

# SECTION A1

## WAIVERS AND EXEMPTIONS

The following waivers and exemptions had been applied for and granted by the Hong Kong Stock Exchange and/or the SFC.

<b>No.</b>	<b>Rules</b>	<b>Subject matter</b>
1.	Rule 2.07A of the Listing Rules	Printed Corporate Communications
2.	Rules 4.04(3)(a), 4.05(2) and 4.13 of the Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (WUMP) Ordinance	Disclosure Requirements Relating to the Accountants' Report
3.	Paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance	Disclosure of Financial Results for Two Financial Years in the Accountants' Report
4.	Rule 9.09(b) of the Listing Rules	Dealings in Shares prior to Listing
5.	Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Listing Rules	Subscription for Shares by Existing Shareholders
6.	Rules 12.04(3), 12.07 and 12.11 of the Listing Rules	Printed Prospectuses
7.	Rule 13.25B of the Listing Rules	Monthly Return
8.	Rules 19C.07(1), 19C.07(3), 19C.07(4) and 19C.07(7) of the Listing Rules	Shareholder Protection Requirements in Relation to Changes to Class Rights, Approval, Removal and Remuneration of Auditors, Annual General Meeting and Requisition of Extraordinary General Meeting by Shareholders
9.	Paragraph 27 of Appendix 1A to the Listing Rules and Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance	Disclosure Requirements of Options
10.	Guidance Letter HKEX-GL37-12	Timing Requirement of Liquidity Disclosure

No.	Rules	Subject matter
11.	Paragraphs 33(2), 33(3), 46(2), 46(3) of Appendix 1A to the Listing Rules	Disclosure Requirements of the Remuneration of Directors and Five Individuals Whose Emoluments Were Highest
12.	Section 4.1 of the Introduction to the Takeovers Code	Determination of Whether a Company is a “Public Company in Hong Kong”
13.	Part XV of the SFO	Disclosure of Interests
14.	Paragraphs 41(4) and 45 of Appendix 1A to and Practice Note 5 of the Listing Rules	Disclosure of Interests Information
15.	Paragraph 15(2)(c) of Appendix 1A to the Listing Rules	Disclosure of Offer Price
16.	Paragraph 4.2 of Practice Note 18 of the Listing Rules	Clawback Mechanism
17.	Rule 13.48(1) and Practice Note 10 of the Listing Rules	Publication of Interim Report

## **PRINTED CORPORATE COMMUNICATIONS**

Rule 2.07A of the Listing Rules provides that a listed issuer may send or otherwise make available to the relevant holders of its securities any corporate communication by electronic means, provided that either the listed issuer has previously received from each of the relevant holders of its securities an express, positive confirmation in writing or the shareholders of the listed issuer have resolved in a general meeting that the listed issuer may send or supply corporate communications to shareholders by making them available on the listed issuer’s own website or the listed issuer’s constitutional documents contain provision to that effect, and certain conditions are satisfied.

Our ADSs have been listed on Nasdaq since 2017. We have a diverse shareholder base with ADS holders globally.

We do not currently produce or send out any corporate communications to our shareholders or holders of ADSs in printed form unless requested or in limited circumstances. We publicly file or furnish various corporate communications with the SEC which are posted on the SEC’s website. Our annual reports on Form 20-F and current reports on Form 6-K and current reports on Form 8-K and all amendments to these reports are also available free of charge on official corporate website as soon as reasonably practicable after they are filed with or furnished to the SEC. Further, we will post our proxy materials and notices to our shareholders and holders of ADSs on a publicly accessible website. In addition, the depositary bank which administers our ADS program will send a notice as well as an ADS voting instruction card to our ADS holders.

Apart from the Hong Kong Offer Shares that we offered for subscription by the public in Hong Kong, the International Offer Shares were placed to professional, institutional, corporate and other investors in Hong Kong and elsewhere in the world. Given our diverse shareholder base and the potential number of countries in which our shareholders are located, we considered that it would not be practicable for us to send printed copies of all our corporate communications to all of our shareholders. Further, we considered that it would also not be practicable for us to approach our existing shareholders individually to seek confirmation from them of their wish to receive corporate communications in electronic form, or to provide them with the right to request corporate communications in printed form instead.

We had applied for, and the Hong Kong Stock Exchange had granted us, a waiver from strict compliance with Rule 2.07A of the Listing Rules on the conditions that we would:

- (a) issue all future corporate communications as required by the Listing Rules on our own website in English and Chinese, and on the Hong Kong Stock Exchange's website in English and Chinese;
- (b) provide printed copies of proxy materials in English and/or Chinese to our shareholders at no cost upon request; and
- (c) ensure that the "Investor Relations" page of our website (<http://www.zailaboratory.com>) will direct investors to all of our future filings with the Hong Kong Stock Exchange.

#### **DISCLOSURE REQUIREMENTS RELATING TO THE ACCOUNTANTS' REPORT**

Rules 4.04(3)(a), 4.05(2) and 4.13 of the Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (WUMP) Ordinance set out certain historical financial information to be included in a listing document that is not required to be disclosed under U.S. GAAP, including in particular:

- (a) balance sheet at a company level;
- (b) aging analysis of accounts receivables;
- (c) aging analysis of accounts payables; and
- (d) adjustments made to show profits of all periods in accordance with the relevant accounting standards in relation to the last fiscal year reported on.

In accordance with U.S. GAAP, we had applied the modified retrospective method or prospective method to account for the impact of the adoption of certain new accounting standards in the Track Record Period. Under the modified retrospective method and prospective method adopted by our Group, comparative periods in the latest consolidated financial statements are not retrospectively adjusted.

