You should carefully consider all of the information in this prospectus, including the following risk factors before making any investment decision in relation to the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the Offer Shares could fall significantly due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Risks Relating to Sales and Distribution of Our Products

We are largely dependent on sales of our two products, enoxaparin sodium injection and heparin sodium API.

We are largely dependent on sales of two products: enoxaparin sodium injection and heparin sodium API. If we are unable to maintain the sales volumes, pricing levels or profit margins of these two core products, our revenue and profitability could be adversely affected. Sales of enoxaparin sodium injection accounted for 11.0%, 20.5% and 26.7% of our total revenue in 2017, 2018 and 2019, respectively. Sales of heparin sodium API accounted for 59.2%, 52.6% and 41.2% of our total revenue in 2017, 2018 and 2019, respectively. We expect that sales of enoxaparin sodium injection and heparin sodium API will continue to comprise a substantial portion of our total revenue in the near future. Any reduction in sales or profit margins of enoxaparin sodium injection and heparin sodium API will thus have a direct negative impact on our business, financial condition and results of operations.

Many of the factors discussed in this section below could adversely affect sales of enoxaparin sodium injection and heparin sodium API, including but not limited to, pricing pressured caused by government policies, market acceptance among the medical community, inclusion or removal from the respective medical insurance coverage in the countries we sell these products, disruptions in manufacturing or distribution, issues with product quality or side effects and disputes over intellectual property. Moreover, despite our efforts, we may be unable to develop or acquire new products that would diversify our business and reduce our dependence on enoxaparin sodium injection and heparin sodium API, or to do so in a competitive manner.

Failure to attain market acceptance among the medical community would have a material adverse impact on our operations and profitability.

The commercial success of our products depends upon the degree of market acceptance they achieve among the medical community, particularly physicians and hospitals. Physicians may not prescribe or recommend our products to patients, and procurement departments of hospitals may not purchase our products. The acceptance of any of our products among the medical community will depend upon several factors, including:

- the safety and effectiveness of the product;
- the effectiveness of our efforts to market our products to hospitals and physicians;

- the product's cost effectiveness;
- the prevalence and severity of side effects; and
- the product's perceived advantages and disadvantages relative to competing products or treatments.

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

The retail prices of certain of our products are subject to price control or downward adjustment by the government authorities or other pricing pressure.

Pharmaceutical products covered by governmental insurance are generally subject to price control by relevant regulatory authorities in major EU countries and the UK. The regulatory authorities in certain EU countries typically sets a list price upon negotiation with each company, as the ceiling price of retail price and the allowable reimbursement under national medical insurance. Even in countries without such list price, the government may fix a reimbursement price that limits the reimbursable amount under the national medical insurance. Specifically, our enoxaparin sodium injections have been covered by the national medical insurance in 13 EU countries and the UK. Upon launching of our enoxaparin sodium injection product in most major countries, we enter into price negotiation with the respective governmental authority. A lengthy price negotiation process may delay the entry of our pharmaceutical products into the EU market and increase our costs, which may adversely affect our revenue and profitability. Moreover, in certain EU countries, the list price or the reimbursement price of biosimilar drugs is required to be lower than the respective originator drugs, including enoxaparin sodium injection. There may be other pricing downward measures or adjustments implemented by certain authorities. Such control and downward adjustments on the maximum retail price or reimbursement amount of our enoxaparin sodium injection in the EU could increase pricing pressure and negatively impact our revenue and profitability.

In China, pursuant to a notice issued by seven PRC state agencies, including the NDRC and the NMPA, government price controls on pharmaceutical products were lifted effective as of June 1, 2015, except for narcotic drugs and psychotropic drugs of category I. As a result, prices of pharmaceutical products are currently determined mainly by market competition through the centralized tender process at the provincial level, without being subject to price ceilings set by the NDRC. However, for a pharmaceutical product to be included on the NRDL, a ceiling of such product's reimbursable amount under the national medical insurance will be determined, based on negotiation with the government. Moreover, there is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the same products at more competitive prices may force us to lower price of our enoxaparin sodium injection and may also impact the prices of our drug candidates once commercialized in China. We believe that this policy change provides more incentives for manufacturers to develop new products, and encourage more multinational pharmaceutical companies to enter the PRC market. As a result, we may face greater competition from other pharmaceutical companies. Any changes in price control policies, which we may not be able to predict or control, could create uncertainties affecting our product prices, revenue and profitability.

PRC government authorities have implemented policies that aim to further increase the affordability of pharmaceutical products. In an opinion issued in February 2015, the General Office of

the State Council encouraged public hospitals to consolidate their demands and to play a more active role in the procurement of pharmaceutical products. The collective procurement of public hospitals will be improved through the centralized purchase of drugs. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) should be procured through a provincial centralized drug purchase platform. The provincial procurement agency should formulate the procurement plans, collect budgets submitted by hospitals and reasonably compile a drug procurement catalog of the hospitals with its own administration region. Such agency is also responsible for classifying the drugs to be procured through bids, negotiations, direct purchases by hospitals or to be manufactured by appointed manufacturers. This policy is intended to reduce the retail prices of pharmaceutical products by cutting the intermediaries between hospitals and manufacturers. Consolidated procurement and direct settlement between hospitals and manufacturers may increase the bargaining power of hospitals and increase the pricing pressure on our enoxaparin sodium injection products. If PRC government authorities implement other reform on the current tender process for pharmaceutical products or revise other policies affecting pharmaceutical prices, which result in downward adjustments to the retail prices of our enoxaparin sodium injection products, our wholesale prices, our revenue and profitability could be adversely affected.

In addition, it is typical that the prices of pharmaceutical products will decline over the life of the product as a result of, among other things, increased competition from substitute products, the tender process by the hospitals or the government authorities, pricing policies of the relevant government authorities, or voluntary price adjustments by pharmaceutical companies. Any downward adjustments or pricing pressure of our enoxaparin sodium injection products could have a material and adversely effect on our business, financial conditions and results of operations.

Sales of our pharmaceutical products depend on the reimbursement policies of the governmental authorities and health insurers. Failure to obtain or maintain adequate medical insurance coverage and reimbursement for our pharmaceutical products could limit our ability to market those products and decrease our ability to generate revenue.

Sale of our pharmaceutical products depend, in part, on the extent to which third-party payors, including government health programs, commercial health insurers, and managed care organizations, provide coverage and establish adequate reimbursement levels for such products. Furthermore, no uniform policy of coverage and reimbursement for products exists among governmental medical insurance or among private payors and the coverage and reimbursement levels for products can differ significantly from payor to payor. As a result, the coverage determination process is often time consuming and costly that may require us to provide substantial scientific and clinical support for the use of our pharmaceutical products to each payor government or private payor, separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

The delivery of healthcare in the EU, including the establishment and operation of health services and the pricing and reimbursement of medicines, is almost exclusively a matter for national, rather than the EU, law and policy. National governments and health service providers have different priorities and approaches to the delivery of healthcare and the pricing and reimbursement of products in that context. In general, however, the healthcare budget constraints in most EU member states and the UK have resulted in restrictions on the pricing and reimbursement of medicines by relevant health service providers. Our enoxaparin sodium products have been covered by the national medical insurance of the UK and 13 EU countries. In the U.S., government authorities and third-party payors,

such as private health insurers and health maintenance organizations, decide which medications they will pay for and establish reimbursement levels. A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Government authorities currently impose mandatory discounts for certain patient groups, such as Medicare, Medicaid and Veterans Affairs hospitals, and may seek to increase such discounts at any time. Under the NRDL in the PRC, patients are entitled to full or partial reimbursement of costs for pharmaceutical products listed in the National Medical Insurance Catalog or provincial medical insurance catalogs. A pharmaceutical product's inclusion in or exclusion from the NRDL or provincial medical insurance catalogs will significantly affect the demand for such product in the PRC. Our enoxaparin sodium injection is currently included in the NRDL and certain provincial medical insurance catalogs.

Private payors are increasingly requesting the drug companies to provide them with predetermined discounts from list prices and are likely to challenge the prices charged for medical products. Therefore, physicians may need to show that patients have superior treatment outcomes with our drug candidates compared to standard of care drugs in order to get reimbursement. Moreover, increasing efforts by governmental and private payors in the EU, the U.S. and China to cap or reduce healthcare costs may cause such organizations to limit both coverage and the level of reimbursement for newly approved products and, as a result, they may not cover or provide adequate payment for our drug candidates. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products. In addition, there is no assurance that reimbursement will be available for any of our drug candidates when commercialized and, if reimbursement is available, the level of reimbursement will be sufficient. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any drug candidates for which we have obtained the marketing approval.

The inclusion of pharmaceutical products by the relevant authorities into a medical insurance catalog is based on a variety of factors, including efficacy, safety and price, which may be outside of our control. Moreover, the relevant government authorities or private payor, such as private health insurers, may also, from time to time, change the scope of reimbursement for, the products that are listed in any medical insurance catalog. There can be no assurance that any of our enoxaparin sodium injection products currently listed in these medical insurance catalogs will remain listed, or that changes in the scope of reimbursement will not negatively affect our product sales. If any of our enoxaparin sodium injection products or their indications are removed from any medical insurance catalog, or if the scope of reimbursement is reduced, demand for our enoxaparin sodium injection products may decrease and our revenues and profitability could be adversely affected.

If we are unable to win bids to sell our enoxaparin sodium injection products to hospitals in EU and China through the bidding process, we will lose market share and our revenue and profitability could be adversely affected.

A significant amount of our enoxaparin sodium injection products we sell to our third party distributors are then sold to hospitals and other medical institutions in EU and China. In EU, we generally collaborate with third party distributors for our sales of enoxaparin sodium injection. Our enoxaparin sodium injection products are sold to the third party distributors at a fixed price according to our negotiation with each third party distributor or at a wholesale price based on relevant laws and

regulations, on the basis of the retail price at which the third party distributor resells the products to hospitals and other medical institutions. In China, each public medical institution has historically procured drugs through a provincial centralized drug purchase platform, and made substantially all of its purchases of pharmaceutical products through a centralized tender process. We submit bids in a centralized tender process to supply our enoxaparin sodium injection products to these institutions at specified prices. Our bids are generally considered on the basis of price relative to substitute products and their clinical effectiveness, as well as the quality of our enoxaparin sodium injection products and services, among other things. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public hospitals and other medical institutions at the bid prices, which is the primary determinant of the prices at which we sell our enoxaparin sodium injection products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. In November 2018, the national pilot program for drug centralized procurement with minimum procurement quantities was launched in 11 cities in China, which was later expanded to other areas in September 2019. The bid-winning drugs under the regime will be procured by the public hospitals in the covered regions with priority, which will significantly boost their market shares and revenues. The centralized procurement regime requires the generic drugs to pass the QCE in order to participate in the centralized tendering. If we fail to acquire the QCE status, or we are unable to win in the bidding process, our market share, revenues, and profitability may be adversely affected. For details, please refer to "Business—Pricing" and "Regulatory Environment—The Drug Centralized Procurement in '4+7 Cities' and Wider Areas."

Our sales volumes and profitability depend on our ability to successfully differentiate our enoxaparin sodium injection products and price our bids in a manner that enables us to succeed in the bidding process at profitable levels. If we are unable to do so, we will lose the revenue associated with the sale of the affected enoxaparin sodium injection products to the relevant hospitals and other medical institutions in EU and China, which may have a material and adverse impact on our market share and results of operations. We may fail to win bids due to various factors, including reduced demand for the relevant product, uncompetitive bidding price, failure to meet certain quality requirements, insufficient service quality to meet tender requirements, the relevant product is perceived to be less clinically effective than competing products or our services or other aspects of our operations are perceived to be less competitive. If our enoxaparin sodium injection products are not selected in the bidding process in one or more regions, we will be unable to sell the relevant products to the hospitals and other medical institutions in those regions, and our market share, revenues and profitability could be adversely affected.

If we fail to commercialize new pharmaceutical products, our business prospects could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and to commercialize new pharmaceutical products for the PRC and overseas markets. There can be no assurances that we are able to successfully commercialize the new pharmaceutical products we develop. In general, relatively few drug development programs end up producing a commercial product. Since the product development process is lengthy, the competitive landscape for the pharmaceutical products we develop may change significantly over the development period, particularly because the approval process for new pharmaceutical products is increasingly lengthy, and our products may lose the competitive advantages in pricing or efficacy that we had anticipated during their development. In addition, the products we develop may be approved for more limited indications than we had anticipated, which may make the commercialization of the product less successful or

profitable. We could also fail to develop and implement an effective marketing strategy with respect to those products we are able to successfully develop. In the event we fail to successfully commercialize new pharmaceutical products, our investment in the innovative drugs could be adversely affected.

If we are unable to conduct effective academic marketing or maintain a qualified sales force, our sales and business prospects could be adversely affected.

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

In particular, our sales and marketing efforts are anchored by academic marketing, through which we promote our enoxaparin sodium injection products to medical professionals and hospitals. Therefore, our sales and marketing force, whether in-house sales representatives or third-party promoters, must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the relevant therapeutic areas and products, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales representatives and third-party promoters or monitor and evaluate their academic marketing performances, our sales and marketing may be less successful than desired.

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

If we fail to maintain an effective distribution network for our enoxaparin sodium injection products, our business and sales of the relevant products could be adversely affected.

