SciClone Pharmaceuticals (Holdings) Limited

賽生藥業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6600

GLOBAL OFFERING

Joint Sponsors

Morgan Stanley　CICC 中金公司　CREDIT SUISSE

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley　CICC 中金公司　CREDIT SUISSE　NOMURA　BOC INTERNATIONAL　農銀國際 ABC INTERNATIONAL

Joint Bookrunner and Joint Lead Manager

中泰國際 ZHONGTAI INTERNATIONAL

** For identification purpose only*

IMPORTANT

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

SciClone Pharmaceuticals (Holdings) Limited
賽生藥業控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	**:**	**115,984,500 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**11,599,000 Shares (subject to adjustment)**
Number of International Offer Shares	**:**	**104,385,500 Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	**:**	**HK$18.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00005 per Share**
Stock code	**:**	**6600**

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

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

The Offer Price is expected to be determined by agreement between us and the Joint Representatives (on behalf of the Underwriters) on or about Wednesday, February 24, 2021 and, in any event, not later than Thursday, February 25, 2021. The Offer Price will be not more than HK$18.80 per Offer Share and is currently expected to be not less than HK$17.20 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$18.80 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK$18.80 per Offer Share. If, for any reason, the Offer Price is not agreed between us and the Joint Representatives (on behalf of the Underwriters) on or before Thursday, February 25, 2021 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Joint Representatives (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and on the website of our Company at www.sciclone.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "The Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination." It is important that you refer to that section for further details.

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

February 19, 2021

* *For identification purpose only*

EXPECTED TIMETABLE[1]

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

Public Offer commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Friday, February 19, 2021
Latest time for completing electronic applications under the **HK eIPO White Form** service through one of the below ways[2]: (1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp** (2) the designated website **www.hkeipo.hk**	11:30 a.m. on Wednesday, February 24, 2021
Application lists open[3]	11:45 a.m. on Wednesday, February 24, 2021
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Wednesday, February 24, 2021
Latest time for completing payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, February 24, 2021
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, February 24, 2021
Application lists close[3]	12:00 noon on Wednesday, February 24, 2021
Expected Price Determination Date[5]	Wednesday, February 24, 2021
Announcement of the final Offer Price, the results of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before[10]	Tuesday, March 2, 2021
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers or Hong Kong business registration numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares" from[10]	Tuesday, March 2, 2021
A full announcement containing the information above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our Company's website at www.sciclone.com [6] from[10]	Tuesday, March 2, 2021

Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function from[10]	Tuesday, March 2, 2021
Dispatch/collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9][10]	Tuesday, March 2, 2021
Dispatch/collection of refund checks and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[8][9][10]	Tuesday, March 2, 2021
Dealings in Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on[10]	Wednesday, March 3, 2021

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated. For details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, please refer to the section headed "The Structure of the Global Offering."

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

(3) If there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 24, 2021, the application lists will not open or close on that day. See "How to Apply for Hong Kong Offer Shares — 10. Effects of Bad Weather and/or Extreme Conditions on the Opening of the Application lists." If the application lists do not open and close on Wednesday, February 24, 2021, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.

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

(5) The Price Determination Date is expected to be on or around Wednesday, February 24, 2021 and, in any event, not later than Thursday, February 25, 2021. If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the other Underwriters) and us by Thursday, February 25, 2021, the Global Offering will not proceed and will lapse.

(6) Neither our Company's website or any of the information contained on our Company's website forms part of this Prospectus.

(7) Share certificates of the Offer Shares will only become valid at 8:00 a.m., on Wednesday, March 3, 2021 provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

(8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful

applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund checks.

(9) Applicants who have applied on ***WHITE*** Application Forms or the ***HK eIPO White Form*** service for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund checks and/or Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 2, 2021 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection must not authorize any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation's chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied on ***YELLOW*** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund checks, if any, in person but may not collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund checks for ***YELLOW*** Application Form applicants are the same as those for ***WHITE*** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving ***electronic application instructions*** to HKSCC via CCASS should refer to "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via electronic application instructions to HKSCC" for details.

Applicants who have applied through the ***HK eIPO White Form*** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the ***HK eIPO White Form*** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this Prospectus.