During the Track Record Period, we adopted, among other new accounting standards that did not have a material impact on our consolidated financial statements, Accounting Standards Update 2014-09 “*Revenue from Contracts with Customers (Topic 606)*” and related amendments and implementation guidance, or ASC 606, and Accounting Standards Update 2016-02 “*Leases (Topic 842)*” including certain transitional guidance and subsequent amendments, or ASC 842, and Accounting Standards Update 2016-13 “*Credit Losses, Measurement of Credit Losses on Financial Instruments*” including related technical corrections and improvements, or ASU 2016-13. The relevant accounting policies upon the adoption of these new accounting standards are disclosed in the Accountants’ Report set out in Appendix I to the prospectus.

ASC 606 was adopted beginning January 1, 2018 using the modified retrospective transition method. Given there was no revenue for the periods before January 1, 2018, there were no transition adjustments. Under ASC 606, the Group recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services.

ASC Topic 842, Leases was adopted on January 1, 2019 using the modified retrospective transition approach by applying the new lease standard to all leases existing as of January 1, 2019, the date of initial application, and no adjustments were made to the comparative periods. Adoption of the new lease standard resulted in the recognition of operating lease right-of-use assets and operating lease liabilities on the consolidated balance sheet as of January 1, 2019. The adoption of the new lease standard did not have any significant impact on the consolidated statements of operations and comprehensive income and cash flows of the Group and there was no adjustment to the beginning retained earnings on January 1, 2019.

ASU 2016-13 was adopted on January 1, 2020 using the modified retrospective transition approach. ASU 2016-13 replaces the existing impairment model for most financial assets from an incurred loss impairment model to a current expected credit loss model, which requires an entity to recognize an impairment allowance equal to its current estimate of all contractual cash flows the entity does not expect to collect. Based on the composition of the Group’s trade receivables and investment portfolio, the adoption did not have any significant impact on the consolidated statements of operations and comprehensive income and cash flows of the Group and there was no adjustment to the beginning retained earnings on January 1, 2020.

As alternative disclosures with respect to certain items identified above which are relevant to us, the accounting policies for the adoption of ASC 606, ASC 842 and ASU 2016-13 as well as the impact of adoption, if any, are disclosed under notes 2(s), 2(l), 2(g) and 2(ab) respectively in the Accountants’ Report set out in Appendix I to the prospectus.

As the prospectus had included the above alternative disclosures and the current disclosure contains all information which was necessary for investors to make an informed assessment of the business, asset and liability, financial position, trading position, management and prospect of our Group, we believed that it would be of no material value to the Hong Kong investors and be unduly burdensome for the Accountants’ Report in Appendix I to include certain required information pursuant to Rules 4.04(3)(a), 4.05(2) and 4.13 of the Listing Rules and Paragraph 31(3)(b) of the Third Schedule to the Companies (WUMP) Ordinance and that the non-disclosure of such information would not prejudice the interests of investors.

We had applied for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with the requirements under Rules 4.04(3)(a), 4.05(2) and 4.13 of the Listing Rules. We had applied for, and the SFC had granted, an exemption from the requirements under Paragraph 31(3)(b) of the Third Schedule to the Companies (WUMP) Ordinance. The SFC had granted an exemption referred to above on the conditions that: (i) the particulars of such exemption are set out in the prospectus and (ii) the prospectus would be issued on or before September 17, 2020.

## **DISCLOSURE OF FINANCIAL RESULTS FOR TWO FINANCIAL YEARS IN THE ACCOUNTANTS' REPORT**

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

According to paragraph 31 of Part II of the Third Schedule to the Companies (WUMP) Ordinance, we are required to include in the prospectus a report prepared by our auditor with respect to our profits and losses and assets and liabilities in respect of each of the three financial year immediately preceding the issue of the prospectus.

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

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

In compliance with the abovementioned requirements under the Listing Rules, the Accountants' Report set out in Appendix I to the prospectus covered the two financial years ended December 31, 2018, 2019 and the six months ended June 30, 2020.

We had applied for, and the SFC had granted, an exemption from the requirements under Paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance on the following grounds and on the conditions that particulars of the exemption were set out in the prospectus and that the prospectus would be issued on or before September 17, 2020:

- (a) we are primarily engaged in the research and development, application and commercialisation of biotech products, and falls within the scope of biotech company as defined under Chapter 18A of the Listing Rules. We would fulfill the additional conditions for listing required under Chapter 18A;
- (b) the Accountants' Report for each of the two financial years ended December 31, 2018 and 2019 had been prepared and is set out in Appendix I to the prospectus in accordance with Rule 18A.06 of the Listing Rules;

- (c) notwithstanding that the financial results set out in the prospectus are only for the two years ended December 31, 2018 and 2019 and the six months ended June 30, 2020 in accordance with Chapter 18A of the Listing Rules, other information required to be disclosed under the Listing Rules and requirements under the Companies (WUMP) Ordinance had been adequately disclosed in the prospectus pursuant to the relevant requirements (except for those for which an exemption has been sought). Strict compliance with section 342(1)(b) of the Companies (WUMP) Ordinance in relation to the requirements of paragraphs 27 and 31 of the Third Schedule to the Companies (WUMP) Ordinance would be unduly burdensome, as this would require additional work to be performed by us and the reporting accountants; and
- (d) the Accountants' Report covering the two financial years ended December 31, 2018 and 2019 and the six months ended June 30, 2020 (as set out in Appendix I to the prospectus), together with other disclosure in the prospectus, had already provided adequate and reasonable up-to-date information in the circumstances for the potential investors to make an informed assessment of our business, assets and liabilities, financial position, management and prospects and to form a view on our track record. Therefore, the exemption would not prejudice the interest of the investing public.

## DEALINGS IN SHARES PRIOR TO LISTING

According to Rule 9.09(b) of the Listing Rules, there must be no dealing in the securities of a new applicant for which listing is sought by any core connected person of the issuer from four clear business days before the expected hearing date until listing is granted (the “**Relevant Period**”).

Our ADSs are widely held, publicly traded and listed on Nasdaq. We were therefore not in a position to control the investment decisions of our shareholders or the investing public in the U.S. Solely based on public filings with the SEC as of September 7, 2020, other than QM11 Limited, there were no shareholders who hold more than 10% of our total issued share capital.