We primarily rely on our network of distributors to distribute our enoxaparin sodium injection products both in the PRC and in the EU. Our ability to maintain and grow our business in these regions will depend on our ability to maintain and manage a distribution network that timely delivers our enoxaparin sodium injection products to our current and potential markets through our sales and marketing activities. All of our distributors are independent third parties. Therefore, our ability to manage the activities of our distributors is relatively limited. We enter into distribution agreements with certain of our distributors and mainly rely on these distribution agreements to govern our relationships with distributors, including their compliance with laws, rules, regulations and our policies. Our distributors may take one or more of the following actions, any of which could have a material adverse effect on our business, prospects and reputation:

- failing to distribute our enoxaparin sodium injection products in the manner we contemplate, impairing the effectiveness of our distribution network;
- breaching our agreements with them, including by selling products that have expired, or by selling products outside their designated territories or to hospitals other than their designated hospitals or engaging sub-distributors;

- failing to maintain the requisite licenses or otherwise failing to comply with applicable regulatory requirements when selling our products; and
- violating anti-corruption, anti-bribery, competition or other relevant laws and regulations.

Any violation or alleged violation by distributors of our distribution agreements or any applicable laws and regulations could result in the erosion of our goodwill, expose us to liabilities, disrupt our distribution network and create an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects. Since not all of our distributors may sell our enoxaparin sodium injection products on an exclusive basis, our enoxaparin sodium injection products may also compete with similar products from our competitors sold by our distributors.

We typically enter into agreements with our distributors for a term of less than five years, which requires us to continually renew distribution agreements across our distribution network to maintain such business relationships. Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for various reasons. For example, if price controls or other factors substantially reduce the margins they can obtain through the resale of our enoxaparin sodium injection products to hospitals and medical institutions and sub-distributors, they may terminate their agreements with us. If any of our major distributors, or a significant number of our distributors, voluntarily or involuntarily suspend or terminate their relationships with us, or we are otherwise unable to maintain and expand our distribution network effectively, our sales volumes and business prospects could be adversely affected. In particular, for our sales in certain overseas markets, we work with only one distributor in each country. As such, if we fail to maintain our relationship with a distributor in any one country, our sales and performance in the country such distributor is located would be adversely affected as we may not be able to enter into new distribution relationships with other distributors in a timely manner or at all. Many factors can affect our ability to establish or maintain such relationships, including that we may fail to find an appropriate partner for a desired overseas market, the costs of doing so are prohibitively high or legal or administrative procedures are overly complex and time consuming. Consequently, any disruption to our distribution network, including our failure to maintain relationships, form new relationships or renew our existing distribution agreements could negatively affect our ability to effectively sell our products and would materially and adversely affect our business, results of operations, financial condition and prospects. In addition, a decline in our distributors' performance would lead to a decline in the productivity of our distribution network and could have a negative effect on our revenue.

If our distributors or third-party promoters fail to effectively market and promote our enoxaparin sodium injection products, it could adversely affect our sales for the relevant products.

We collaborate with or rely on our distributors or third-party promoters to market and promote our enoxaparin sodium injection products in certain markets. Our ability to continue to generate and increase demand for our enoxaparin sodium injection products depends on our ability to continue to maintain and manage an effective third party promotion network. However, we have limited control over these third parties, which may expose us to a greater risk that such products may not be effectively promoted in the manner contemplated by our sales and marketing strategies than if we conducted the marketing and promotion activity using our internal sales force. The failure of our distributors or third-party promoters to effectively promote our enoxaparin sodium injection products could have an adverse effect on our sales volumes for the relevant products, as well as our brand value. Moreover, we typically enter into agreements with them for a limited term of years. They may elect not

to renew their promotion agreements with us or otherwise terminate their business relationships with us for a number of reasons, many of which are outside our control, including to promote competing products. In the event that our distributors or third-party promoters fail to effectively promote our pharmaceutical products or terminate their business relationship with us, we may not be able to enter into similar relationships with others in time, or at all, which could adversely affect our sales volumes for the relevant products. In addition, if we fail to effectively manage our third party promotion network, we may be unable to extend our coverage and deepen our market penetration in the manner contemplated by our strategies, and such network may not provide us with the benefits of operational flexibility and resource allocation we contemplate.

During the Track Record Period, our five largest customers accounted for a significant portion of our total revenue and any decrease in revenue generated from any of them could materially and adversely affect our business, results of operation and financial condition.

During the Track Record Period, a substantial amount of our revenue is derived from sales to a limited number of customers. For the years ended December 31, 2017, 2018 and 2019, the aggregate amount of revenue generated from our five largest customers accounted for approximately 60.4%, 59.9%, and 48.1% of our total revenue, respectively. Revenue generated from our largest customer for the same years accounted for approximately 39.8%, 37.6% and 22.5% of our total revenue, respectively. Please refer to the section headed "Business—Customers" for more details. We are not the exclusive supplier for all of these customers, and there is no assurance that our five largest customers will continue to purchase from us at the current levels or at all in the future. If any of our five largest customers significantly reduces its purchase volume or ceases to purchase from us, and we are not able to identify new customers in a timely manner, our business, financial condition and results of operation may be materially and adversely affected. In addition, there is no assurance that our major customers will not negotiate for more favorable terms for them in the future. Under such circumstances, we may have to agree to less favorable terms so as to maintain the ongoing cooperative relationships with our major customers. If we are unable to reduce our production cost accordingly, our profitability, results of operations and financial condition may be materially and adversely affected. Furthermore, our profitability highly correlates with our customers' business performance. If our customers fail to maintain their existing market share or business, our sales will decrease correspondingly. Therefore, any risks which could have negative impact on our major customers could in turn have negative impact on our business.

We are subject to credit risks of our customers. If we experience delays in collecting or if we are unable to collect payments from customers, our cash flows and operations could be adversely affected.

We generally grant credit terms from one month to three months to our customers, and up to 270 days to certain creditworthy customers. The average turnover days of our trade receivables for the years ended December 31, 2017, 2018 and 2019, were 76 days, 67 days and 91 days, respectively. As of December 31, 2017, 2018 and 2019, our trade and bills receivables were RMB703.2 million, RMB1,084.5 million and RMB1,282.1 million, respectively, of which 45.0%, 54.3%, 43.9% were derived from our five largest customers. As a result, we may be exposed to credit risks. We cannot assure you that we can properly assess and respond in a timely manner to changes in their credit profile.

If our customers' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to pay trade receivables owed to

us promptly or at all. Any substantial defaults or delays could materially and adversely affect our cash flows, and we could be required to terminate our relationships with our customers in a manner that may adversely and materially affect our cash flows and operations.

Real or perceived incidents of product contamination, or severe side effects caused by our products could materially and adversely affect our reputation, results of operations and financial conditions, and subject us to regulatory actions and contractual liabilities.

Product safety and quality is critical to our business. Our reputation, results of operations and financial condition could be materially and adversely affected by product contamination and our association with any contamination incidents. In addition, the mere publication of information or speculation asserting that any of our products contains or has contained any contaminants, over which we have no control, could damage our reputation and have a material adverse effect on us, regardless of whether such information or speculation have any factual basis. Our products may also cause undesirable or unintended side effects as a result of a number of factors, many of which are outside our control. These factors include potential side effects not revealed in clinical testing, unusual but severe side effects in isolated cases, defective products not detected by our quality management system or misuse of our products by end-users. Our products may also be perceived to cause severe side effects when a conclusive determination as to the cause of the severe side effects is not obtained or is unobtainable.

Further, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products cause or are perceived to have caused severe side effects, or if one or more regulators, such as the EMA, NMPA or the FDA, or an international institution, such as the WHO, determine that products containing the same or similar pharmaceutical ingredients as our products' could cause or lead to severe side effects. Such incidences may cause negative publicity and have material adverse impact on the industry and therefore affect our business and results of operations. For example, in 2008, FDA received reports of serious acute hypersensitivity reaction caused by OSCS contamination of heparin API. Such contamination was referred to as economically motivated adulteration, where the heparin API manufacturers intentionally contaminated heparin API with OSCS in order to reduce the cost of production. Although the FDA later confirmed our heparin sodium API products did not have such contamination, the incidence of OSCS contamination rendered FDA to strength its regulation and supervision on imported heparin sodium API from China, and enhanced its standard in monitoring the manufacture and supply of heparin.

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

- injury or death of patients;
- a severe decrease in the demand for, and sales of, the relevant products;
- recall or withdrawal of the relevant products;
- revocation of regulatory approvals for the relevant products or the relevant production facilities;
- damage to the brand name of our products and the reputation of our Company;
- stricter and more frequent regulatory inspections of our production facilities and products;

- removal of relevant products from any medical insurance catalogs or provincial lists of special medications related to the severe diseases insurance;
- inability to participate in the centralized tender process;
- exposure to lawsuits and regulatory investigation relating to the relevant products that result in liabilities, fines or penalties; and
- breach of contract with our major customers.

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

Counterfeits of our products could negatively affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Certain products distributed or sold in the pharmaceutical 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 the PRC, 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 our sales volume of the relevant products. Moreover, counterfeit products may or may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or even cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us. The existence and prevalence of counterfeit pharmaceutical products, products of inferior quality and other unqualified products in the healthcare markets in recent years from time to time may reinforce the negative image in general of all pharmaceutical products manufactured in the PRC or other relevant markets among consumers, and may harm the reputation and brand names of companies like us, particularly in overseas markets. As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims.

Drug adverse 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 FDA, EMA 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 subject us

to litigation against us and may also ultimately result in failure to obtain regulatory approval for our drug candidates.

The market opportunities for our drug candidates may be smaller than we anticipate, which could render some drug candidates ultimately unprofitable even if commercialized.

We estimate the incidence and prevalence of target patient populations for particular diseases based on various third-party sources, such as scientific literature, surveys of clinics, patient foundations or market research, as well as internally generated analysis, and we use such estimates in making decisions regarding our drug development strategy, including determining on which candidates to focus our resources for preclinical or clinical trials. These estimates may be inaccurate or based on imprecise data. The total addressable market opportunity will depend on, among other things, acceptance of the drug by the medical community and patient access, drug pricing and reimbursement. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be amenable to treatment with our drugs, or new patients may become increasingly difficult to identify or access.

Furthermore, new studies may change the estimated incidence or prevalence of the diseases that our drug candidates target, and the number of addressable patients for our drug candidates in any case may turn out to be lower than expected. In such cases, 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. Any of the above unfavorable developments could have a material adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with our exports to the EU, the U.S. and other countries.

We export into various overseas regions, such as the EU, the U.S. and other countries, and we are planning to expand our footprint in the overseas markets. Our international sales and operations are subject to various risks related to economic or political uncertainties including among others:

- general economic and political conditions;
- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries;
- import or export licensing and certification requirements imposed by various foreign countries;
- the closing of borders by foreign countries to the import of our products due to, among other things, perceived health or safety issues;
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations;
- different regulatory structures and unexpected changes in regulatory environments;
- different labor laws and industrial relations arrangements;
- earnings that may be subject to withholding requirements, higher tax rates and incremental taxes upon repatriation; and
- potentially negative consequences from changes in tax laws.

Negative consequences relating to these risks and uncertainties could jeopardize or limit our ability to transact business in one or more of the markets where we operate or in other developing markets and could materially and adversely affect our business, financial condition, results of operations and prospects.

Risks Relating to Manufacture and Supply of Our Products

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

Our products and manufacturing processes are required to meet certain quality standards. We have established a quality control management system and standard operating procedures to help prevent quality issues in respect of our products. Please refer to "Business—Quality Control" for further details of our quality control management system and standard operating procedures. Despite our quality control system and procedures, we cannot eliminate the risk of errors, defects or failure. We may fail to detect or cure quality defects as a result of a number of factors, many of which are outside our control, including:

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

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

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

Delays in completing and receiving regulatory approvals for our manufacturing facilities could delay our development plans or commercialization efforts.

Our principal manufacturing facilities are located at our headquarters in Shenzhen, China and Wisconsin, the U.S. Our manufacturing facilities and our manufacture process will be subject to ongoing, periodic inspection by the NMPA, FDA, EMA or other comparable regulatory agencies to ensure compliance with CGMP, which is usually the pre-requisite to obtain marketing approval in the respective jurisdictions. Failure to comply with applicable regulations could lead to increased expense and result in sanctions being imposed on us, including fines, injunctions, civil penalties, requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our product candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of products or product candidates, operating restrictions and criminal prosecutions, any of which could harm our business.

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

During the Track Record Period, we generated a significant portion of our revenue from sales of products produced at three of our production sites, including two sites located in Shenzhen, China and the SPL facility located in Wisconsin, U.S. The continued operation of our production sites and our production safety may be substantially interrupted and materially and adversely affected due to a number of factors, many of which are outside of our control. These may include fire, flood, earthquakes, power outages, fuel shortages, mechanical breakdowns, terrorist attacks and wars, or other natural disasters, as well as loss of licenses, certifications and permits, changes in governmental planning for the land underlying these facilities or their vicinity and regulatory changes.

If the operation of any of our major production sites is substantially disrupted, we may not be able to replace the equipment or inventories at such facilities, or use different sites or a third party contractor to continue our production in a legal, timely and cost-effective manner or at all. Although we maintain property insurance for our production facilities and material equipment, the amount of our insurance coverage may not be sufficient to cover our losses in the event of a significant disruption to any of our production sites. Problems may also arise during manufacturing for a variety of reasons, including equipment malfunction, failure to follow specific protocols and procedures, problems with raw materials, delays related to the construction of new sites or the expansion of our existing production sites, including changes in production sites and limits to manufacturing capacity due to regulatory requirements, changes in the types of products produced, physical limitations that could inhibit continuous supply, man-made or natural disasters and environmental factors. As a result of disruption to any of our production sites or any problems in manufacturing our products, we may fail to fulfill contract obligations or meet market demand for our products, and our business, revenues and profitability could be adversely affected.

