and Dr. Xiangyang Chen.

(3) This figure underlines the aggregate number of outstanding Shares underlying the RSUs granted to the senior management of our Company.

(4) This figure underlines the aggregate number of outstanding Shares underlying the RSUs granted to other employees of our Company.

The following table summarises the number of underlying Shares of the RSUs granted under the Pre-IPO Incentivisation Plans:

	Number of underlying Shares
Outstanding RSUs granted to the Directors and members of the senior management	19,666,666
Outstanding RSUs granted to other grantees other than the Directors and members of the senior management	45,789,670
Total	**65,456,336**

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in the section headed "Risk Factors" in this prospectus and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares or conversion of Preferred Shares) and to be issued pursuant to (i) the Global Offering; and (ii) the Over Allotment Option.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US$1,000,000 for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Name	Qualification
Ernst & Young	Certified Public Accountants
Commerce & Finance Law Offices	Legal adviser to the Company as to PRC law
Ogier	Legal adviser to the Company as to Cayman Islands law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant

As at the Latest Practicable Date, none of the experts named above had 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 any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

Our preliminary expenses were approximately HK$1,000, which are payable by our Company.

8. Other Disclaimers

(a) Save as disclosed in the sections headed "Financial Information" and "Underwriting" in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) 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; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in the sections headed "Financial Information", "Underwriting" and "Risk Factors" in this prospectus:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "Further Information about our Business – Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this prospectus), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoters. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus within the two years immediately preceding the date of this prospectus.

(e) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, (ii) the written consents referred to in the section headed "Consents of Experts" in Appendix V to this prospectus, and (iii) copies of each of the material contracts referred to in the section headed "Summary of Material Contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell, Hong Kong Solicitors, at The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and the Articles;

(b) the Cayman Companies Law;

(c) the Accountants' Report, the condensed consolidated financial statements of our Group, and the unaudited pro forma financial information of our Group prepared by Ernst & Young, the texts of which are set out in Appendices I and II;

(d) the audited consolidated financial statements of our Company for the two financial years ended December 31, 2017 and 2018 and the audited condensed financial information for the nine months ended September 30, 2019;

(e) the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC legal adviser in respect of certain general corporate matters and property interests of our Group;

(f) the letter of advice prepared by Ogier, our legal adviser on Cayman Islands law, summarising the constitution of our Company and certain aspects of the Cayman Companies Law referred to in Appendix IV;

(g) the industry report prepared by Frost & Sullivan referred to in the section headed "Industry Overview" in this prospectus;

(h) the material contracts referred to under the section headed "Appendix V – Statutory and General Information – Further Information about Our Business – Summary of Material Contracts" in this prospectus;

(i) the service agreements and the letters of appointment with our Directors referred to in "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix V;

(j) the written consents referred to under the paragraph headed "Appendix V – Statutory and General Information – Consents of Experts" in this prospectus; and

(k) the terms of the Pre-IPO Incentivisation Plans.

INNOCARE

诺诚健华