In addition, for a company whose securities are listed and traded in the U.S., it is common practice for substantial shareholders and corporate insiders, including directors, executives and other members of management, to set up trading plans that meet the requirements of Rule 10b5-1 under the U.S. Exchange Act (the “**Rule 10b5-1 Plans**”) to buy or sell the company's securities. A Rule 10b5-1 Plan is a written plan, set up with a broker, to trade securities that (a) is entered into at a time when the person trading the securities is not aware of any material non-public information; (b) specifies the amount of securities to be purchased or sold and the price at which and the date on which the securities were to be purchased or sold; and (c) does not allow the person trading the securities to exercise any subsequent influence over how, when, or whether to effect purchases or sales. Persons who trade securities pursuant to a Rule 10b5-1 Plan have an affirmative defense against insider trading allegations under U.S. securities law.

On the basis of the above, we considered that the following categories of persons (collectively, the “**Permitted Persons**”) should not be subject to the dealing restrictions set out in Rule 9.09(b) of the Listing Rules:

- (a) all directors and chief executive of our Company and our subsidiaries in respect of their respective dealings pursuant to the Rule 10b5-1 Plans which they had set up prior to the Relevant Period (“**Category 1**”);

- (b) our directors and chief executive, and the directors and chief executives of our Significant Subsidiaries and their close associates, only in respect of their respective use of the Shares as security (including, for the avoidance of doubt, using Shares as security in connection with entering into financing transactions during the Relevant Period as well as satisfying any requirements to top-up security under the terms of financing transactions entered into prior to the Relevant Period), provided that there would be no change in the beneficial ownership of the Shares at the time of entering into any such transactions during the Relevant Period (“**Category 2**”);
- (c) directors, chief executives and substantial shareholders of our non-Significant Subsidiaries and their close associates, other than those in Categories 1 and 2 (“**Category 3**”); and
- (d) any other person (whether or not an existing Shareholder) who may, as a result of dealings, become our substantial shareholder and who is not our director or chief executive, or a director or chief executive of our subsidiaries, or their close associates (“**Category 4**”).

For the avoidance of doubt,

- (a) as the foreclosure, enforcement or exercise of other rights by the lenders in respect of a security interest over the Shares (including, for the avoidance of doubt, any security interest created pursuant to any top-up of security) will be subject to the terms of the financing transaction underlying such security and not within the control of the pledgor, any change in the beneficial owner of the Shares during the Relevant Period resulting from the foreclosure, enforcement or exercise of other rights by the lenders in respect of such security interest will not be subject to Rule 9.09(b) of the Listing Rules; and
- (b) persons in Category 1 who are not dealing in the Company’s securities according to the Rule 10b5-1 Plans set up before the Relevant Period and persons in Category 2 who use their respective Shares other than as described above in “Dealings in the Shares prior to Listing” are subject to the restrictions under Rule 9.09(b) of the Listing Rules.

We believed, subject to the conditions set forth below, the dealings in our securities by our core connected persons would not prejudice the interests of our potential investors and were aligned with the principles in the Hong Kong Stock Exchange’s Guidance Letter GL42-12.

We had applied for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with Rule 9.09(b) of the Listing Rules subject to the following conditions:

- (a) Category 1 of the Permitted Persons had no discretion over dealings in the Company’s ADSs after the Rule 10b5-1 Plans had been entered into;
- (b) Where Category 2 of the Permitted Persons used the Shares as security, there would be no change in the beneficial ownership of the Shares during the Relevant Period;
- (c) Categories 3 and 4 of the Permitted Persons did not have any influence over the Global Offering and did not possess any of our non-public inside information given that such persons were not in a position with access to information that is considered material to us taken as a whole. Given our vast ADS holder base, we and our management did not have effective control over the investment decisions of Categories 3 and 4 of the Permitted Persons in our ADSs;

- (d) we would promptly release any inside information to the public in the United States and Hong Kong in accordance with the relevant laws and regulations of the U.S. and Hong Kong. Accordingly, the Permitted Persons (other than Categories 1 and 2 persons) were not in possession of any non-public inside information of which we were aware;
- (e) we would notify the Hong Kong Stock Exchange of any breaches of the dealing restrictions by any of our core connected persons during the Relevant Period when we became aware of the same other than dealings by the core connected persons who were Permitted Persons within the permitted scopes set out above; and
- (f) prior to the Listing Date, other than within the permitted scopes set out above, our directors and chief executive, the directors and chief executives of our Significant Subsidiaries and their close associates would not deal in the Shares or the ADSs during the Relevant Period provided that such prohibited dealing in the Shares shall not include the granting, vesting, payment or exercise (as applicable) of incentive and non-statutory options, restricted and unrestricted shares or share units, dividend equivalents, share appreciation rights and share payments under our Group's Equity Plans.

## **SUBSCRIPTION FOR SHARES BY EXISTING SHAREHOLDERS**

Rule 10.04 of the Listing Rules requires that existing shareholders may only subscribe for or purchase any securities for which listing is sought that are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rule 10.03 of the Listing Rules are fulfilled. Paragraph 5(2) of Appendix 6 to the Listing Rules states that, without the prior written consent of the Stock Exchange, no allocations will be permitted to be made to directors, existing shareholders of a listing applicant or their close associates, unless the conditions set out in Rules 10.03 and 10.04 are fulfilled.

The Stock Exchange's Guidance Letter HKEX-GL85-16 provides that the Stock Exchange will consider granting a waiver from Rule 10.04 and consent pursuant to paragraph 5(2) of Appendix 6 to the Listing Rules allowing an applicant's existing shareholders or their close associates to participate as a cornerstone investor in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Paragraph 5.2 of Guidance Letter HKEX-GL92-18 provides that the Stock Exchange permits existing shareholders to participate in the initial public offering of a biotech company listed under Chapter 18A of the Listing Rules provided that the issuer complies with Rules 8.08(1) and 18A.07 of the Listing Rules in relation to shares held by the public. Further, pursuant to paragraphs 5.2(i) and (ii) of Guidance Letter HKEX-GL92-18, an existing shareholder holding less than 10% of shares in a listing applicant may subscribe for shares in the Listing as either a cornerstone investor or as a placee, whereas an existing shareholder holding 10% or more of shares in a listing applicant may subscribe for shares in the Listing as a cornerstone investor.