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

We manufacture a significantly portion of our products at our production sites located in Shenzhen, China and Wisconsin, the U.S. We plan to expand the production capacity of Pingshan Industrial Park, specifically, our annual production capacity of pre-filled syringes of enoxaparin sodium injection. Our ability to expand our manufacturing capacity is subject to a number of risks and uncertainties, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new production facilities and production lines, the risk of construction delays and delays in equipment procurement, as well as our ability to timely recruit sufficient qualified staff to support the increase in our production capacity. Consequently, there can be no assurance that we will be able to increase our production capacities in the manner we contemplate, or at all. In the event we fail to increase our production capacities, we may not be able to capture the expected growth in demand for our existing pharmaceutical products, or to successfully commercialize additional pharmaceutical products, each of which could adversely affect our business prospects. Moreover, our plans to increase our production capacities require significant capital investment, and the actual costs of our expansion plan may exceed our original estimates, which could adversely affect the return on our expenditure.

If our OEM do not produce pharmaceutical products meeting our specifications in sufficient volumes at commercially acceptable prices, our sales volumes and margins for the relevant products could be adversely affected.

We currently use an OEM to produce a portion of our key product, enoxaparin sodium injection, and may in the future increase our reliance on the OEM to meet increased demand for our existing products or our newly introduced products, particularly if we are unable to successfully enhance our production capacity. We have less control over our OEM's production process than our own, and the risks of such products not being produced in the necessary volumes or at the appropriate quality levels are higher than if we manufacture in-house. The OEM may fail to maintain the necessary licenses, permits and certificates to carry out production of our products, breach their obligations to produce our products on a timely basis, otherwise cease to conduct the OEM's business or fail to abide by our quality control requirements. Quality issues related to products our OEM produces for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation.

If the OEM we appoint do not produce pharmaceutical products meeting our specifications in sufficient volumes at commercially acceptable prices, or we are unable to appoint the OEM to do so, we may have insufficient quantities of our products to meet our customers' demands and our sales volumes and margins for the relevant products could be adversely affected.

We may experience supply interruptions that could harm our ability to manufacture products.

We purchase certain materials and components used in the manufacture of our products from external suppliers, and we purchase certain raw materials and equipment from fixed sources for reasons of quality assurance, cost effectiveness, availability, or constraints resulting from regulatory requirements. We may not be able to obtain these raw materials, medical devices or components for an indeterminate period of time if these third-party suppliers were to cease or interrupt production or otherwise fail to supply these materials or products to us for any reason, including regulatory requirements or actions, adverse financial developments of the suppliers, and/or unexpected demand, labor shortages or disputes. A reduction in, or lack of availability of, raw materials or interruptions in the supply chain may also impact our profitability to the extent that we are required to pay higher prices for, or are unable to secure adequate supplies of, the necessary raw materials.

General economic conditions could adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and components used in the manufacture of our products. While we work closely with suppliers to monitor their financial viability, assure continuity of supply, and maintain high quality and reliability, these efforts may not be successful. In addition, regulatory agencies from time to time have limited or banned the use of certain materials used in the manufacture of our products. For example, regulatory agencies may limit the supply of porcine small intestine, if there is an outbreak of swine fever. Trade war, regulatory embargoes and policy changes on importation and exportation between different countries could also result in delays or shortages in the supply of our raw materials.

A change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to product performance or incorporate unique technology, and the loss of any existing supply contract could have a material adverse effect on us. Furthermore, we may not be able to identify suitable replacement for these materials, devices and components on reasonable terms or at all if such supply was subsequently found to not be in compliance with our quality standards or resulted in quality failures or product contamination and/or recall when used to manufacture,

formulate, fill or finish our products. These events could adversely affect our ability to satisfy demand for our products, which could materially and adversely affect our product sales and operating results.

We rely on supply from limited suppliers, which may severely harm our business and results of operations.

Our principal supplies include packaging materials, crude heparin and porcine small intestines, the majority of which we source from external suppliers, and we expect to continue to rely on our external suppliers for a substantial percentage of such supplies. Our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. There is a limited number of such suppliers with the requisite qualifications, licenses and approvals. During the Track Record Period, we purchased syringes mainly from two suppliers in China. Any of our suppliers may lose its qualification or eligibility because of its failure to comply with regulatory requirements. In addition, our suppliers may also elect to no longer service us due to the rigorous regulations and requirements of the regulatory authorities regarding the manufacture of our products (including the need for approval of any change in supply arrangements). Furthermore, we may be involved in contract disputes with our suppliers which may cause our suppliers to suspend supply to us. We may not be able to find alternative materials or suppliers and secure approval for their use in a timely manner or at all, which may cause delay in supply of our raw materials and interruption in our manufacturing. If any of these happens, our results of operations may be materially and adversely affected.

Fluctuations in prices of our raw materials may have a material adverse effect on us if we are not able to transfer the cost increase to our customers.

Purchase of raw materials accounted for a significant portion of our total cost of sales during the Track Record Period. In order to manufacture our products, we must obtain sufficient quantities of high-quality raw materials at commercially acceptable prices and in a timely manner. We rely on our suppliers for our business, which exposes us to risks associated with fluctuations in prices of raw materials, and reductions in the availability of raw materials may disrupt our operations.

The prices of our principal raw materials, such as crude heparin and porcine small intestine, may be affected by a number of factors, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters such as the outbreak of swine fever, and the global economic conditions. In China, due to the outbreak of African swine fever in late 2018, the number of breeding stock pigs has decreased constantly since the beginning of 2019, and continued throughout 2019, which led to shortage in supply and price increase of porcine small intestines and therefore the shortage in supply and price increase of crude heparin. Generally, there is one year lag from the price increase of porcine small intestine to that of heparin API. We may have limited capability to transfer the increasing costs of raw materials to our customers in a timely manner. A significant increase in the costs of raw materials may increase our cost of sales and negatively affect our profit margins and, more generally, our business, financial conditions, results of operation and prospects, if we are not able to transfer the cost increase to our customers.

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

We are required to maintain optimal inventory levels in order to successfully meet our customers' demand. However, we are exposed to inventory risk as a result of rapid changing market demands, and fluctuation in the supply market as well as the volatile economic environment globally. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking our products. Further, demand for products could change significantly between the time when the products are ordered and the time when they are ready for delivery. When we begin to sell a new product, it is particularly difficult to forecast product demand accurately. For details, see "Business—Inventory".

We maintain significant inventory levels for a substantial portion of our products for sales into our distribution network. We may be unable to sell such inventory in sufficient quantities. Inventory levels in excess of demand may result in inventory write-downs, expiration of our products or an increase in inventory holding costs and a potential negative effect on our liquidity. In 2017, 2018 and 2019, we incurred write-down of inventories of approximately RMB37.6 million, RMB40.6 million and RMB48.0 million respectively. If we underestimate demand for our products, we may experience inventory shortages which may, in turn, result in unfulfilled customer orders, leading to a negative impact on our customer relationships. There can be no assurance that we will be able to maintain proper inventory levels of our products, and any such failure may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to the Research and Development of Our Product Candidates

If we are unable to successfully complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

Our innovative drug business will depend on the successful development, regulatory approval and commercialization of our drug candidates, all of which are still in preclinical 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, licensing and acquisition 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 preclinical 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;
- the performance by contract research organizations, or CROs, or other third parties to conduct clinical trials, of their duties to us in a manner that complies with our protocols and applicable laws and that protects the integrity of the resulting data;
- 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;
- successfully launching commercial sales of our drug candidates, if and when approved; and
- obtaining sufficient supplies of any competitor drug products that may be necessary for use in clinical trials for evaluation of our drug candidates.

If we do not achieve one or more of these factors in a timely manner or at all, we could experience significant delays in our ability or be unable to obtain approval for and/or to successfully commercialize our drug candidates, which would render us fail to achieve our milestones as planned, and materially harm our drug development business. 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.

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

As of the Latest Practicable Date, we have exclusive development and commercial rights in Greater China for five drug candidates, among which two are in phase III global clinical trials and two are in phase II global trials. We plan to gradually participate in the clinical trial for our drug candidates in China as part of their global trial under the MRCT. We also have one self-developed drug candidate currently at preclinical stage. The timely completion of clinical trials in accordance with their protocols depends, among other things, on the ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We may experience difficulties in patient enrollment in the clinical trials for our drug candidates for a variety of reasons, including the size and nature of the patient population and the patient eligibility criteria defined in the protocol.

The clinical trials for our drug candidates 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 a trial being conducted by one of our competitors. Because the number of qualified clinical investigators and clinical trial sites is limited, some of the clinical trials may be conducted at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for the clinical trials for our drug candidates at such clinical trial sites. Even if a sufficient number of patients can be enrolled, 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 the development of our drug candidates.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome, and unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

Clinical testing is expensive and can take multiple years to complete, and its outcome is inherently uncertain. There can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product or expanded indication. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could

have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results.

Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In addition, 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 differences in physical conditions, 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. Even if our future clinical trial results show favorable efficacy and impressive durability of antitumor responses, not all patients may benefit.

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;
- our inability to reach agreements on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- manufacturing issues relating to our own facilities or third party CMOs that we engage, including problems with manufacturing, supply quality, compliance with 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 abandon 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;
- relevant third-party contractors, including clinical investigators, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;

- clinical trials of our drug candidates may be suspended or terminated 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.

For example, in November 2019, Resverlogix, in which we held 38.50% equity interest as of the Latest Practicable Date, announced that the primary endpoint of the phase III trial for RVX-208 was narrowly missed. Resverlogix has been in continuous discussion with the FDA regarding the clinical development approach for RVX-208 based on the phase III trial results, which may cause delay to the timetable of the trial and regulatory approval process as previously contemplated.

If additional clinical trials or other testing of our drug candidates beyond those that we currently contemplate are required to be conducted, if the clinical trials of our drug candidates or other testing cannot be successfully conducted, 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; be subject to additional post-marketing testing requirements; (v) be subject to restrictions on how the drug is distributed or used; or (vi) be unable to obtain reimbursement for 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.

If we fail to achieve product development milestones, as disclosed in this prospectus or subsequent public disclosures, it could adversely affect our business prospects.

We disclose in this prospectus our expectations or targets for the timing of certain milestones associated with our drug development programs, including the anticipated regulatory approval for the manufacture and sale of a product. After Listing, as a publicly listed company we may continue to make such disclosures of our expectations in this respect. However, the successful implementation of our product development programs is subject to significant business, economic and competitive uncertainties and contingencies, including, product development risk, the availability of funds, competition, grants of relevant approvals and permits and regulation, which we will re-evaluate from time to time based on the regulation, government policies and the continued growth of the pharmaceutical market.

The actual timing for achieving product development milestones could vary significantly from our expectations due to a number of factors, many of which are outside our control. There can be no assurance that our preclinical studies or clinical trials will be completed as planned or at all or that we will make regulatory submissions or receive regulatory approvals as planned or that we will be able to adhere to our current schedule for the launch of any of our products candidates. If we fail to achieve one or more of these milestones as planned, it could adversely affect the price of our Shares and our business prospects.

We invest substantial resources in research and development in order to develop our drug candidates and enhance our technologies, which we may not be able to do successfully.

The global pharmaceutical market is constantly evolving, and we must keep pace with new technologies and methodologies to maintain our competitive position. In 2017, 2018 and 2019, our R&D expenses amounted to RMB93.5 million, RMB186.9 million and RMB148.7 million, respectively. We expect to continue to invest significant amounts of human and capital resources to develop our drug candidates and enhance our technologies that will allow us to advance our pipeline drugs and enhance the scope and quality of our services. We intend to continue to strengthen 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, improve 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 render our efforts obsolete, which could significantly reduce demand for our products or services and harm our business and prospects.

We may not be able to successfully license-in new drug candidates, or license-out our existing drug candidate.

From time to time, we may seek to license-in or license-out drug candidates. We license-in promising drug candidates to expand our existing portfolio. As of the Latest Practical Date, we licensed-in two drug candidates in phase III clinical trial, two drug candidates in phase II clinical trial and one drug candidates in phase I clinical trial. We cannot assure you that if we decide to license-in other drug candidates in the future, we will be successful in identifying favorable candidates or that the prospective licensor would agree to license such products to us at favorable commercial terms or at all. Even if we are able to license-in the drug candidates that we target, we cannot assure you that the product will be successfully commercialized. Conversely, we may license-out our existing drug candidate to other drug developers. We cannot assure you that if we decide to license-out our drug candidates in the future, we will successfully be able to do so, or that any such partner will be able to successfully develop or commercialize products licensed from us, which in turn could adversely affect the licensing fees that we may receive from such arrangement.

Even after we successfully license-in or license-out drug candidates, we cannot assure you that our licensors or licensees will not breach the relevant license agreements, whether inadvertently or otherwise. Alternatively, our licensors or licensees might conclude that we have materially breached our license agreements. In either case, the license agreements may be terminated, thereby removing our ability to develop and commercialize the drug products we licensed-in or generate licensing fees and royalties from the drug products we licensed out.

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

As we have limited human and financial resources, we must limit our research and development programs to specific drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail

to capitalize on viable commercial drugs or profitable market opportunities. In addition, if we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements when it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate. Such developments could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our CDMO Business

Our CDMO business is dependent on our customers' spending on and demand for outsourced biologics discovery, development and manufacturing. A reduction in spending or demand could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The success of our CDMO business depends primarily on the number and size of service contracts with our customers, primarily pharmaceutical and biotechnology companies. Over the past several years, we have benefitted from an increased demand for our services as a result of the continued growth of the global biologics market, increasing research and development budgets of our customers, and greater degree of outsourcing by our customers. A slowing or reversal of any of these trends could have a significant adverse effect on the demand for our services.