(10) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions between Friday, February 19, 2021 to Wednesday, March 3, 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund checks/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions and the procedures for the applications of Hong Kong Offer Shares, see "The Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares."

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IMPORTANT NOTICE TO INVESTORS

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

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

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully in full before you decide to invest in the Offer Shares.

OVERVIEW

We are a biopharmaceutical company with an integrated platform for product development and commercialization. We strategically focus on some of the largest and fast-growing therapeutic areas with significant unmet medical needs in China, primarily including oncology and severe infection. Leveraging our integrated platform, we strive to develop and commercialize a portfolio of high-quality marketed products, including our proprietary product, Zadaxin, and pipeline drugs in our focused therapeutic areas.

Our Business Model and Key Risks:

We primarily engage in the sales of (i) our proprietary product, Zadaxin; (ii) our in-licensed products; and (iii) promotion products on behalf of our business partners in China. In recent years, we started the development of a number of pipeline drug candidates. Our current portfolio of pipeline drug candidates contain not only some late-stage candidates, but also a number of early-stage candidates that have entered into Phase II clinical trial or earlier stage. During the Track Record Period and as of the Latest Practicable Date, we generated our revenue primarily from the sales of Zadaxin, which we rely on our CMO partner Patheon Italia to produce, to Sinopharm in China.

Proprietary product — Zadaxin

During the Track Record Period, we generated our revenue primarily from the sales of Zadaxin in China. Zadaxin is our proprietary product. We developed Zadaxin in the early 1990s and obtained the approval for its sales in the China market in 1996. Revenue contributed by the sales of Zadaxin accounted for approximately 91.7%, 83.0%, 79.0%, 80.2% and 83.7% of our total revenue in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. We generate our revenue through the sales of Zadaxin to Sinopharm in China, which has acted as our exclusive importer and distributor for Zadaxin in China for approximately 10 years. In 2017, 2018, 2019 and the nine months ended September 30, 2020, sales to our largest customer, in which Sinopharm owned more than 50% of the equity interest as of the Latest Practicable Date, accounted for approximately 87.5%, 77.9%, 71.6% and 79.8% of our total sales, respectively. During the Track Record Period, we manufactured Zadaxin through our CMO partner, Patheon Italia with whom we have worked since 2002 under a manufacturing and supply agreement subject to a term of automatic renewal every two years. We have a long-term and stable business relationship with Sinopharm and Patheon Italia.

Currently, there are a number of generic thymalfasin drugs competing with Zadaxin in the market. If thymalfasin is included in the volume-based procurement in the future, and if such generic competitors to Zadaxin choose to participate in the bidding and successfully get included in the volume-based procurement, Zadaxin may experience significant pressure on its market share and price level. For key risks in relation to Zadaxin, see "Risk Factors — We rely on the sales of a limited number of proprietary product and promotion products for business partners, especially in Mainland China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in government regulations, our operations, revenue and profitability could be adversely affected", "Risk Factors — We are dependent upon Sinopharm as the exclusive importer and distributor of Zadaxin; because of China's tiered method of importing and distributing finished pharmaceutical products, our results may vary substantially from one period to the next." and "Risk Factors — We rely on limited number of suppliers to manufacture our proprietary product and in-licensed products. If our proprietary product and in-licensed products are not produced to the necessary quality standards, or if our suppliers' production capacities cannot satisfy our demands, our operations, reputation, revenue and profitability could be adversely affected."

Our in-licensed products, promotion products and drug candidates

For our in-licensed products, we sign licensing agreements with our in-licensing partners, through which we acquire licenses and get involved in the product development process from various stages, ranging from IND filing for some of our early-stage pipeline products, to pivotal clinical trials for some of our late-stage pipeline products. We derive demand for our in-licensed products primarily from hospitals and pharmacies through our sales and marketing activities, and we sell them through distributors to hospitals and pharmacies.