As we are a biotech company having a listing under Chapter 18A of the Listing Rules, existing shareholders were permitted to participate in the Listing in accordance with, and subject to, paragraph 5.2 of Guidance Letter HKEx-GL92-18.



In addition, as a company listed on Nasdaq, we were not in a position to prevent any person or entity from acquiring our listed securities prior to the allocation of shares in connection with the Global Offering. It would therefore be unduly burdensome for us to seek the prior consent of the Stock Exchange for each of our existing shareholders or their close associates who subscribed for Shares in the Global Offering.

We had applied for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with the requirements of Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Listing Rules, such that (i) each existing shareholder holding less than 10% of shares as of the September 7, 2020 and/or their close associates may subscribe for shares in the Listing as a placee; and (ii) each existing shareholder and/or their close associates may subscribe for shares in the Listing as a cornerstone investor, subject to compliance with Rules 8.08(1) and 18A.07 of the Listing Rules in relation to shares held by the public, and the condition that our Company, the Joint Representatives, the Joint Global Coordinators and the Joint Sponsors, to the best of their knowledge and belief (and based on discussions between us and the Joint Representatives and confirmations required to be submitted to the Stock Exchange by our Company and the Joint Representatives), would confirm or had confirmed to the Stock Exchange in writing that, as to existing shareholders and/or their close associates who subscribe for shares in the Listing (such existing shareholders, the “**Participating Shareholders**”) as placee, no preference in allocation was given and, as to Participating Shareholders as cornerstone investor, no preference was given other than the preferential treatment of assured entitlement at the International Offer Price and the terms must be substantially the same as other cornerstone investors.

Allocation to the Participating Shareholders and/or their close associates would not be disclosed in our allotment results announcement (other than to the extent that such Participating Shareholders or close associates subscribe for shares as cornerstone investors) unless such Participating Shareholders are interested in 5% or more of our issued share capital after the Global Offering as disclosed in any public filings with the SEC, as it would be unduly burdensome for us to disclose such information given that there is no requirement to disclose interests in equity securities under the U.S. Exchange Act unless the beneficial ownership of such person (including directors and officers of the company concerned) reaches more than 5% of equity securities registered under Section 12 of the U.S. Exchange Act.

## **PRINTED PROSPECTUSES**

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Listing Rules, we are required to make available copies of the prospectus in printed form.

We did not intend to provide printed copies of the prospectus or of the white and yellow application forms to the public in relation to the Hong Kong Public Offering. The proposed waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Listing Rules relating to environmental, social and governance (“**ESG**”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “*echo the increasing international focus on climate change and its impact on business.*” Electronic, *in lieu of* printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. In July 2020, the Stock Exchange also published a consultation paper in relation to a paperless listing and subscription regime.

We also noted that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed white and yellow application forms would elevate the risk of contagion of the virus through printed materials.

We had adopted a fully electronic application process for the Hong Kong Public Offering and we would not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. Our Hong Kong Share Registrar had implemented enhanced measures to support **White Form eIPO** Service, including increasing its server capacity and making available a telephone hotline to answer investors' queries in connection with the fully electronic application process. For details of the telephone hotline and the application process, see "How to Apply for Hong Kong Offer Shares" of the prospectus.

We published a formal notice of the Global Offering on the official websites of the Hong Kong Stock Exchange and our Company and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by our Hong Kong Share Registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectuses or application forms would be provided. We also issued a press release to highlight the available electronic channels for share subscription, and advertised through the White Form eIPO Service Provider the electronic method for subscription of the Hong Kong Offer Shares.

We had applied for, and the Hong Kong Stock Exchange had granted us, a waiver from strict compliance with the requirements under Rule 12.04(3), Rule 12.07 and Rule 12.11 of the Listing Rules in respect of the availability of copies of the prospectus in printed form based on our specific and prevailing circumstances.

## **MONTHLY RETURN**

Rule 13.25B of the Listing Rules requires a listed issuer to publish a monthly return in relation to movements in its equity securities, debt securities and any other securitized instruments, as applicable, during the period to which the monthly return relates.

Under the Joint Policy Statement, a waiver from strict compliance with Rule 13.25B of the Listing Rules is subject to the condition that the issuer can meet one of the following three conditions:

- (a) it has received a relevant partial exemption from Part XV of the SFO; or
- (b) it publishes a "next day disclosure return" in strict compliance with Rule 13.25A of the Listing Rules, regardless of the waiver of general effect from this Rule for secondary listed issuers; or
- (c) it is subject to overseas laws or regulations that have a similar effect to Rule 13.25B of the Listing Rules and any differences are not material to shareholder protection.

As we had obtained a partial exemption from strict compliance with Part XV of the SFO from the SFC, we had applied for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with the continuing obligations under Rule 13.25B of the Listing Rules. We would disclose information about share repurchases, if material, in our quarterly or interim earnings releases and annual reports on Form 20-F which are furnished or filed with the SEC in accordance with applicable U.S. rules and regulations.

## **SHAREHOLDER PROTECTION REQUIREMENTS**

For an overseas issuer having a secondary listing on the Hong Kong Stock Exchange, Rule 19.30(1)(b) of the Listing Rules requires the overseas issuer's primary listing is or is to be on an exchange where the standards of shareholder protection are at least equivalent to those provided in Hong Kong. Rule 19C.06 of the Listing Rules provides that Appendix 3 and Appendix 13 of the Listing Rules do not apply to an overseas issuer that is a Non-Greater China Issuer (as defined in the Listing Rules) or a Grandfathered Greater China Issuer seeking a secondary listing under Chapter 19C of the Listing Rules. Rule 19C.07 of the Listing Rules provides that the Hong Kong Stock Exchange will consider that a Non-Greater China Issuer or a Grandfathered Greater China Issuer seeking a secondary listing has met the requirements of Rule 19.30(1)(b) of the Listing Rules if it has met the shareholder protection standards by reference to eight criteria set out in Rule 19C.07 of the Listing Rules. We are a Grandfathered Greater China Issuer under Chapter 19C of the Listing Rules.