In addition to the forgoing industry trends, our customers' willingness and ability to utilize our services are also subject to, among other things, their own financial performance, changes in their available resources, their decisions to acquire in-house discovery, development or commercial manufacturing capacity, their spending priorities, their budgetary policies and practices, and their need to develop new biological products, which, in turn, is dependent upon a number of factors, including their competitors' discovery, development and commercial manufacturing initiatives, and the anticipated market update, clinical and reimbursement scenarios for specific products and therapeutic areas. In addition, consolidation in the industries in which our customers operate may have an impact on such spending as our customers integrate acquired operations, including research and development departments and their budgets. If our customers reduce their spending on our services as a result of any of these or other factors, our business, financial condition, results of operations, cash flows and prospects would be materially and adversely affected.

As our service contracts are typically contingent on successful completion of pre-set steps in the biologics development process, we may bear financial risks related to the success of our customer's project.

Under most of our project-based contracts or work orders, we recognize revenue upon completion of pre-set steps and delivery and acceptance of the study results and/or other deliverables. For more information, see "Financial Information—Significant Accounting Policies and Estimates". As a result, if we fail to deliver services in a timely manner in accordance with our contractual requirements, regulatory standards or ethical considerations, we could be subject to significant costs or liability and our reputation could be harmed, which could have an adverse effect on our business, financial condition, results of operations, cash flows and prospects.

Furthermore, if our customers' biologics fail to pass the requisite steps or proceed through development, regulatory approval or commercialization, our CDMO services would be severely impacted and we would not be able to fully realize the value of our service contracts.

In pricing our contracts, we take into consideration the market positioning of our services, prices of comparable services offered by our competitors, degree of saturation of the current market, market trends, complexities of the services required, costs and expenses of our services and the timeline of the contract. However, our evaluation of these factors may be inaccurate or even incorrect. If we underprice our contracts or overestimate our costs, we would incur losses from our contracts, and our business, financial condition, results of operations, cash flows and prospects would be adversely affected.

In conducting drug discovery and development when providing CDMO services, we may face potential liabilities, in particular, product liability risks.

In providing our CDMO services, we may face a range of potential liabilities. We typically undertake to defend, indemnify and hold our customers harmless from and against any liabilities and damages (including reasonable attorneys' fees) resulting from any third party claims, demands, suits or proceedings to the extent arising out of or relating to our negligence, willful misconduct, unlawful activities or material breach of the long-term service agreement or project-based service contract or a work order under the long-term service agreement. In particular, we may face product liability risks if the biologics we help to discover, develop or manufacture are subject to product liability claims. Our liability is not always capped under our long-term service agreements or project-based service contracts. We provide services in the discovery, development and commercial manufacturing of biologics that are intended ultimately to be used in humans, either in clinical trials or as marketed products, although we do not commercially market or sell these products to end users. If any of these biologics harms people due to our negligence, willful misconduct, unlawful activities or material breach, we may be subject to litigation and may be required to pay damages. Damages awarded in a product liability action could be substantial and could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects. Although we currently maintain product liability and professional liability insurance, our insurance coverage may be inadequate or may become unavailable on terms acceptable to us.

Our customer agreements may contain provisions that run counter to our interests or expose us to potential liability.

Our long-term service agreements generally provide that a customer can terminate the agreement or any work order under the agreement without cause by giving prior written notice. Most of our project-based service contracts also allow customers to unilaterally terminate the contract without cause by giving prior written notice. If a customer terminates a work order or project-based service contract without cause, typically we are only entitled to receive service fees earned up to the date of termination, costs already incurred or irrevocably committed and in some cases a limited amount of penalty. For more information, see "Business—Our CDMO Business". Therefore, cancelation or modification of a large work order or project-based service contract, or proximate cancelation or modification of multiple smaller work orders or project-based service contracts, could materially and adversely affect our business, financial condition, results of operations and prospects. We may enter into contracts with an exclusivity clause that covers a broad range of products. Such restriction typically remains effective for a number of years after the relevant long-term service agreement or project-based service contract is completed, and in some cases is effective for an indefinite period. Complying with such exclusivity clause restricts our ability to obtain new projects and adversely affects the extent to which other customers or potential customers use our services, and

failure to do so could significantly harm our business and reputation, as well as expose us to liability for breach of contract.

We may not be able to continue to serve our customers if we fail to meet our customers' standards in audits and inspections.

Our customers regularly audit and inspect our facilities, processes and practices to ensure that our services are meeting their standards in the biologics discovery, development and manufacturing process. However, we cannot assure you that we will be able to pass all the customer audits and inspections. Failure to pass any of these audits or inspections to our customers' satisfaction could significantly harm our reputation and result in the termination of ongoing biologics projects by our customers, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our backlog might not be indicative of our future revenue, and we might not realize all of the anticipated future revenue associated with our backlog.

Our backlog represents the total contract value of work that has been contracted for but remains to be completed as of a certain date. The contract value of a project represents the total amount that we expect to receive under the terms of the contract assuming the contract is fully performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting policies and may not be indicative of our future operating results. Our methodology for determining backlog may not be comparable to the methodology used by other companies in determining their backlogs. As of the Latest Practicable Date, our backlog reached US$56.3 million, and out of such backlog, service fees of approximately US$41.4 million and US$14.9 million are expected to be generated in 2020 and 2021 onwards, respectively. However, these figures are based on the assumption that the relevant contracts will be performed in full in accordance with their respective terms and expected timetables. The actual amount of service fees we expect to receive from such backlog in the relevant periods will be different from the estimated amount of revenue if there is any modification, termination or suspension of the relevant contracts by our customers or any delay in the timetable. We cannot guarantee that the revenue projected in our backlog will be realized or, if realized, will result in profits. Projects may remain in our backlog for an extended period of time beyond what was initially anticipated due to various factors beyond our control. In addition, project cancelations, suspensions or scope adjustments may occur from time to time, which could reduce the dollar amount of our backlog and the revenue and profits we ultimately earn from the contracts. As a result, you should not unduly rely on our backlog information presented in this prospectus as an indicator of our future earnings performance or business prospects.

Risks Relating to Extensive Governmental Regulations

If we or parties on whom we rely fail to comply with the laws and regulations related to, or maintain the necessary licenses for, the development, production, sales and distribution of our products, operation of our businesses and our investments, our ability to conduct our business could be materially impaired.

The pharmaceutical industry is subject to extensive government regulation and supervision. We are governed by various local, regional and national regulatory regimes in various aspects of our operations, including licensing and certification requirements and procedures for manufacturers of pharmaceutical products, operating and safety standards, as well as environmental protection

regulations. There can be no assurance that the legal framework, licensing and certification requirements or enforcement trends in our industry will not change in a manner that may result in increased costs of compliance, or that we will be successful in responding to such changes. In addition, we are subject to the risk of adverse changes to favorable policies from which we currently benefit, and the introduction of unfavorable policies. The costs we incurred to comply with these laws and regulations, including those related to environmental protection, may materially increase our total costs and decrease our profit. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our production facilities and obligations to take corrective measures.

We are also required to obtain, maintain and renew various permits, licenses and certificates to develop, produce, promote and sell our products. Third parties, such as distributors, third-party promoters and third-party manufacturers, on whom we may rely to develop, produce, promote, sell and distribute our products may be subject to similar requirements. We and third parties on whom we rely may be also subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we or the parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates.

Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. We may also fail to comply with other relevant laws and regulations related to our operations including our investments. For example, we did not obtain the approvals from the NDRC for our outbound investments in certain overseas subsidiaries. The competent PRC authority has confirmed that such lack of approval will not adversely affect our future outbound investment activities in these entities and we are not required to reapply the NDRC approval in respect of the above investments. See "Business—Legal Proceedings and Compliance." However, there is no assurance that the competent PRC authority will not impose any other administrative measures on us in the future. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring us or parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate our business, there can be no assurance that we or parties on whom we rely will successfully obtain such permits, licenses or certificates.

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.

Before obtaining regulatory approvals for the commercial sale of any drug candidate for a target indication, we must demonstrate in preclinical 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 preclinical and clinical data, the NDA or BLA 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.

Regulatory authorities outside of China, such as the FDA and EMA, 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 non-clinical 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 both inside and outside the U.S. and China, 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, FDA and EMA 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.

Undesirable adverse events caused by our products and drug candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Undesirable adverse events caused by our products or drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the NMPA, FDA or other comparable regulatory authority, or could result in limitations or withdrawal following approvals. If results of our trials reveal a high and unacceptable severity or prevalence of adverse events, our trials could be suspended or terminated and the NMPA, FDA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our drug candidates.

Adverse events have been reported in our clinical trials which could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential drug liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly. In this Prospectus and from time to time, we disclose clinical results for our drug candidates, including the occurrence of adverse events and serious adverse events. Each such document speaks only as of the date of the data cutoff used in such document, and we undertake no duty to update such information unless required by applicable law.

Our products and any future products will be subject to ongoing 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 products and/or drug candidates.

Our products and any additional drug candidates that are approved by the regulators are and will be subject to ongoing regulatory requirements with respect to manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-market studies, submission of safety, efficacy, and other post-market information, and other requirements of regulatory authorities in China, the U.S., the EU, and/or other countries.

Manufacturers and manufacturers' facilities are required to comply with extensive regulatory requirements from the NMPA, FDA, EMA, and/or other comparable authorities. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements and adherence to commitments we made in any application materials with the NMPA or other authorities. Accordingly, we must continue to devote time, money and effort in all areas of regulatory compliance.

The regulatory approvals for our products and any approvals that we receive for our drug candidates are and may be subject to limitations on the indicated uses for which our product may be marketed. The approvals we obtain may also be subject to other conditions which may require potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of our products or drug candidates. Such limitations and conditions could adversely affect the commercial potential of our products.

The NMPA or comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if we fail to maintain compliance with these ongoing regulatory requirements or if problems occur after the product reaches the market. Later discovery of previously unknown problems with our products or drug candidates or with our manufacturing processes may result in revisions to the approved labeling or requirements to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions. Other potential consequences include, among other things:

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

The NMPA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. Products may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The NMPA, FDA, EMA 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. The policies of the NMPA, FDA, EMA and other regulatory

authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or abroad, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not achieve or sustain profitability.

Changes in government regulations or in practices relating to the healthcare industry, including healthcare reform and compliance with new regulations may result in additional costs.

The healthcare industry is heavily regulated globally. Changes in government regulations or in practices relating to the healthcare industry, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures which will lower the entry barrier for potential competitors, or an increase in regulatory requirements which may increase the difficulty for us to satisfy such requirements, may have a material adverse impact on our business, financial condition, results of operations and prospects.

In the U.S., The Patient Protection and Affordable Care Act (PPACA) was enacted by the Congress in March 2010 and established a major expansion of healthcare coverage, financed in part by a number of new rebates, discounts, and taxes that may have a significant effect on our expenses and profitability. We face uncertainties due to federal legislative and administrative efforts to repeal, substantially modify or invalidate some or all of the provisions of the PPACA. For example, tax reform legislation enacted at the end of 2017 eliminates the tax penalty for individuals who do not maintain sufficient health insurance coverage beginning in 2019. We anticipate continued Congressional interest in modifying provisions of the PPACA. Any future replacement, modification or repeal of the PPACA may adversely affect our business and financial results, particularly if the legislation reduces incentives for employer-sponsored insurance coverage and we cannot predict how other future federal or state legislative or administrative changes relating to healthcare reform will affect our business.

In addition, recently enacted and future legislation may increase the difficulty and cost for us to obtain regulatory approval and commercialize our drug candidates and affect the prices we may fix. In China, the U.S. and some other jurisdictions, a number of legislative and regulatory changes and proposed changes regarding healthcare could prevent or delay regulatory approval of our drug candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our products and any drug candidates for which we obtain regulatory approval. In recent years, there have been and will likely continue to be efforts to enact administrative or legislative changes to healthcare laws and policies, including measures which may result in more rigorous coverage criteria and downward pressure on the price that we fix for any approved product. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

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

We are subject to laws, rules and regulations concerning environmental protection, including the discharge of effluent water and solid waste as well as the disposal of hazardous substance during

our manufacturing processes, primarily in the PRC and U.S., where we conduct manufacturing activities and may become subject to similar laws, rules and regulations in other jurisdictions in the future. In addition, we are required to obtain clearances and authorizations from government authorities for the treatment and disposal of such discharge. The costs we incurred for environmental protection may materially increase our total costs and decrease our profit. There can be no assurances that we will be able to comply fully at all times with applicable environmental laws, rules and regulations. Any violation of these laws, rules or regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our production facilities and obligations to take corrective measures.

Furthermore, relevant government authorities may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our pollution control equipment, take additional protective and other measures against potential contamination or injury caused by hazardous materials, or make operational changes to limit any adverse impact or potential adverse impact on the environment. If these costs become prohibitively expensive, we may be forced to curtail or cease certain of our pharmaceutical manufacturing business. In addition, if we become subject to any significant environmental-related liabilities, it could adversely affect our financial condition and results of operations.

We are subject to extensive governmental approvals and compliance requirements for our land and properties.

For our production facilities and other premises, we must obtain various permits, certificates and other approvals from the relevant administrative authorities at various stages of property development, including, for example, planning permits, construction permits, land use rights certificates, certificates for passing environmental assessments, certificates for passing fire control assessments, certificates for passing construction completion inspections and ownership certificates. We are also subject to other compliance requirements. For example, we are required to complete construction within a specific period since we obtained the land from the PRC government. We have encountered, and may in the future encounter, problems with fulfilling the conditions precedent to the receipt of certain of those permits, certificates and approvals, and we may not always be able to obtain them in a timely manner, or at all. For example, we failed to timely complete the construction of certain buildings at our Pingshan Industrial Park. According to the relevant PRC laws and regulations, in respect of failure to complete construction in time other than due to the reasons related to the government authorities, the relevant PRC authorities may impose liquidated damages on the company since the required completion date. If the delay is within two years since the required completion date, the company may be imposed a liquidated damage of up to 1.5% of the land premium every three months since the required completion date. If a company fails to complete construction for more than two years since the required completion date, the company may be imposed a liquidated damage of up to 20% of the land premium and the land may be subject to forfeiture to the PRC government. As of the Latest Practicable Date, we paid liquidated damages of RMB2.42 million imposed by the relevant PRC authorities. Although Pingshan Administrative Bureau has confirmed that the land with respect to the Pingshan Industrial Park is not regarded as idle land and the delay is not due to the reason of the company therefore such land and the construction built on it are not subject to forfeiture, there is no assurance that the relevant PRC authorities will not impose forfeiture and other penalties on us in the

future. Please refer to "Business—Legal Proceedings and Compliance" for more information. In addition, one of our lessors does not have the certificate of ownership for the business property we leased. In accordance with the relevant regulations in China, if the lessor fails to obtain the certificate of ownership for the leased property, the agreement between the lessor and the lessee may become invalid. Please refer to "Business—Properties and Facilities" for more information.