As of the Latest Practicable Date, Zometa was our only marketed in-licensed product and we expect commercialization of our other in-licensed product, Angiomax, in the first quarter of 2021. In 2017, 2018 and 2019, and the nine months ended September 30, 2020, we generated no revenue and nil, nil, nil and RMB55.9 million of other income from profit transferred from Novartis for Novartis's sales of Zometa in China pursuant to our licensing arrangement with Novartis. As authorized by Novartis, we began distributing Zometa as the importer and distributor in certain provinces in China since December 2020 and thereby began generating revenue from our sales of Zometa. In January 2021, we completed the transfer of Import Drug License ("IDL") for Zometa, and became the Marketing Authorization Holder ("MAH") of Zometa in the PRC.

In addition, we also sell promotion products for our partner pharmaceutical companies, such as Pfizer and Baxter, as a promotor and distributor for such business partners. For the promotion products we sell for our business partners, our business partners supply us with such promotion products, which are imported and distributed through SciClone Jiangsu. We engage in marketing and promotion activities for such promotion products and sell such promotion products to our distributors through the distribution network we manage. In recent years, we started the development of a number of pipeline drug candidates. Our current portfolio of pipeline drug candidates contain not only some late-stage candidates, but also a number of early-stage candidates that have entered into Phase II clinical trial or earlier stage, focusing on oncology and severe infection as our primary therapeutic areas.

Primary therapeutic area focus:

- **Oncology**: For details of the oncology market, see "Industry Overview — Oncology Market." Amongst other clinical adoptions, our proprietary product, Zadaxin, has been listed in the treatment guidelines for the treatment of liver cancer, pancreatic cancer and lymphoma, and the incidences of such cancers are expected to constantly increase in the near future. According to Frost & Sullivan, the incidence of liver cancer in China was 410.4 thousand in 2019, and is expected to reach 462.8 thousand in 2024 and 526.0 thousand in 2030, representing a CAGR of 2.4% from 2019 to 2024 and a CAGR of 2.2% from 2024 to 2030; the incidence of pancreatic cancer in China was 108.4 thousand in 2019, and is expected to reach 127.1 thousand in 2024 and 152.2 thousand in 2030, representing a CAGR of 3.2% from 2019 to 2024 and a CAGR of 3.0% from 2024 to 2030; the incidence of lymphoma in China was 95.4 thousand in 2019, and is expected to reach 107.1 thousand in 2024 and 121.6 thousand in 2030, representing a CAGR of 2.4% from 2019 to 2024 and a CAGR of 2.1% from 2024 to 2030.
- **Severe infection**: According to Frost & Sullivan, infectious diseases are currently the second largest therapeutic area in China. Our proprietary product, Zadaxin, has been indicated for the treatment of hepatitis B, and has been listed in the treatment guidelines for the treatment of sepsis and COVID-19 by enhancing the immunity of the patients. See "Business — Products and Services — Our Proprietary Product — Zadaxin 日达仙 — Indications and Clinical Adoptions." The increasingly challenging treatment of complex severe infection diseases has generated unmet medical needs, leading to promising market potentials. See "Industry Overview."

Our products and services:

We have a high-quality portfolio of marketed products, including our proprietary product, Zadaxin. During the Track Record Period, we generated our revenue primarily from the sales of Zadaxin in China. Zadaxin is approved in multiple jurisdictions, including China and other countries such as South Korea, Thailand, Argentina, Italy, Cambodia, Singapore and Indonesia. Over the past decades, Zadaxin has gained recognition among doctors and patients as a trusted branded product, especially for its potential benefits in treating SARS and COVID-19. Zadaxin has demonstrated market potential, evidenced by its sustainable revenue growth through challenges, including generic competition, changes in reimbursement policies and changes in the centralized tender processes. As the first branded thymalfasin (胸腺法新) drug in China, Zadaxin has consistently demonstrated high product quality, as supported by third-party academic studies including the studies conducted by Shanghai Institute for Food and Drug Control, a government-sponsored institution in Shanghai responsible for the examination of the quality of food and drugs.