### **Change to Class Rights**

Rule 19C.07(1) of the Listing Rules requires that a super-majority vote of the Qualifying Issuer's members in general meeting is required to approve changes to the rights attached to any class of shares of the Qualifying Issuer. However, Article 23 of our Articles of Association provides that the rights attaching to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) may be varied or abrogated with the written consent of the holders of a majority of the issued shares of that class or series, or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series. Accordingly, under our Articles of Association, a super majority vote of our Company's members in general meeting is not required to approve changes to the rights attached to any class of shares of the Company.

We had applied for, and the Hong Kong Stock Exchange had granted us, a waiver from strict compliance with Rule 19C.07(1) of the Listing Rules for the following reasons and conditions:

- (a) as of the date of the prospectus, we only have one class of shares and we would adopt transitional arrangements such that, after the Global Offering and until the following proposed amendment to our Articles of Association is passed, we would not seek to vary or abrogate any class right, and any request by shareholders to vary or abrogate any class right would require the written consent of the holders of two-thirds of the issued shares of that class or series, or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series;

- (b) we would convene our next annual general meeting in the second quarter of 2021 and put forth a resolution at such annual general meeting, to revise our Articles of Association, so that the rights attaching to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) may be varied or abrogated with the written consent of the holders of two-thirds of the issued shares of that class or series, or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series. In the event that the proposed amendment is not approved by our shareholders at the next annual general meeting, we would continue to put forth a resolution for the proposed amendment at each of the following annual general meetings until such resolution is passed; and
- (c) we had been advised by our legal advisers as to Cayman Islands law that there was no legal impediment on the adoption of the above-mentioned transitional arrangements, and that the adoption of such transitional arrangements is not in breach of our Articles of Association or any rules and regulations in the Cayman Islands.

### **Approval, removal and remuneration of auditors**

Rule 19C.07(3) of the Listing Rules requires the appointment, removal and remuneration of auditors to be approved by a majority of the Qualifying Issuer's members or other body that is independent of the issuer's board of directors (the "**Auditors Provision**"). However, our Articles of Association do not contain an equivalent Auditors Provision. We had applied for, and the Hong Kong Stock Exchange had granted us, a waiver from strict compliance with Rule 19C.07(3) of the Listing Rules for the following reasons:

- (a) although our Company has not held any annual general meeting after our listing on Nasdaq, and has therefore not put forth any resolution at any annual general meeting ratifying the appointment of auditors, our Company's shareholders have multiple channels through which they can express their views in relation to the appointment, removal or remuneration of auditors, including: (i) the shareholders are able to raise any questions or issues in relation to auditors at the annual general meeting of our Company which will be held every year after the Global Offering; and (ii) our Company holds regular investor meetings after the publication of our annual/interim financials and shareholders will also be able to raise any issues in relation to auditors at such meetings. We would also make available on our website (<http://www.zailaboratory.com>) various channels of communication for shareholders, such as investor relations hotlines and enquiry email addresses, through which shareholders can raise any issue in relation to our auditors;
- (b) while our Articles of Associations do not contain an equivalent Auditors Provision, the board of our Company formally delegated its power to appoint, remove and remunerate auditors to our Company's audit committee on August 7, 2017, prior to our listing on Nasdaq. The charter of our audit committee provides that it is responsible for appointing the Company's independent auditor, pre-approving all audit, audit-related, tax and other services to be provided by the independent auditors and overseeing its work for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. Our audit committee comprises of three members, all of whom are independent directors as required by the U.S. Exchange Act and applicable Nasdaq rules;

- (c) the nomination and appointment of our directors are governed by the rules of the SEC, Nasdaq and the laws of our place of incorporation, which is the Cayman Islands. Pursuant to Nasdaq Stock Market Rule 5605(e) (“**Nasdaq Rule 5605(e)**”), director nominees, including independent director nominees, must be selected, or recommended for the board’s selection, either by: (i) a majority of the independent directors or (ii) a nominations committee comprised solely of independent directors.;
- (d) to ensure that auditors are independent of their audit clients, Rule 10A-3 promulgated under the U.S. Exchange Act mandates that the audit committee, whose voting members must consist entirely of independent directors, be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting). We believed that this legislative mandate effectively prohibits the Board from revoking the power delegated to our audit committee relating to the operation of the Auditors Provision; and
- (e) we have a listing on the Hong Kong Stock Exchange under Chapter 19C and 18A of the Listing Rules.

### **Annual general meeting**

Rule 19C.07(4) of the Listing Rules requires that the Qualifying Issuer must hold a general meeting each year as its annual general meeting and that generally not more than 15 months should elapse between the date of one annual general meeting of the Qualifying Issuer and the next, while there is no such requirement to hold annual general meeting in our Articles of Association.

We had applied for, and the Stock Exchange had granted us, a waiver from strict compliance with Rule 19C.07(4) of the Listing Rules on the condition that we undertake to convene the next annual general meeting in the second quarter of 2021 after the Global Offering to amend our Articles of Association in accordance with the requirement under Rule 19C.07(4) of the Listing Rules such that our Articles of Association would require our Company to hold an annual general meeting each year and not more than 15 months should elapse between the date of one annual general meeting of our Company and the next.

Following the Listing, we will continue to hold our annual general meeting each year. In the event that the proposed amendment of our Articles of Association as described above is not approved by our shareholders at the next annual general meeting, we will continue to put forth a resolution for the proposed amendment at each of the following annual general meetings until such resolution is passed.