Risks Relating to Our Intellectual Property Rights

We may not be able to protect our intellectual property rights.

As of the Latest Practicable Date, we owned 77 patents and patent applications, any of which may be the subject of a governmental or third-party objection, which could prevent the maintenance or issuance of the same.

If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors 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, 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 products, which could make it difficult for us in those jurisdictions to defend the infringement or misappropriation of our patents or other intellectual property rights, or the marketing of competing products in violation of our proprietary rights.

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.

If we are unable to obtain and maintain patent protection for our products and drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

Our success depends in large part on our ability to protect our proprietary technology, products and drug candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the technology, products and drug candidates that we consider commercially important by filing patent applications in the PRC, the U.S. and other countries, relying on trade secrets or medical regulatory protection or employing a combination of these methods. This process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may also fail to identify patentable aspects of our R&D output before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products 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 deficiencies in the patent application or the lack of novelty of the

underlying invention or technology. We may also fail to identify patentable aspects of our R&D output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements or include such provisions in our relevant agreements with parties who have access to confidential or patentable aspects of our R&D output, such as our employees, consultants, advisors and other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries. Patent applications in China and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all.

Under the Patent Law of the PRC (中華人民共和國專利法) promulgated by the Standing Committee of the NPC, as amended, patent applications are maintained in confidence until their publication at the end of 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and the date on which patent applications were filed. 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, the PRC 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, even after reasonable investigation we may be unable to determine with certainty whether any of our products, processes, technologies, inventions, improvement and other related matters have infringed upon the intellectual property rights of others, because such third party may have filed a patent application while we are still developing that product, and the term of patent protection starts from the date the patent was filed, instead of the date it was issued. Therefore, the validity of issued patents, patentability of pending patent applications and applicability of any of them to our programs may be lower in priority than third-party patents issued on a later date if the application for such patents was filed prior to ours and the technologies underlying such patents are the same or substantially similar to ours. In addition, under 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 CNIPA, 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 license or own currently or in the future are to be issued as patents, they may not be issued 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. In addition, the patent position of 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 patents may be challenged in the courts or patent offices in the PRC, the U.S. and other countries. We may be subject to a third-party preissuance submission of prior art to the CNIPA, USPTO or other related intellectual property offices, or become involved in post-grant proceedings such as opposition, derivation, revocation and re-examination, or *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, products or drug candidates and compete directly with us without payment to us. Moreover, we may have to participate in interference proceedings declared by the CNIPA, USPTO or other related intellectual property offices 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, products and drug candidates. Such proceedings also may result in substantial costs and require significant time from our scientists, experts and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technologies, products 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. We may face competition for any approved drug candidates even if we successfully obtain patent protection once the patent life has expired for the product. The issued patents and pending patent applications, if issued, for our products and drug candidates are expected to expire on various dates as described in "Business—Intellectual Property Rights" of this Prospectus. Upon the expiration of our issued patents or patents that may issue from our pending patent applications, we will not be able to assert such patent rights against potential competitors and our business and results of operations may be adversely affected.

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. Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third-party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

We may not be successful in protecting our customers' intellectual property.

With respect to our CDMO business, we typically have access to a significant amount of intellectual property owned by our customers. Our customers typically retain ownership of all intellectual property associated with their projects, including the intellectual property provided to us and the intellectual property arising from the services we provide, except for intellectual property created or developed in connection with the provision of our services that is derivative of our own intellectual property or that relates to manufacturing processes developed at our expense.

Despite the measures we take to protect our customers' or our own intellectual property, unauthorized parties may attempt to obtain and use them. Failure to protect our customers' intellectual property may subject us to liability for breach of contract, as well as significantly damage our reputation, which is fundamental to our business. Failure to protect our own intellectual property may severely disrupt our business operation of CDMO service, and reduce or eliminate any competitive advantage we have developed. Either could materially harm our business, financial condition, results of operations and prospects, and any remediation may significantly divert management's attention and resources from other activities.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our products and drug candidates could be found invalid or unenforceable if being challenged in court or before the CNIPA or courts or related intellectual property agencies in other jurisdictions.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we can. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation.

Defendant counterclaims alleging invalidity or unenforceability are commonplace, a third party can assert invalidity or unenforceability of a patent on numerous grounds. Third parties may also raise similar claims before administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or drug candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we, our patent counsel, and the patent examiner could be unaware of invalidating prior art during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our products or drug candidates. Such a loss of patent protection could have a material adverse impact on our business.

We may not be able to prevent misappropriation of our trade secrets or confidential information, particularly in countries where the laws may not protect those rights as fully as we expect.

If we are sued for infringing intellectual property rights of third parties, 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 avoiding infringement 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. We may also be unaware of third-party patents or patent applications, and given the dynamic area in which we operate, additional patents are likely to be issued that relate to aspects of our business. There are a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the pharmaceutical industry generally. As the pharmaceutical industry expands 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 proprietary 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.

If third parties bring successful claims against us for infringement 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 substantially divert diversion of employee resources from our business. In the event of a successful claim against us of infringement or misappropriation, or a settlement by us of any such claims, we may have to pay substantial damages, including treble damages and attorneys' fees in the case of willful infringement, pay royalties or redesign our infringing drug candidates, which may be impossible or require substantial time and cost. 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. 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 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, this could have a substantial adverse effect on the market price of our Shares. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to adequately conduct such litigation or proceedings. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

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 on any issued patent are due to be paid to the CNIPA, USPTO and other patent agencies in several stages over the lifetime of the patent. The CNIPA, USPTO and various 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, 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.

Depending on decisions by the NPC and the CNIPA, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. On December 5, 2018, the State Council submitted the draft of the fourth amendment to the Patent Law of the PRC to the NPC. The potential influence on our existing patent rights and future patent applications remains uncertain. There could be similar changes in the laws of other jurisdictions that may impact the value of our patent rights or our other intellectual property rights. The U.S. has enacted and is currently implementing wide-ranging patent reform legislation. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the value of patents once obtained, if any.

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 have wrongfully used or disclosed alleged trade secrets of their former employers.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products and drug candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements or include such undertakings in the agreement 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 employment agreement or consulting agreement with our employees and consultants that includes undertakings regarding assignment of inventions and discoveries. 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 lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

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

In addition, while we typically require our employees, consultants and contractors 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, 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.

Our in-licensed patents and other intellectual property may be subject to further priority disputes or to inventorship disputes and similar proceedings. If we or our licensors 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 or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest in our owned or in-licensed patents or other intellectual property. If we or our licensors are unsuccessful in any interference proceedings or other priority or validity disputes (including any patent oppositions) to which we or they are subject, we may lose valuable intellectual property rights through the loss of one or more patents owned or licensed or our owned or licensed patent claims may be narrowed, invalidated, or held unenforceable. In addition, if we or our licensors are unsuccessful in any inventorship disputes to which we or they are subject, we may lose valuable intellectual property rights, such as exclusive ownership of, or the exclusive right to use, our owned or in-licensed patents. If we or our licensors 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 owned and licensed 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.

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

We have entered into license agreements with third parties providing us with rights to various third-party intellectual property, including rights in patents and patent applications. For details, see "Business—Intellectual Property." These license agreements 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 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 by the licenses provided for 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 the licenses provided for under 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 from our existing licensors and others 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.

Certain of our license agreements also require us to meet development thresholds to maintain the license, including establishing a set timeline for developing and commercializing products. Disputes may arise regarding intellectual property subject to a 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 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 us and our partners; and
- the priority of invention of patented technology.

In addition, the agreements under which we license intellectual property or technology from third parties are 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.

Risks Relating to Our Financial Positions and Need for Additional Capital

We will need to obtain additional financing to fund our operations and we had net cash outflows from our operating activities in 2017 and 2019. If we do not have access to sufficient funding business prospects could be affected.

Our business operations and our implementation of many aspects of our strategies will require significant funding, including:

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion and diversification of our portfolio;
- the funding required to consummate acquisitions and integrate acquired businesses;
- the costs and expenditures required to grow our business internationally through drug development programs for overseas markets; and
- the capital expenditure required to increase our production capacity and to upgrade and enhance our facilities.

In addition, many aspects of our general business operations have on-going funding requirements that may increase over time. We had net cash outflows from our operating activities in 2017 and 2019. Our operating activities used RMB393.5 million of net cash in 2017, provided RMB672.8 million of net cash in 2018 and used RMB193.4 million of net cash in 2019. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future.

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

Goodwill comprises a substantial portion of our total assets; if we determine our goodwill to be impaired, it would adversely affect our financial position.

As of December 31, 2019, RMB2,354.9 million, or 15.3%, of our total assets consisted of goodwill relating to our historical acquisitions. Our acquired goodwill primarily consisted of goodwill relating to two acquisitions, acquisitions of SPL and Cytovance. Goodwill represented a significant portion of the total assets on our consolidated balance sheet as of December 31, 2019. In order to determine whether our goodwill is impaired, we are required to estimate, among other things, the expected future cash flows that we will derive from the relevant group of assets, which includes an estimation of the expected growth rate in sales of the relevant products, as well as their future gross margins and related operating expenses. In the event that our estimate of our future cash flows from any of these groups of assets decreases from our estimate in prior periods, we could be required to recognize an impairment loss in our consolidated statement of comprehensive income for the relevant period in an amount equal to our estimate of the reduction in value of the relevant group of assets. Please refer to "Financial Information – Significant Accounting Policies and Estimates" for further details of our accounting policies for goodwill and goodwill impairment, the estimations assumptions involved therein, and the components of our acquired goodwill during the Track Record Period.

We did not recognize impairment losses in respect of goodwill during the Track Record Period. However, our estimates of the future cash flows from the relevant assets may be susceptible to downward revision as result of factors adversely affecting the global pharmaceutical industry generally, including general decreases in growth rates and margins, as well as factors specific to our business' growth rates, margins and operating expenses. Moreover, since each of the primary acquisitions for which we are carrying goodwill as of December 31, 2019 related primarily to a single or limited number of key products, we are particularly susceptible to goodwill impairment resulting from adverse changes affecting each of these key products, including changes adversely affecting their respective growth rates, sales or margins. Such adverse changes could require us to record an impairment loss for all or a substantial portion of the goodwill we are carrying in respect of the group of assets relating to each of these key products. If we record an impairment loss as a result of these or other factors, it would adversely affect our financial position for the relevant period.

If we determine our intangible assets (other than goodwill) to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2019, our other intangible assets amounted to RMB559.4 million, or 3.6% of our total assets, which was primarily related to our proprietary technology and the customer relationship we acquired from Cytovance. The value of other intangible assets is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may have to write off a significant portion of our other intangible assets and record a significant impairment loss. In addition, our determination on whether intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our other intangible assets may be impaired. During the Track Record Period, we did not recognize impairment losses in respect of our other intangible assets. However, we cannot guarantee you that in the future we will not record any impairment loss on our other intangible assets. The impairment of our other intangible assets could have a material adverse effect on our business, financial condition and results of operations. For further details of our accounting policies with respect to other intangible assets, please refer to "Financial Information—Significant Accounting Policies and Estimates."

Changes in market interest rates may have a significant impact on our financial condition.

Our interest income generated from bank borrowings as well as the interest we pay on our indebtedness are affected by market interest rates. High volatility in market interest rates will directly affect our net interest margin, and in turn affect our profitability and financial condition. Fluctuations in market interest rates are subject to various factors beyond our control, such as the regulatory framework of the banking and financial sectors in the PRC and the domestic and international economic and political environments.

A significant amount of our bank borrowings and interest-bearing liabilities are denominated in RMB, therefore we are affected by the fluctuations in the RMB interest rate. Historically, the PBOC has adjusted its benchmark interest rates for may times. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on January 1, 2015 to 4.35% on December 31, 2015. Adjustments to the benchmark interest rates could affect the average yield of our interest-earning assets and the average cost of our interest-bearing liabilities to different extents. Any such adjustments or changes in market interest rates may cause our interest expenses to increase at a faster rate than our interest income, and thus reducing our net interest spread and net interest margin, which, in turn, could adversely affect our financial condition and results of operations. During the Track Record Period, we hedged part of our interest rate risk through interest rate swaps. However, there is no assurance that these interest rate swaps or other hedging measures we use for mitigating the interest rate risk will always be effective.