Our in-licensed products include Angiomax and Zometa. Angiomax is indicated for use as an anticoagulant for use in patients undergoing percutaneous coronary intervention including patients with heparin-induced thrombocytopenia and thrombosis syndrome. Angiomax is expected to be commercialized in the first quarter of 2021. Zometa is indicated for the treatment of patients with multiple myeloma and patients with documented bone metastases from solid tumors, and hypercalcemia of malignancy. As of the Latest Practicable Date, Zometa was sold through the

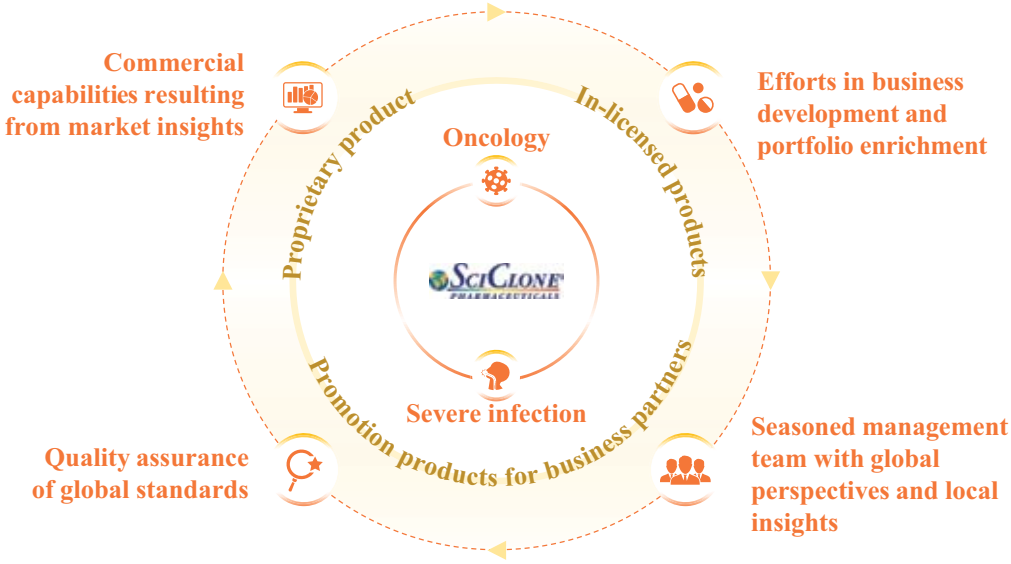
existing distribution network by Novartis in several provinces in China, and we recognized other income from Zometa through our licensing arrangement with Novartis to receive profit transferred from Novartis for the sales of Zometa. We also started recognizing revenue from our sales of Zometa since December 2020 as we began distributing Zometa as the importer and distributor in certain provinces in China. In January 2021, the transfer of IDL for Zometa was completed, and we became the MAH of Zometa in the PRC. We also sell promotion products for our partner pharmaceutical companies, such as Pfizer and Baxter. In addition, we have built a pipeline of in-licensed early- to late-stage drug candidates.

Our core competencies:

Our four core competencies have strengthened our leading market position and sustained our financial success.

- **Commercial capabilities resulting from market insights**: Our commercial capabilities underpin our success. Our cohesive sales and marketing team consists of highly experienced personnel with industry knowledge, who are able to timely respond to market dynamics, improve operational efficiency and enhance customer experiences. Driven by our market insights, our commercialization initiatives enable us to capture industry and policy trends. As a result, we remain highly nimble in adopting innovative business models, including the online Go-To-Patient ("GTP") platform which has successfully extended our sales beyond hospitals into pharmacies and ensured our sustainable growth despite challenges.
- **Efforts in business development and product portfolio enrichment:** Through the close collaboration across our business development, clinical development and regulatory affairs teams, and leveraging our strong relationship with leading KOLs in our commercialization network, we have benefited from our efforts in enriching our product portfolio by identifying and commercializing product candidates with market potential, thereby establishing a product pipeline of in-licensed early- to late-stage drug candidates covering high potential therapeutic areas. Our efforts in portfolio enrichment, coupled with lifecycle management, resulted in the successful expansion of the clinical adoptions of Zadaxin.
- **Quality assurance of global standards:** Our quality assurance system is commensurate with the global standards of compliance of our MNC partners. It minimizes our operational risk and safeguards our sustainable growth, making us stand out as a biopharmaceutical company with high-quality products, a go-to partner of pharmaceutical MNCs and a valued and reliable source of long-term return for investors.
- **Seasoned management team with global perspectives and local insights:** Core members of our management team have, on average, more than 20 years of experience in the pharmaceutical industry. They lead our business operations with global perspectives sharpened by extensive managerial experience in pharmaceutical MNCs, and local insights accumulated through decades of groundwork with hospitals, doctors, pharmacies and patients in China.