## Requisition of extraordinary general meeting by shareholders

Rule 19C.07(7) of the Listing Rules requires that members holding a minority shareholding in an issuer's total number of issued shares must be able to requisition an extraordinary general meeting and add resolutions to a meeting agenda. The minimum stake required to do so must not be higher than 10% of the voting rights, on a one vote per share basis, in the share capital of the issuer, while the minimum stake as currently set out in our Articles of Association is not less than one-third of the share capital of the Company. In addition, our Articles of Association provides that one or more members holding not less than an aggregate of one-third of all voting share capital of our Company in issue present in person or by proxy and entitled to vote shall be a quorum for general meetings.

We had applied for, and the Stock Exchange had granted us, a waiver from strict compliance with Rule 19C.07(7) of the Listing Rules for the following reasons and conditions:

- (a) we would undertake to convene the next annual general meeting in the second quarter of 2021 after the Global Offering to amend the Articles of Association in accordance with the requirement under Rule 19C.07(7) of the Listing Rules, such that (i) members holding not less than 10% of the total number of issued shares of our Company shall be able to convene an extraordinary general meeting and add resolutions to a meeting agenda, and (ii) the quorum for holding general meetings shall be members holding not less than 10% of our Company's total number of issued shares. In the event that the proposed amendment is not approved by our shareholders at the next annual general meeting, we would continue to put forth a resolution for the proposed amendment at each of the following annual general meetings until such resolution is passed; and
- (b) we would adopt transitional arrangements to ensure that (i) where after the Global Offering and before the above-mentioned proposed amendment to our Articles of Association is passed, if one or more members holding not less than 10% of the total number of issued shares of our Company raise requisition for an extraordinary general meeting or requests to add resolutions to a meeting agenda, such members would be permitted to do so, and (ii) one or more members holding not less than 10% of our Company's total number of issued shares would also be able to form a quorum at any general meeting which is held after the Global Offering and before our next annual general meeting (the "**LR19C.07(7) Transitional Arrangements**"). We had been advised by our legal advisers as to Cayman Islands law that there is no legal impediment on the adoption of such transitional arrangements, and that the adoption of such transactional arrangements is not in breach of our Articles of Association or any rules and regulations in the Cayman Islands.

The Company would seek irrevocable undertakings from its existing shareholders holding in aggregate over 50% of the total issued shares of the Company as of September 7, 2020 to vote in favor of the resolutions in relation to compliance with Rules 19C.07(1), 19C.07(4) and 19C.07(7) as mentioned above and Rule 19C.07(5) as mentioned in the section headed "Appendix III – General Meetings of Shareholders" and would continue to seek such irrevocable undertakings until our Articles of Association has been amended accordingly, with a view to ensuring that there would be adequate votes in favor of such resolutions.

## DISCLOSURE REQUIREMENTS OF OPTIONS

Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires us to set out in the listing document particulars of any capital of any members of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance further requires us to set out in the listing document, among other things, details of the number, description and amount of any of our shares or debentures which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration given or to be given (if any) and the names and addresses of the persons to whom it was given.

The only options over the capital of any member of our Group are those issued under the Equity Plans, which are not subject to Chapter 17 of the Listing Rules pursuant to Rule 19C.11 of the Listing Rules. The 2015 Equity Plan provides for the granting of share options, stock appreciation rights, restricted stock, or restricted stock units. The 2017 Equity Plan provides for the granting of share options, stock appreciation rights, restricted and unrestricted shares and share units, performance awards and other awards that are convertible into or otherwise based on our Shares. The waiver and exemption only relate to the options that are granted or may be granted under the Equity Plans. As of June 30, 2020, the outstanding options under the Equity Plans accounted for approximately 13.06% of our total outstanding Shares. As of June 30, 2020, the options held by our directors and executive officers and their affiliates under the Equity Plans represented approximately 9.37% of our total outstanding Shares.

Details of the 2017 Equity Plan and a brief summary of the 2015 Equity Plan are disclosed in “Appendix IV – Statutory and General Information – D. Share Incentive Plans and Other Compensation Programs” of the prospectus. These disclosures are substantially the same as those in our 20-F filings and comply with applicable U.S. laws and regulations. Accordingly, the current disclosure in the prospectus is not in strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Listing Rules and Paragraph 10 of the Third Schedule to the Companies (WUMP) Ordinance.

For the reasons stated above, we believed that strict compliance with the above requirements would be unduly burdensome, unnecessary and/or inappropriate for us, and would not be material or meaningful to potential investors.

We had applied for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with the requirements under Paragraph 27 of Part A of Appendix 1 to the Listing Rules. We had applied for, and the SFC had granted, an exemption from the requirements under Paragraph 10 of the Third Schedule of the Companies (WUMP) Ordinance. The SFC had granted an exemption referred to above on the conditions that: (i) the particulars of such exemption are set out in the prospectus; and (ii) the prospectus would be issued on or before September 17, 2020.

## TIMING REQUIREMENT OF LIQUIDITY DISCLOSURE

Paragraph 32 of Part A of Appendix 1 to the Listing Rules requires a listing document to include a statement (or an appropriate negative statement) of a new applicant's indebtedness as at a specified most recent practicable date (the “**Most Recent Practicable Date**”), and a commentary on its liquidity, financial resources and capital structure (together, the “**Liquidity Disclosure**”).

In accordance with the Hong Kong Stock Exchange's Guidance Letter HKEX-GL37-12 (“**GL37-12**”), the Hong Kong Stock Exchange normally expects that the Most Recent Practicable Date for the Liquidity Disclosure, including, among other things, commentary on liquidity and financial resources such as net current assets (liabilities) position and management discussion on this position, in a listing document to be dated no more than two calendar months before the final date of the listing document.