Fluctuation of the operational results of the associates we invested and the fair value of our investments may adversely affect our financial position

We have strategically invested in a number of biotech companies which focus on research and development of innovative drugs with significant growth potential or cutting edge technologies that we believe will advance the healthcare industry. For the details of our investments, please refer to the section headed "History, Development and Corporate Structure—Major Acquisitions and Disposals." The performance of our invested companies, including but not limited to the commercial success of their drug candidates, will affect our cash flow and results of operation. Our investments in associates amounted to RMB642.0 million, RMB562.5 million and RMB1,349.8 million as of December 31, 2017, 2018 and 2019, respectively. We recorded share of losses of associates of RMB79.7 million and RMB305.0 million for the years ended December 31, 2017 and 2018, respectively, and share of profits of associates of RMB18.2 million for the year ended December 31, 2019. Even if profits were reported under the equity method for our investments in associates, no cash inflow may be recognized from such investments until the associates declare dividends, which results in our exposure to higher liquidity risk. Investments in associates are not as liquid as other investment products. In addition, for our equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and derivative financial instruments, if the fair value of such investments were to fluctuate, our results of operations may be materially and adversely affected. As of December 31, 2017, 2018 and 2019, our equity investments designed at fair value through other comprehensive income amounted to RMB550.4 million, RMB608.8 million and RMB627.4 million, respectively. As of December 31, 2017, 2018 and 2019, our financial assets at fair value through profit or loss were RMB1,255.0 million, RMB1,197.7 million and RMB1,316.0 million, respectively. As of December 31, 2017, 2018 and 2019, our derivative financial instruments amounted to RMB43.2 million, RMB77.2 million and RMB24.8 million, respectively. The fluctuations are primarily reflected by net losses on equity investments designated at fair value through other comprehensive income, fair

value gains on financial assets at fair value through profit or loss, and fair value gains/(losses) on derivative instruments. We incurred net losses on equity investments designated at fair value through other comprehensive income of RMB180.5 million, RMB190.9 million and RMB51.6 million for the years ended December 31, 2017, 2018 and 2019, respectively. We recorded fair value gains on financial assets at fair value through profit or loss of RMB46.8 million, RMB8.2 million, and RMB199.7 million for the years ended December 31, 2017, 2018 and 2019, respectively. We incurred fair value losses on derivative instruments of RMB3.7 million and RMB83.2 million for the years ended December 31, 2017 and 2019, respectively, and recognized fair value gains on derivative instruments of RMB30.5 million for the year ended December 31, 2018. For the details of the financial analysis on our investments, please refer to the section headed "Financial Information—Selected Items regarding Our Investments."

We recorded gains on disposal or deemed disposal of our subsidiaries during the Track Record Period and may not record such gains in the future, which could result in the fluctuation of our results of operation and may have a material adverse effect on our financial position.

We recognized gain on disposal of a subsidiary of RMB28.8 million for the year ended December 31, 2018, and recognized gains on deemed disposal of a subsidiary of RMB573.9 million for the year ended December 31, 2019, respectively. Gain on disposal of a subsidiary reflected the gain we obtained from the disposal of Hapatunn in June 2018, and gains on deemed disposal of a subsidiary resulted from the deconsolidation of HighTide in March 2019, both of which, we believe are non-recurring items. Therefore, we may not record any gains on disposal or deemed disposal of our subsidiaries in the future, which may adversely affect our results of operation, financial condition or cash flow position. For the details of our acquisitions and disposals, please refer to "History, Development and Corporate Structure—Major Acquisitions and Disposals" to this prospectus.

Risks Relating to Our General Operations

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors.

We operate in a highly competitive environment. For the reasons discussed in this section below and other possible reasons, we may not be able to compete effectively against current and future competitors. Our inability to compete effectively could result in decrease of sales, reduction of price and loss of market share, any of which could have a material adverse effect on our results of operations and profit margins.

Our finished doses products compete with other similar products or treatments for which our products may be indicated. Our pharmaceutical products compete with a dozen other similar products in the EU and U.S. markets, including products marketed by both multinational and domestic companies. Some of these competing products have experienced rapid growth in recent years, particularly in lower-tier markets. While many of our products are the top seller worldwide, other companies may enter this market and exert competitive pressure.

The global heparin sodium API market is highly concentrated with the major suppliers based in China. The top five players in total accounted for 89.0% of the market share in 2018 with our sales in 2018 accounting for the largest market share. Sales of the second largest supplier accounted for 21.3% of the total market share. Notwithstanding our leading market share position, faced with the increasing costs of production and limitations in supply of porcine small intestines as a result of the African swine

flu fever, in order for us to continue maintaining our leading position, we must continue to control our production costs, strengthen our quality control efforts, further consolidate our control over traceable heparin raw materials as well as expand our efforts in sourcing heparin raw materials. If we fail to do so, we may lose our bargaining power and our competitors will be in a position to obtain a larger market share than us. If we are unable to maintain our leading market position, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The biotechnology and pharmaceutical industries are characterized by rapid changes in technology, constant enhancement of industrial know-how and frequent emergence of new products. Future technological improvements and continual product developments in the pharmaceutical market may render our existing products obsolete or decrease our viability and competitiveness. Therefore, our future success will largely depend on our ability to improve our existing products and develop new and competitively priced products which meet the requirements of the constantly changing market. If we fail to introduce new or improved products, or if our new or improved products do not achieve adequate market acceptance, our business prospects may be materially and adversely affected.

Many of our competitors, including foreign pharmaceutical companies and large state-owned pharmaceutical companies, may have substantially greater clinical, research, regulatory, manufacturing, marketing, financial and human resources than we have. Certain of our competitors may be actively engaged in research and development in areas where we have products or where we are developing drug candidates or new indications for our existing products. Other companies may discover, develop, acquire or commercialize products more quickly or more successfully than we do. There may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant market share. If we fail to effectively compete with our competitors or adjust to structural changes in the biotechnology and pharmaceutical industries, our operations and profitability may be materially and adversely affected.

Our success depends on our key senior management members and our ability to attract, train, motivate and retain highly skilled scientists and other technical personnel

We are dependent on our senior management to manage our business and operations, and on our key research and development personnel to develop new products, technologies and applications and to enhance our existing products. In particular, we rely substantially on our founders including our chairman of the Board, general manager and deputy general manager who are seasoned biochemists with solid scientific background as well as strategic insight to manage our operations. Our success also depends on our team of scientists and other technical personnel and their ability to keep pace with cutting-edge technologies and developments in pharmaceutical industry and develop new products.

We compete for qualified personnel with other pharmaceutical and biotechnology companies, universities and research institutions. The pool of suitable candidates is limited, and we may face challenges in attracting and retaining skilled scientists and other technical personnel. We may not be able to hire and retain enough skilled and experienced scientists or other technical personnel at the current level of wages. 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 changes in customer needs and 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. In addition, we do not

have key man life insurance on any of our senior management or key personnel. The loss of any one of them would have a material adverse effect on our business and operations.

We may be subject to product liability claims, which could expose us to costs and liabilities and adversely affect our reputation, revenue and profitability.

The development and commercialization of pharmaceutical products entail inherent risks of harm to patients and we are therefore exposed to risks associated with product liability claims as a result of developing, producing, marketing, promoting and selling pharmaceutical products in the jurisdictions in which our pharmaceutical products are marketed and sold. Such claims may arise if any of our products are deemed or proven to be unsafe, ineffective, defective or contaminated or if we are alleged to have engaged in practices such as improper, insufficient or improper labeling of products or providing inadequate warnings or insufficient or misleading disclosures of side effects. Although we are currently not aware of any existing or anticipated product liability claims with respect to our products, there can be no assurances that we will not become subject to product liabilities claims or that we will be able to successfully defend ourselves against any such claims.

If a product liability claim is brought against us, it may, regardless of merit or outcome, result in damage to our reputation, breach of contract with our customers, decreased demand for our products, costly litigation, product recalls, loss of revenue and the inability to commercialize our products. If we are unable to defend ourselves against such claims, among other things, we may be subject to civil liability for physical injury, death or other losses caused by our products and to criminal liability and the revocation of our business licenses if our pharmaceutical products are found to be defective. In addition, we may be required to recall the relevant pharmaceutical products, suspend sales or cease sales. Other jurisdictions in which our products are, or may in the future be, sold, in particular in more developed markets including the EU and the U.S., may have similar or more onerous product liability and pharmaceutical product regulatory regimes, as well as more litigious environments that may further expose us to the risk of product liability claims. We maintain product liability insurance to cover damages that may arise from product liability claims. However, we may not be able to claim reimbursement under the product liability insurance, or our insurance coverage may not be sufficient to reimburse us, for any expenses or losses we may suffer. Even if we are able to successfully defend ourselves against any such product liability claims, doing so may require significant financial resources and the time and attention of our management. Moreover, even the allegation that our pharmaceutical products are harmful, whether or not ultimately proven, may adversely affect our reputation and sales volumes.

Any product liability insurance may be prohibitively expensive, or may not fully cover our potential liabilities. Any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources. Any product liability insurance for clinical trials, when obtained, may be prohibitively expensive, or may not fully cover our potential liabilities. The inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could have a material and adverse effect on our business and results of operations.

If we become a party or are subject to litigation, legal disputes, claims, administrative proceedings or other administrative measures, such involvement may divert our management's attention and result in costs and liabilities.

We may from time to time become a party to various litigation, legal disputes, claims, administrative proceedings or other administrative measures arising in the ordinary course of our

business. On-going litigation, legal disputes, claims, administrative proceedings or other administrative measures may divert our management's attention and consume their time and our other resources. Furthermore, any litigation, legal disputes, claims, administrative proceedings or other administrative measures 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. Negative publicity arising from litigation, legal disputes, claims, administrative proceedings or other administrative measures may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us or we are imposed any fines or penalties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected. On December 19, 2019, the Shenzhen Securities Regulatory Bureau of the CSRC issued a letter of caution ("**Caution Letter**") to us which identified three issues of concern, being (i) irregular accounting treatment of our equity investment in Resverlogix; (ii) internal approval process discrepancies with respect to certain related party transactions and other related pricing policy disclosure discrepancies; and (iii) inadequate registration of insiders (the "**Concerned Matters**"). According to our PRC legal adviser, the Concerned Matters may give rise to certain breaches of the Administrative Measures for the Disclosure of Information of Listed Companies and the Provisions for Establishing a Registration and Administration System for Persons with Inside Information published by the CSRC. On April 29, 2020, we filed a prior year adjustment report on accounting errors (the "**PYA**") with the Shenzhen Stock Exchange where we corrected certain accounting errors in the prior financial statements under PRC GAAP. According to our PRC legal advisor, although the risks that the PYA will result in (1) any administrative penalties or disqualification of the Company's Directors, supervisors or senior management, or (2) public censure to be imposed by the Shenzhen Stock Exchange, are relatively low, the PYA may give rise to some administrative regulatory measures imposed by the CSRC or the Shenzhen Bureau of CSRC, and self-disciplinary regulatory measures and circulation of a notice of criticism imposed by the Shenzhen Stock Exchange. No fine or penalty has been imposed on us in respect of the above issues but we cannot guarantee that fine or penalty will not be imposed upon us in the future. Please refer to "Business—Legal Proceedings and Compliance" for more information.

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

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

We do not and cannot fully control the conduct of our employees, agents, distributors or suppliers or affiliates. Our employees, agents or distributors may, in their interactions with hospitals,

medical institutions and medical professionals, attempt to increase the sales volume of our products through means that constitute violations of applicable anti-corruption and other related laws. If our employees, agents, or distributors engage in corrupt or other improper conduct that result in violation of applicable anti-corruption laws in respective jurisdictions, our reputation could be harmed. While we have implemented specific measures against corruption and bribery, there can be no assurance that we were or are able to entirely prevent our employees or distributors from engaging in such activities in the past or in the future. We may be held liable for actions taken by our employees or distributors, which could expose us to regulatory investigations and penalties. Actions taken by relevant regulatory authorities or courts that provide an interpretation of laws and regulations that differs from our interpretation or that adopt additional anti-bribery, anti-corruption laws and regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we, our employees, distributors or suppliers fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, distributors or affiliates, which may in turn have a material adverse effect on our results of operations and prospects.

For example, pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Purchase and Sales of Medicines (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), which was promulgated by the NHFPC and came into effect on March 1, 2014, if we are involved in criminal, investigational or administrative procedures for commercial bribery, we will be listed in the adverse records of commercial briberies by the relevant government authorities, as a result of which our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies within a specific territorial scope for two years; and if we are listed in the adverse records of commercial briberies twice within five years, our products cannot be purchased by public medical institutions or medical and health institutions receiving financial subsidies throughout China for two years. Please refer to "Regulatory Environment" for further details of relevant PRC regulations on commercial briberies.

A small amount of our revenue was derived from the Relevant Countries that are subject to sanctions imposed by the United States, the European Union, Australia and other government authorities during the Track Record Period.

The U.S. and other jurisdictions or organizations, including the European Union, the Australia and United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. For example, the U.S. government, through the U.S. Department of the Treasury's Office of Foreign Assets Control (the "**OFAC**") and the U.S. Department of State, administers and enforces economic and trade sanctions against a number of foreign countries and territories (the "**Sanctioned Countries**"), entities and individuals based on U.S. foreign policy and national security goals. The E.U. and its member states, as well as other countries, also administer and enforce sanctions. In addition, the U.S. Department of Commerce administers and enforces U.S. export controls that prohibit entities and individuals globally from exporting, reexporting or transferring export-controlled U.S. origin goods to Sanctioned Countries and/or persons without a license or authorization.

During the Track Record Period, we had sales of our products to end-user customers which were located in the Relevant Countries, each of which countries or regions is subject to or otherwise

implicates certain International Sanctions. The payment obligations related to such sales were remitted through certain banks who are designated as Specifically Designated Nationals (the "**SDNs**") by OFAC. During the same period, we also had deliveries of our products to destinations which included the Relevant Countries upon instructions from our customers which were not located in the Relevant Countries. Our counterparties relating to the Relevant Countries during the Track Record Period included (i) manufacturers of heparin products; and (ii) trading companies of pharmaceutical products which redistributed our products to local manufacturers of heparin products, hospitals and pharmacies. For the years ended December 31, 2017, 2018 and 2019, revenue generated from sales and/or deliveries to the Relevant Countries accounted for approximately 1.74%, 1.49% and 1.74% of our total revenue, respectively. We have not been notified that any fine or penalty will be imposed on us for our sales and/or deliveries to the countries subject to International Sanctions during the Track Record Period. See "Business—Risk Management and Internal Control."