The chart below sets forth our primary focused therapeutic areas, the products and services we provide, and our core competencies:



Based on our core competencies, we have achieved strong financial results during the Track Record Period. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, our revenue was RMB1,213.0 million, RMB1,408.9 million, RMB1,708.1 million, RMB1,290.8 million and RMB1,584.2 million, respectively, representing a CAGR of 18.7% from 2017 to 2019, while our profit was RMB19.6 million, RMB535.1 million, RMB614.6 million, RMB487.2 million and RMB689.8 million, respectively.

Marketed Products

	Product Name	Mechanism of Action	Indication(s)	Originator / Partner	Commercial Rights
Proprietary	Zadaxin® (thymalfasin)	Immunomodulator of thymalfasin	Cancers / infectious diseases	–	Proprietary asset
License-in	Zometa® (zoledronic acid)	Osteoclast-mediated bone resorption inhibitor	Bone metastases from solid tumors	Novartis (Switzerland)	Permanent right to commercialize in Mainland China IP acquired or licensed
Promotion products for business partners	Farlutal (Medroxyprogesterone Acetate)	Gonadotropin inhibitor	Cancers	Pfizer (USA)	Promotion services and distribution through 2022 for renewal
	Methotrexate	DHFR inhibitor Nuclear estrogen receptors and DNA synthesis reducer	Acute leukemia / cancers		
	Estracyt (Estramustine Phosphate)	DNA alkylator	Hormone resistant advanced prostate cancer		
	Holoxan (Ifosfamide)	DNA and protein synthesis inhibitor	Cancers	Baxter (USA)	Promotion services and distribution through 2022 for renewal
	Mesna (Sodium-2-mercaptoethane Sulfonate)	Organosulfur compound used as an adjuvant in cancer chemotherapy to detoxify urotoxic metabolites	Urotoxicity		
	Endoxan (Cyclophosphamide)	Protein synthesis inhibitor through cross-linking of DNA and RNA	Cancers		

Abbreviations: DHFR = Dihydrofolate Reductase; DNA = Deoxyribonucleic Acid; PCI = Percutaneous Coronary Intervention; RNA = Ribonucleic Acid

Notes:

(1) As of the Latest Practicable Date, Zometa was sold through the existing distribution network by Novartis in several provinces in China, and we recognized other income from Zometa through our licensing arrangement with Novartis to receive profit transferred from Novartis for

the sales of Zometa. We also started recognizing revenue from our sales of Zometa since December 2020 as we began distributing Zometa in certain provinces in China. In January 2021, we completed the transfer of IDL for Zometa, and became the MAH of Zometa in the PRC.

(2) As of the Latest Practicable Date, all of these marketed products were covered by the centralized tender process, and none of these marketed products was covered by the volume-based procurement. See "Regulatory Overview — Drug Purchase by Hospitals."

(3) As of the Latest Practicable Date, Holoxan, Mesna and Endoxan were listed in the National Essential Drug List. See "Regulatory Overview — National Essential Drug List."

Product to be Marketed

	Product Name	Mechanism of Action	Indication(s)	Originator / Partner	Commercial Rights
License-in	Angiomax® (bivalirudin)	Anticoagulant for PCI	Percutaneous transluminal coronary angioplasty Percutaneous coronary intervention	The Medicines Co. (USA)	Permanent right to commercialize in Mainland China IP licensed

Note:

(1) We entered into a Product Promotion Agreement with Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd ("Huizheng") on August 31, 2020, under which Huizheng was engaged for the promotion and distribution of our in-licensed product Angiomax in Mainland China. Angiomax is expected to be commercialized in the first quarter of 2021.