As the prospectus had been expected to be published on September 17, 2020, we would otherwise be required to make the relevant indebtedness and liquidity disclosures no earlier than July 2020 pursuant to GL37-12. Given that we included in the prospectus our audited consolidated financial statements for the six months ended June 30, 2020, it would be unduly burdensome for us to re-arrange information for similar liquidity disclosures on a consolidated basis shortly after the end of the first half of our last financial year.

Strict compliance with the Liquidity Disclosure requirements would constitute an additional one-off disclosure by us of our liquidity position on a date that would fall within the third quarter of our financial year, which would otherwise not be required to be disclosed to investors in the U.S. under applicable U.S. regulations and Nasdaq listing rules, because we are required to announce quarterly results at the end and not in the middle of each quarter of our financial year. Such a one-off disclosure would likely confuse our existing investors and deviate from our customary practice and that of other Nasdaq listed companies.

In any event, if there are any material changes to such disclosures, we would be required to make an announcement pursuant to U.S. regulations and Nasdaq rules and to disclose relevant material facts in this prospectus pursuant to the Listing Rules.

In the event that there is no material change to such disclosures, any similar disclosures made pursuant to GL37-12 would not give additional meaningful information to investors.

We had applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with the timing requirement for Liquidity Disclosure in the listing document under GL37-12, such that the reported date of indebtedness and liquidity information in the listing document would not exceed the requirement under GL37-12 by one calendar month (*i.e.*, the time gap between the reported date of our Company's indebtedness and liquidity information and the date of the listing document would be no more than three calendar months).



## **DISCLOSURE REQUIREMENTS OF THE REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WHOSE EMOLUMENTS WERE HIGHEST**

Paragraph 33(2) of Part A of Appendix 1 to the Listing Rules requires the listing document to include information in respect of directors' emoluments during the three financial years ended December 31, 2017, 2018 and 2019. Paragraph 46(2) of Part A of Appendix 1 to the Listing Rules requires the listing document to include the aggregate of the remuneration paid and benefits in kind granted to our directors in respect of the last completed financial year, and Paragraph 46(3) of Part A of Appendix 1 to the Listing Rules requires information in relation to an estimate of the aggregate remuneration and benefits in kind payable to directors in respect of the current financial year to be set out in the listing document.

Paragraph 33(3) of Part A of Appendix 1 to the Listing Rules requires the listing document to include information with respect to the five individuals whose emoluments were highest in our Group for the year if one or more individuals whose emoluments were the highest have not been included under Paragraph 33(2) of Part A of Appendix 1 to the Listing Rules.

The aggregate fees, salaries and benefits paid and accrued to our directors and executive officers as a group are disclosed in "Directors and Senior Management – B. Compensation" in the prospectus. We had confirmed that the current disclosure in the prospectus complies with U.S. annual reporting requirements and is in line with our disclosure in our annual reports on Form 20-F.

We believed that additional disclosure required by Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Listing Rules would be unduly burdensome and would not provide additional meaningful disclosure for potential Hong Kong investors.

We had applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with the requirements under Paragraphs 33(2), 33(3), 46(2) and 46(3) of Part A of Appendix 1 to the Listing Rules.

## **NOT A PUBLIC COMPANY IN HONG KONG**

Section 4.1 of the Introduction to the Takeovers Code provides that the Takeovers Code apply to takeovers, mergers and share buy-backs affecting, among others, public companies in Hong Kong and companies with a primary listing in Hong Kong. According to the Note to Section 4.2 of the Introduction to the Takeovers Code, a Grandfathered Greater China Issuer within the meaning of Rule 19C.01 of the Listing Rules with a secondary listing on the Hong Kong Stock Exchange will not normally be regarded as a public company in Hong Kong under Section 4.2 of the Introduction to the Takeovers Code. We had applied for, and the SFC had granted, a ruling that we are not a "public company in Hong Kong" for the purposes of the Takeovers Code. Therefore, the Takeovers Code do not apply to us. In the event that the bulk of trading in our Shares migrates to Hong Kong on a permanent basis such that we would be treated as having a dual-primary listing pursuant to Rule 19C.13 of the Listing Rules, the Takeovers Code will apply to us.

## **DISCLOSURE OF INTERESTS UNDER PART XV OF SFO**

Part XV of the SFO imposes duties of disclosure of interests in Shares. Under the U.S. Exchange Act, which we are subject to, any person (including directors and officers of the company concerned) who acquires beneficial ownership, as determined in accordance with the rules and regulations of the SEC and which includes the power to direct the voting or the disposition of the securities, of more than 5% of a class of equity securities registered under Section 12 of the U.S. Exchange Act must file beneficial owner reports with the SEC, and such person must promptly report any material change in the information provided (including any acquisition or disposition of 1% or more of the class of equity securities concerned), unless exceptions apply. Therefore, compliance with Part XV of the SFO would subject our corporate insiders to a second level of reporting, which would be unduly burdensome to them, would result in additional costs and would not be meaningful, since the statutory disclosure of interest obligations under the U.S. Exchange Act that apply to us and our corporate insiders would provide our investors with sufficient information relating to the shareholding interests of our significant shareholders.

We had applied for, and the SFC had granted, a partial exemption under section 309(2) of the SFO to us, our substantial shareholders, our Directors and chief executive from strict compliance with the provisions of Part XV of the SFO (other than Divisions 5, 11 and 12 of Part XV of the SFO) in respect of the duties of disclosure of interests in securities of the Company, on the conditions that (i) the bulk of trading in the Shares was not considered to have migrated to Hong Kong on a permanent basis in accordance with Rule 19C.13 of the Listing Rules; (ii) all disclosures of interest filed with the SEC are also filed with the Hong Kong Stock Exchange as soon as practicable, which would then publish such disclosures in the same manner as disclosures made under Part XV of the SFO; and (iii) we would advise the SFC if there is any material change to any of the information which has been provided to the SFC, including any significant changes to the disclosure requirements in the U.S. and any significant changes in the volume of our worldwide share turnover that takes place on the Hong Kong Stock Exchange. This exemption may be reconsidered by the SFC in the event there is a material change in information provided to the SFC.