However, we are unable to predict the interpretation or implementation of the International Sanctions with respect to any past activities by us in the Relevant Countries. There is no assurance that the U.S., EU, Australia or other relevant government agencies or organizations would not determine that we engage or have engaged in sanctionable activities targeted by the International Sanctions. If any government agencies or organizations were to determine that we engaged in sanctionable activities, we could be subject to certain sanctions, which could range from restrictions on our access to exports or bank financing to blocking of our property within the relevant jurisdictions, or other penalties and our reputation and future business prospects could be adversely affected. In addition, because sanctions programs are constantly evolving, new requirements or restrictions could come into effect, or relevant regulatory authorities may interpret current sanctions in such a manner, that might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions or being sanctionable.

In addition, we have given certain undertakings to the Stock Exchange regarding International Sanctions. For details, see "Business—Risk Management and Internal Control." If we fail to comply with such undertakings to the Stock Exchange, we may be subject to various measures or penalties imposed by the Stock Exchange, including delisting of our H Shares from the Stock Exchange.

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

As part of our business strategy, we continually pursue opportunities of collaboration, in-licensing, joint ventures, strategic alliances, or partnerships that we believe would be complementary to or promote our existing business. Proposing, negotiating and implementing collaborations, in-licensing arrangements, joint ventures, or other strategic arrangements may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, sales, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

Furthermore, partners, collaborators or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for

various reasons, including risks or uncertainties related to their business and operations. There may be conflicts or other collaboration failures and inefficiencies between us and the other parties.

Such transactions or arrangements may also require or stand in need of actions, consents, approvals, waivers, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders, or other stakeholders or interested parties. We may not obtain such required or desired actions, consent, approval, waiver, participation or involvement on a timely basis, on acceptable terms, or at all.

These collaboration, investments and transactions may also present financial, managerial and operational challenges, including:

- diversion of management attention from managing our existing business;
- difficulty with integrating businesses, operations, personnel, financial and other systems;
- lack of experience in operating in the geographical or product markets of the acquired business;
- increased levels of debt potentially leading to associated reduction in ratings of our debt securities and adversely impact our various financial ratios; and
- the requirement that we periodically review the value at which we carry our investments and, in the event we determine that the value at which we carry an investment has been impaired, the requirement to record a non-cash impairment charge, which charge could substantially affect our reported earnings in the period of such charge, would negatively impact our financial ratios and could limit our ability to obtain financing in the future.

We intend to grow our business in part through acquisitions; if we fail to successfully complete acquisitions or enhance post-acquisition performances in the future, it could have an adverse effect on our business prospects.

Our acquisition strategy has significantly contributed to our historical growth and expansion into new therapeutic areas. For instance, we acquired SPL in 2014 and Cytovance in 2015 to strengthen our leading position in the global heparin market and expanded our business to CDMO service industry. We also acquired Topknow in 2018 to enhance our vertical integration on the heparin industry value chain. We intend to continue to accelerate our business growth through selective acquisitions of suitable pharmaceutical companies. However, our ability to consummate acquisitions is subject to a number of risks and uncertainties, including that:

- we are unable to identify suitable acquisition targets and reach agreement on acceptable terms;
- we do not have access to financing for acquisitions on acceptable terms;
- we fail to obtain the governmental approvals and third party consents necessary to consummate any proposed acquisition; and
- increasingly intense competition for attractive acquisition targets makes the consummation of acquisitions on commercially acceptable terms increasingly difficult.

Even if we are able to consummate acquisitions, our ability to successfully grow our business through such acquisitions remains subject to further risks and uncertainties, including that:

- the acquired businesses do not provide us with the intellectual property rights, technology, R&D capability, production capacity or sales and marketing infrastructure we had anticipated;
- the acquired businesses are subject to unforeseen liabilities;
- we are unable to successfully integrate the acquired businesses in order to achieve the expected synergies with our own business or to increase the efficiencies of the acquired businesses in the manner we contemplated;
- we are unable to effective manage our enlarged business operations, or manage acquired businesses that may operate in new therapeutic areas, markets, regulatory environments or geographic regions; and
- the acquired businesses do not generate the revenue and profitability we had anticipated.

To the extent we are unable to consummate acquisitions and successfully grow our business through such acquisitions, our ability to achieve future growth of our business consistent with our historical growth rate will more heavily depend on the organic growth of our business, including new product development through internal R&D and in-licensing of products, than it has in the past, and there can be no assurances we will be able to achieve similar growth rates organically. Consequently, if we fail to successfully complete acquisitions in the future, it could have an adverse effect on our business prospects.

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

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

Because our programs may involve additional drug candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licenses or other rights to use these proprietary rights. 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 or maintain the existing intellectual property rights we have, 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.

We may not be able to realize our anticipated investment returns from our investments.

From time to time, we may make strategic investments in (a) investment targets that fit into and support our existing value chain and (b) cutting edge technologies that we believe will advance the healthcare industry, both of which would allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science.

Our investees are primarily growth companies still in the development stages, such as HighTide and Kymab. The performance of our invested companies, including but not limited to the commercial success of their drug candidates, will affect our cash flow and results of operation. Given that they are growth companies still in the development stages, such companies may have a higher failure rate. These companies may have relatively short operating histories and are in need of a significant amount of capital to grow their business as well as to gain traction. They may not be able to successfully complete clinical development, obtain regulatory approval or commercialize their drug candidate, or experience delays in doing so. Moreover, they may not have sufficient financial resources to meet their financial obligations, particularly during economic slowdowns. Our investments at this stage of a company's development are therefore speculative and entail a number of risks. Accordingly, we may fail to realize our anticipated returns on investments in such investees, and may even experience a total loss on such investments. Furthermore, the due diligence process that we undertake in connection with an investment and may not guarantee that our investments would be successful. Please refer to "History, Development and Corporate Structure" for more information.

We also have limited influence over the management and operations of our investees when we acquire minority interest in such companies. We are subject to the risk that the majority shareholders or the management of our investees may act in a manner that does not serve our interests. The general operational risks, such as inadequate or failed internal control of our investees may also expose our investments to risks. Furthermore, our investees may fail to abide by their agreements with us, for which we may have limited or no recourse. If any of the foregoing were to occur, our business, reputation, financial condition and results of operations could be materially and adversely affected.

In addition, our investments in our investees are generally illiquid. Our ability to realize our anticipated investment returns will depend on the investee's ability to complete a domestic or overseas initial public offering or trade sale, which in turn relies, among other things, the business and financial performance of our investees. If any of our investees were to go bankrupt, such investees' debts would first be paid off to its creditors and any remaining assets would be divided among the shareholders. We cannot assure you that there would be any remaining assets for the shareholders after the repayment of debts and we could lose all the resources and expenses we contributed to such entity. Any such event could materially and adversely affect our business, financial condition and results of operations.

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

We sell finished dose pharmaceutical products and APIs to certain overseas markets including the EU and the U.S. and plan to further expand our international business. For further information, see "Business – Sales and Marketing". However, further expansion in overseas markets may expose us to risks and uncertainties, including but not limited to:

- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we might be unfamiliar, in order to obtain overseas permits, licenses

and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;

- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- risks associated with local unions and employment disputes;
- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products;
- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sale of pharmaceutical products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities; and
- risks associated with compliance with local tax laws and regulations including but not limited to timely filing of tax returns and tax payment, and disputes or disagreements with local tax authorities with respect to matters including but not limited to calculation of tax liabilities and preferential tax treatments.

Specifically, to expand our sales of enoxaparin sodium injection into the U.S. market, we have established sales arrangement with one customer, and thus our sales in the U.S. will largely depend on its success in the commercialization of its enoxaparin sodium injection. If our customer fails to successfully market and sell its enoxaparin sodium injection products in the U.S., our sales volumes and results of operations could be adversely affected.

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

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

Our growth strategies include but not limited to increasing our penetration into the global market, maximize the commercial value for our new drugs in China, expanding our drug discovery, development and manufacturing capacity for our CDMO business and pursuing strategic acquisitions. 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 our growth strategies will require, among other things, our ability to continue to innovate and develop advanced technology in the highly competitive global pharmaceutical 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, increased marketing and customer support activities, effective quality control, and management of our suppliers to leverage our purchasing power. Any failure to execute our growth strategies or realize our anticipated growth could adversely affect our business, financial condition, results of operations and prospects.

Increased labor costs could negatively affect our ability to operate efficiently and have a material and adverse impact on our revenues and profitability.

The cost of labor in the PRC has been steadily increasing over the past years as a result of inflation, government-mandated wage increases and other changes in PRC labor laws, as well as competition for talents and qualified employees among pharmaceutical companies. Unless we are able to pass on these increased labor costs to our customers by increasing the prices of our products and services, our financial condition and results of operations may be adversely affected. Many aspects of our strategies and business growth may require us to have additional employees. We may also have additional employees as a result of acquisitions or organic growth of our business. If we implement such strategies but fail to realize the benefits and efficiencies we anticipate, we may be unable to offset the corresponding increases in our staff costs, which adversely affect our revenues and profitability.

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

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

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

If an improved version of an originator product is developed by the originator company or if the market acceptance for the treatment regimen involving the originator product significantly declines, sales or potential sales of our biosimilar products may suffer.

Originator companies may develop improved versions of an originator product as part of a life cycle extension strategy and may obtain regulatory approval of the improved version under a new or supplemental application filed with the applicable regulatory authority. Should the originator company succeed in obtaining an approval of an improved biological product, it may capture a significant share of the originator product market in the applicable jurisdiction and thereby significantly reduce the market for our potential biosimilar drugs and drug candidates.

Moreover, originator products face competition as technological advances are made, or as new products are introduced, that may offer patients a more convenient form of administration or increased efficacy. As new products are approved that compete with the originator products, sales of the originator products and in turn, our biosimilars to such originators, may be significantly and adversely impacted. Any of the above developments could have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

We believe that market awareness and recognition of our brands, particularly Hepalink, have contributed significantly to the success of our business. We also believe that maintaining and enhancing these brands is critical to maintaining our competitive advantage. While we will continue to promote our brands to remain competitive, we may not be successful in doing so. In addition, we may expand our network of distributors and third-party promoters to increase our marketing efforts. It may be difficult to effectively manage our brand reputation as we have relatively limited control over these third parties. If we are unable to maintain or enhance our brand recognition and increase awareness of our products, or if we incur excessive marketing and promotion expenses to do so, our business and results of operations may be materially and adversely affected.

If we suffer failure or disruption in our information systems, our ability to effectively manage our business operations could be adversely affected.

We make use of information systems to obtain, process, analyze and manage data. We use these systems to, among other things, monitor the daily operations of our business, maintain operating and financial data, manage our customer documentation as well as manage our production operations and quality monitoring systems. Any system damage or failure that interrupts data input, retrieval or transmission or increases service time could disrupt our normal operations. There can be no assurance that we will be able to effectively handle a failure of our information systems, or that we will be able to

restore our operational capacity in a timely manner to avoid disruption to our business. The occurrence of any of these events could adversely affect our ability to effectively manage our business operations. In addition, if the capacity of our information systems fails to meet the increasing needs of our expanding operations, our ability to expand may be constrained.

We could be exposed to risks related to our management of medical data.

Clinical trials for our drug candidates routinely collect and maintain medical data treatment records and other personal details of enrolled subjects. Laws and regulations of the various jurisdictions in which we conduct our clinical trials generally require clinical trial sponsors and operators and their personnel to protect the privacy of their enrolled subjects and prohibit unauthorized disclosure of personal information. Such institutions and personnel will be liable for damage caused by divulging the subjects' private or medical records without consent. We take measures to maintain the confidentiality of the medical records and personal data of subjects enrolled in our clinical trials, including encrypting such information in our information technology system so that it cannot be viewed without proper authorization, and setting internal rules requiring our employees to maintain the confidentiality of our subjects' medical records. However, these measures may not be always effective. For example, our information technology systems could be breached through hacking activities, and personal information could be leaked due to theft or misuse of personal information arising from misconduct or negligence. In addition, the clinical trials frequently also involve professionals from third party institutions working on-site with our staff and enrolled subjects. We cannot ensure that such persons will always comply with our data privacy measures. Furthermore, any change in such laws and regulations could affect our ability to use medical data and subject us to liability for the use of such data for previously permitted purposes. Any failure to protect the confidentiality of subjects' medical records and personal data, or any restriction on or liability as a result of, our use of medical data, could have a material adverse effect on our business, financial condition and results of operations.

We may be restricted from transferring our scientific data abroad or using human genetic resources collected in China.

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》) (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. Given the term state secret is not clearly defined, if and to the extent our R&D of medical drug candidates will be subject to the Scientific Data Measures and any subsequent laws as required by the relevant government authorities, we cannot assure you that we can always obtain relevant approvals for sending scientific data (such as the results of our preclinical studies or clinical trials conducted within China). In addition, 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》) ("**Service Guide**"), which became effective on October 1, 2015. According to the Service Guide, the sampling, collection or research activities of human genetic resources through clinical trials shall be required to be filled with the China Human Genetic

Resources Management Office through the online system. On May 28, 2019 the State Council promulgated the Regulations of PRC on the Administration of Human Genetic Resources (《中華人民共和國人類遺傳資源管理條例》) which became effective on July 1, 2019 (the "**Human Genetic Resources Regulation**"). The Human Genetic Resources Regulation stipulates that collecting human genetic resources of China's important genetic families and specific regions, or collecting those human genetic resources in such categories and quantities as prescribed by the administrative department for science and technology under the State Council, preserving China's human genetic resources and providing the basic platform for scientific research, utilisation of China's human genetic resources for international cooperation in scientific research, as well as transporting China's materials of human genetic resources abroad shall be subject to the approval of the administrative department for science and technology under the State Council. If we are unable to obtain necessary approvals or comply with the regulatory requirements in a timely manner, or at all, our R&D 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 or collection and usage of human genetic resources to be in violation of the requirements under the applicable PRC laws and regulations, we may be subject to fines and other administrative penalties imposed by those government authorities.