## **DISCLOSURE OF INTERESTS INFORMATION**

Part XV of the SFO imposes duties of disclosure of interests in shares. Practice Note 5 and Paragraphs 41(4) and 45 of Part A of Appendix 1 to the Listing Rules require the disclosure of interests information in respect of shareholders' and directors' interests in the listing document.

We had applied for, and the SFC had granted, a partial exemption from strict compliance with Part XV of the SFO as set out above under sub-section headed "Disclosure of Interest under Part XV of SFO."

The U.S. Exchange Act and the rules and regulations promulgated thereunder require disclosure of interests by shareholders that are broadly equivalent to Part XV of the SFO. Relevant disclosure in respect of the substantial shareholder's interests can be found in the section headed "Major Shareholders" of the prospectus.

We had applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange had granted, a waiver from strict compliance with Practice Note 5 and Paragraphs 41(4) and 45 of Part A of Appendix 1 to the Listing Rules on the following conditions:

- (a) the SFC granting us and our shareholders a partial exemption from strict compliance with Part XV of the SFO;
- (b) our undertaking to file with the Hong Kong Stock Exchange, as soon as practicable, any declaration of shareholding and securities transactions filed with the SEC; and
- (c) our undertaking to disclose in present and future listing documents any shareholding interests as disclosed in an SEC filing and the relationship between our directors, officers, members of committees and their relationship to any controlling shareholders (as defined under the Listing Rules).

## **DISCLOSURE OF OFFER PRICE**

Paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules provides that the issue price or offer price of each security must be disclosed in the prospectus. Pursuant to Paragraph 3.1 of the Guidance Letter HKEx-GL-90-18, the Hong Kong Stock Exchange also allows an indicative offer price range to be included in the prospectus, as an alternative to the disclosure of a fixed offer price. Paragraph 9 of Part 1 of the Third Schedule to the Companies (WUMP) Ordinance further provides that the amount payable on application and allotment on each share must be specified in the prospectus.

Our ADSs have been listed and traded on Nasdaq since September 2017. The Public Offer Price was determined by reference to, among other factors, the closing price of the ADSs on Nasdaq on the last trading day on or before the Price Determination Date. We have no control over the market price of our ADSs traded on Nasdaq.

As our ADSs will continue to be traded on Nasdaq, setting a fixed price or a price range with a low end of International Offer Price or Public Offer Price may adversely affect the market price of the ADSs and the Hong Kong Offer Shares.

For the information of the potential investors, we had disclosed the historical prices of our ADSs and trading volume on Nasdaq for the period from January 1, 2020 up to September 7, 2020 in “Structure of the Global Offering – Pricing and allocation – Determining the Offer Price.” of the prospectus.

It is further submitted that the disclosure of the maximum Public Offer Price in the prospectus constituted sufficient disclosure of the “amount payable” on application and allotment on the Offer Shares and hence, should be in compliance with the disclosure requirement under the Companies (WUMP) Ordinance.

We had applied for, and the Hong Kong Stock Exchange had granted us, a waiver from strict compliance with Paragraph 15(2)(c) of Part A of Appendix 1 to the Listing Rules so that we only disclosed the maximum Public Offer Price for the Hong Kong Offer Shares in the prospectus.

We had set the pricing for the Offer Shares by agreement with the Joint Representatives (for themselves and on behalf of the Underwriters). The Public Offer Price was determined by reference to, among other factors, the closing price of our ADSs on Nasdaq on the last trading day on or before the Price Determination Date.

See the section headed “Structure of the Global Offering – Pricing and allocation – Determining the Offer Price” in the prospectus for the historical prices of our ADS and trading volume on Nasdaq.

## **CLAWBACK MECHANISM**

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. Subject to the Hong Kong Stock Exchange granting the waiver described as below, the Hong Kong Public Offering and the International Offering will initially account for 7.3% and 92.7% of the Global Offering, respectively, subject to the clawback mechanism described below. We had applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange had granted to us, a waiver from strict compliance with the requirements of Paragraph 4.2 of Practice Note 18 to the Listing Rules such that the allocation of the Offer Shares in the Hong Kong Public Offering would be adjusted as follows:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 45 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares would be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering would be 1,373,350 Offer Shares, representing approximately 13% of the Offer Shares initially available under the Global Offering;
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 45 times or more but less than 85 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering would be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering would be 1,901,550 Offer Shares, representing approximately 18% of the Offer Shares initially available under the Global Offering; and

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 85 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering would be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering would be 3,591,800 Offer Shares, representing approximately 34% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives would have discretion to allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. On the other hand, if the Hong Kong Public Offering is not fully subscribed, the unsubscribed Offer Shares under the Hong Kong Public Offering may be reallocated to the International Offering.

See “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” in the prospectus for further details.

## **PUBLICATION OF INTERIM REPORT**

Rule 13.48(1) of the Listing Rules requires an issuer to send an interim report or a summary interim report in respect of the first six months of the financial year within three months after the end of that period. Practice Note 10 of the Listing Rules requires newly listed issuers to prepare and publish interim reports in respect of the first six month period where the deadline for publishing the reports falls after the date on which dealings in the securities of the issuer commenced.

We had applied for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 13.48(1) of the Listing Rules in relation to the six months ended June 30, 2020 on, among others, the following grounds:

- (a) as we had included in the prospectus the audited financial information in respect of the six months ended June 30, 2020, strict compliance with such requirements would not provide our shareholders and potential investors with additional material information not already contained in the prospectus; and
- (b) to require us to prepare, publish and send to our shareholders an interim report over a short period of time after the publication of the prospectus would incur unnecessary administrative cost and time on the part of our management and be unduly burdensome for us.

We confirmed that we were not in breach of our constitutional documents or laws or regulations of the Cayman Islands or any other regulatory requirements for not preparing, publishing and sending an interim report under the Listing Rules to our shareholders for the six months ended June 30, 2020.