Our business benefits from certain preferential tax incentives, the expiration of or changes to which could adversely affect our profitability.

We currently benefit from certain preferential tax treatments, as well as tax concessions in relation to our research and development costs. In particular, Our Company and Shenzhen Techdow have benefited from a preferential PRC income tax rate of 15%, compared with the 25% income tax rate generally applicable to PRC tax resident enterprises under the EIT Law. Our Company and Shenzhen Techdow's qualification as a High and New Technology Enterprise will expire in November 2021 and October 2020, respectively. We plan to renew our and Shenzhen Techdow's qualification in due course. However, we cannot guarantee you that these two entities will continue to receive the preferential tax treatments, which depends on a number of factors, including, but not limited to, whether their products fall within the scope of supported high and new technology, whether their research and development expenses as a percentage of revenue reach certain threshold percentages and whether their research and development staff as a percentage of total number of staff reaches certain threshold percentages.

The current or future preferential tax treatments, tax concessions, tax allowances and financial incentives applicable to our Company or our subsidiaries may be changed, terminated, or otherwise become unavailable due to many factors, including changes in government policy or administrative decisions by relevant government authorities. For example, on November 27, 2014, the State Council issued the Notice on Cleaning Up and Regulating Taxation and Other Preferential Policies (《國務院關於清理規範税收等優惠政策的通知》) (the "**Preferential Policies Notice**"), which required local governments and government agencies to review and clean up the preferential policies they have promulgated, and to abolish preferential policies that are in violation of state laws and regulations. On May 10, 2015, the State Council issued a notice suspending the clean-up of preferential policies set out in the Preferential Policies Notice until further notice. Our subsidiaries incorporated in the U.S. were subject to the federal corporate tax rate at 35% for the years prior to 2018. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted in the U.S., which reduces the federal corporate tax rate from 35% to 21% and is effective on January 1, 2018. For more details, please refer to the section entitled "Financial Information—Income Tax Credit/(Expense)." In 2017, 2018 and 2019, the preferential

income tax rates applicable to some of our subsidiaries, in aggregate, resulted in tax savings of RMB38.2 million, RMB62.1 million and RMB120.4 million in 2017, 2018 and 2019, respectively. Due to the Preferential Policies Notice and further potential changes in government policies in China or abroad, we cannot be certain of the level of preferential tax rates we will receive in the future or if certain of our subsidiaries will continue to benefit from reduced tax rate due to changes in tax laws or regulations. Our post-tax profitability and cash flows may be adversely affected as a result of one or more of these or other factors.

We may be subject to additional tax liabilities in connection with our transfer pricing arrangements, which could have adverse impacts on our financial condition.

During the Track Record Period, we carried out certain intra-group transactions, mainly intra-group sales of finished goods. Our profit allocation and income tax positions in the jurisdictions in connection with such transfer pricing arrangements are subject to the interpretations by relevant tax authorities of applicable tax law as well as applicable rules and regulations with respect to transfer pricing in these jurisdictions. Significant judgment and the use of estimates are required in determining our profit allocation and income tax positions in terms of our transfer pricing arrangements. If a competent tax authority of a relevant jurisdiction determines that the transfer prices and the transaction terms that we have adopted as well as our historical income tax provisions and accruals are not appropriate, such authority may require the relevant subsidiaries to re-assess the transfer prices and re-allocate the income or adjust the taxable income. If we are considered not to be in compliance with the applicable transfer pricing rules and regulations, the relevant tax authority may also have the power to order us to pay all outstanding tax and statutory interest or fines.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

We, our Shareholders, Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were not-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

Changes in international trade policies and barriers to trade or the emergence of a trade war may have an adverse effect on our business and expansion plans.

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs of the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions of the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union (''**Brexit**''). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the

European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent and uncertainty of the negotiation, the effect of Brexit remains uncertain, and Brexit has and may continue to create negative economic impact worldwide. The U.S. administration under President Donald J. Trump has advocated more stringent restrictions and policies on international trade and significantly increased tariffs on certain goods imported into the U.S., particularly from China. Despite that the U.S. and China reached a partial trade deal in December 2019, under which the U.S. agreed to cancel some new tariffs and reduce rates for other duties in exchange for China to purchase more U.S. agricultural products and to make changes regarding intellectual property and technology, the trade tension between China and the U.S. may be reinstated. Any escalation in trade tensions or a trade war, or the perception that such escalation or trade war could occur, may have tremendous negative impact on the economies of not merely the two countries concerned, but the global economy as a whole.

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

Our business could be adversely affected by natural disasters or outbreaks of epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. On March 11, 2020, the World Health Organization declared the pandemic of COVID-19 ("**COVID-19 pandemic**"). These natural disasters, 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.

Given the high uncertainties associated with the COVID-19 pandemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Should the disruption to our operations extend beyond a specified period, we may experience delays in manufacture and delivery of our pharmaceutical products, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any significant disruption to our sales activities may negatively affect our liquidity and access to capital. The COVID-19 pandemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday and, as the outbreak extended, several countries arranged to evacuate their nationals from Wuhan and introduced new restrictions on travel to and from China. A recurrence of SARS, the further spread of COVID-19 or an outbreak of any other epidemics in China, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to the manufacture and delivery of our pharmaceutical products, which in turn may adversely affect our financial condition and results of operations.

In addition, the outbreak of communicable diseases, such as the COVID-19 pandemic may affect investment sentiment and result in sporadic volatility in global capital markets. Such pandemic has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the global economy, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATED TO CONDUCTING BUSINESS IN CHINA

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

We are a China-based pharmaceutical company. Accordingly, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in China.

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

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

Although China has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008. There is no assurance that future growth will be sustained at similar rates or at all.

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

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

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

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

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

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

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 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.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated under the laws of the PRC. A majority of our Directors, Supervisors and senior management personnel also reside in the PRC, and substantially all of their assets are located in the PRC. As a result, it may not be possible to effect service of process within the U.S. or elsewhere outside the PRC upon our Directors, Supervisors and senior management personnel, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws.

On July 14, 2006, the Supreme People's Court of the PRC and the government of 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 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**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly selected as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement remain uncertain. In addition, the PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the U.S., the United Kingdom, Japan and most other western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the U.S.. As a result, recognition and enforcement in the PRC or Hong Kong of judgment of a court in the U.S. or any other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any dividends paid to investors and gains on the sale of our Shares by our investors are subject to PRC tax. Under the EIT Law of the PRC, our offshore subsidiaries may be subject to PRC income tax on their worldwide taxable income.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our Shares (including HKSCC

Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H shares through the sale or transfer by other means of H shares.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our Shares from their disposition of our Shares may be collected. If any such tax is collected, the value of our Shares may be materially and adversely affected.

Under the EIT Law, an enterprise established outside the PRC with "de facto management bodies" within China is considered a "resident enterprise," meaning that it is treated in a manner similar to a Chinese enterprise for PRC EIT purposes. 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, the Notice Regarding the Determination of Chinese- Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of 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. State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

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

Payment of dividends is subject to restrictions under PRC law and regulations.

Under PRC law and regulations, we may only pay dividends out of distributable profits. Distributable profits are our after-tax profits as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods for which our financial statements indicate we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, our operating subsidiaries and joint ventures in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries and joint ventures for us to pay dividends. Failure by our operating subsidiaries and joint ventures to pay us dividends could adversely impact our ability to make dividend distributions to our Shareholders and our cash flow, including periods in which we are profitable.

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

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

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

Since late 2015, the PRC regulatory authority has promulgated a series of regulations setting forth the requirements of consistency evaluation for generic drugs, including the Opinion of the General Office of the State Council on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs (《國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見》), the Announcement on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs (No. 100 (2017)) (《國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告》) and the Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs (No. 102 (2018)) (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》), which set forth timelines for completion of consistency evaluation and consequences for failure to timely complete the evaluation. For more information, see "Regulatory Environment".

Any failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

According to the Social Insurance Law and the Regulation on the Administration of Housing Provident Funds and other applicable PRC regulations, any employer operating in China must open social insurance registration accounts and housing provident fund registration accounts, and contribute

social insurance premium and housing provident fund for its employees. Any failure to make timely and adequate contribution of social insurance premium and housing provident fund for its employees may trigger an order of correction from competent authority requiring the employer to make up the full contribution of such unpaid social insurance premium and housing provident fund within a specified period of time, and the competent authority may further impose fines or penalties. During the Track Record Period, we, specifically our Company and two of its subsidiaries, failed to make full contribution to the social insurance and housing provident funds for our employees as required under the applicable PRC law. As of December 31, 2019, the total payable amount of social insurance premium and housing provident fund was approximately RMB38.6 million for which we had made provision in the financial statement for the year ended December 31, 2019. As of the Latest Practicable Date, we had not received any order of correction or any fines or penalties from the competent authority and also have not received any complaint or labor arbitration application from any of our employees, in each case as a result of any such failure. However, the competent authority could require us to rectify any non-compliance by making contribution of unpaid social insurance premium and housing provident fund or impose fine or penalty related thereto. Please refer to "Business—Legal Proceedings and Compliance" for more information.

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

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

Furthermore, as a result of our international operations, we are exposed to exchange rate risks related to other currency that can affect our revenue, costs, margins and profits. Our reporting currency is RMB. A significant portion of raw materials procurement and manufacturing costs of our API and enoxaparin sodium injection products are incurred in China and settled in RMB whilst a majority of the revenues we derive are in US dollars or Euros. A decrease in the value of the US dollar or Euros

against the RMB can result in our incurring other comprehensive losses and there can be no assurance that such decreases will not occur in the future.

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

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

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives 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 us and our PRC subsidiaries as part of our efforts to encourage the development of local businesses. We recognized RMB42.5 million, RMB33.8 million and RMB34.5 million of government grant income for the years ended December 31, 2017, 2018 and 2019, respectively. 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. Local governments may decide to reduce or eliminate incentives 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.

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

During the Track Record Period, we relied on certain overseas suppliers to obtain raw materials for our products, and we have relied on the services from and collaboration with entities in foreign countries and regions, in particular the U.S. Our business is therefore subject to constantly changing international economic, regulatory, social and political conditions, and local conditions in those foreign countries and regions. 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.

China's political relationships with those foreign countries and regions may affect the prospects of our relationship with third parties. There can be no assurance that our existing or potential service

providers or collaboration partners will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions.

Furthermore, in the event that China and/or the U.S. impose import tariffs, trade restrictions or other trade barriers affecting the importation of raw materials, we may not be able to obtain a steady supply of necessary components or raw materials at competitive prices, and our business and operations may be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

The characteristics of the A share and H share markets may differ.

Our A Shares were listed on the Shenzhen Stock Exchange in 2010. Following the Global Offering, our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share market. With different trading characteristics, the H share and A share market have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and *vice versa*. Due to the different characteristics of the H share and A share market, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an investment in our H Shares.

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop or sustain.

Prior to the Global Offering, there has been no public market for our H Shares. The initial issue price range for our H Shares was the result of negotiations among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, the H Shares (including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option) on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. The price and trading volume of our H Shares may be volatile, which could lead to substantial losses to investors. The price and trading volume of our H Shares may be highly volatile as a result of various factors. Some of these factors are beyond our control, including but not limited to:

- actual or anticipated fluctuations in our revenue and operating results;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;

- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- changes in any relevant government policies or regulations;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of additional H Shares by the Controlling Shareholders or other shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per H Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$5.92 per Share, based on the low end of the Offer Price range of HK$18.40 per H Share. There can be no assurances that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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

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

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of substantial future sales of our H Shares or other securities relating to our Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares

could materially and adversely affect the prevailing market price of our H Shares and our ability to raise additional capital in the future. Our Shareholders would experience a dilution in their holdings upon the issuance of additional Shares by the Company.

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

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

There can be no assurances that we will declare and distribute any amount of dividends in the future.

Under PRC law and the constitutional documents of our company, dividends may be paid only out of distributable profits, which refers to after tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRS. As a result, our company may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS. Please refer to "Financial Information—Dividend Policy" for further details of our dividend policy.

There can be no assurances that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors depending on, among other considerations, our operations, earnings, financial condition, cash requirements and availability, our constitutional documents and applicable law.

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

Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholders will collectively control approximately 62.86% of the voting power at general meetings of our Company. Our Controlling Shareholders will, through their voting power at the Shareholders meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive

a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

Following the listing of our A Shares on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information, including financial statements and financial data, relating to us on the Shenzhen Stock Exchange or other media outlets designated by the Shenzhen Stock Exchange or the CSRC or other regulatory bodies. However, the information announced by us in connection with our A Shares is based on regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to the Global Offering. Such information does not and will not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase our H 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, the Application Forms and any formal announcements made by us in Hong Kong with respect to the Global Offering.

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

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

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 coverage regarding us, our business, our Shareholders and management team, our industries, our Shares and the Global Offering.

There has been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media regarding us, our business, our Shareholders and management team, our industry, our Shares and the Global Offering.

None of us, the Joint Sponsors, or any other person involved in the Global Offering have authorized the disclosure of any such information in the press or media and none of these parties accept any responsibility for the accuracy or completeness of the information contained in such press articles and/or other media or the fairness or appropriateness of any forecasts, views or opinions expressed by the press and/or other media regarding our Shares, the Global Offering, our business, our industries or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim 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.