Pipeline Products

	Product Name	Mechanism of Action	Indication(s) / Clinical Adoptions	Partner	Date of Partnership Commencement	Commercial Rights	Our Contribution in China	Pre-Clinical / IND Filing / Phase I / Phase II / Phase III / NDA/BLA Filing / Marketed
Late-Stage	Oravig [1]	Lanosterol 14 α - demethylase inhibitor	Oropharyngeal candidiasis	Vectans Pharma (France)	June 2, 2008	10-year license from the date of first commercial sales in Mainland China, Hong Kong and Macau	Completed the phase III trial and obtained NMPA approval for commercialization	Marketed (Vectans Pharma); Commercialization expected in Q3-2021
Late-Stage	Vibativ (telavancin) [2]	Dual antibacterial activity on cell wall and cell membrane	HABP/VABP complicated skin and skin structure infections	Cumberland Pharma-ceuticals (USA)	May 21, 2015	15-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau, Taiwan and Vietnam	Obtained IND and clinical trial waiver	Marketed (Cumberland Pharmaceuticals); Clinical trial waiver obtained; NDA submission expected in Q3-2021
Late-Stage	RRx-001 [3]	Myc inhibitor and antagonist of CD47-SIRPα pathway	Small cell lung cancer Colorectal cancer	EpicentRx,Inc. (USA)	June 30, 2020	10-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau and Taiwan	Pre-IND conducted and in preparation of IND filing	US Phase III trial ongoing (Soligenix); US Phase III trial completion expected by the end of 2021 Combo with Irinotecan; US Phase II trial completed and Phase III trial launch expected in Q2-2021
Late-Stage	Naxitamab	Targeting GD2	High risk neuroblastoma	Y-mAbs Therapeutics, Inc. (USA)	December 17, 2020	license of an indefinite term from December 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase I and Phase II trials completed (Y-mAbs); Received approval fromFDAon BLA in November 2020[6]
Late-Stage	Omburtamab	Targeting B7-H3–expressing cells	CNS/ leptomeningeal metastasis from neuroblastoma	Y-mAbs Therapeutics, Inc. (USA)	December 17, 2020	license of an indefinite term from December 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase I and Phase II trials completed (Y-mAbs); Y-mAbs plans to refile BLA for Omburtamab in early 2021[6]
Early Stage	PEN-866 [4]	Mini-conjugate of HSP90-SN38	Solid tumors	Tarveda Therapeutics (USA)	March 17, 2020	20-year license from March 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase II basket trial ongoing (Tarveda Therapeutics); US Phase II trial completion expected in Q4-2022
Early Stage	PT-112	Platinum-containing compounds	Late stage prostate cancer Cholangiocarcinoma	Phosplatin Therapeutics (USA)	May 26, 2015	15-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau and Vietnam	Completed phase I and initiated phase II trial	US Phase II trial ongoing (Phosplatin Therapeutics); US Phase II trial completion expected in Q4-2021 Combo with Gemcitabin; Phase II trial completion expected in Q4-2022
Early Stage	ABTL-0812	Akt/mTOR inhibitor	Endometrial cancer lung cancer pancreatic cancer	Ability Pharma (Spain)	April 22, 2016	15-year license from April 22, 2016 in Mainland China, Hong Kong, Macau, Taiwan and Vietnam	Obtained IND	EU Phase II trial ongoing (Ability Pharma); EU Phase II trial ongoing

China status [5] Partner's overseas status [5] Intend to utilize overseas clinical data for the NDA application in China

Abbreviations: Akt = Protein Kinase B; HABP = Hospital-acquired Bacterial Pneumonia; HSP90 = Heat Shock Protein 90; mTOR= Mammalian Target of Rapamycin; SN38 = 7-ethyl-10-hydroxycamptothecin; VABP = Ventilator-associated Bacterial and Pneumonia

Notes:

1. Our partner conducted Phase III and the earlier phases of the clinical trials. We obtained clinical waiver for clinical trials in China, and intend to conduct a bridging study for approval.
2. We conducted Phase III of the clinical trials, and our partner conducted the earlier phases of the clinical trials.
3. We expect to participate in the China portion of Phase III MRCT (Multi-Regional Clinical Trials) for Small Cell Lung Cancer in 2021 with EpicentRx.
4. We intend to join China portion of Phase III MRCT with Tarveda.
5. We are responsible for the clinical trials in China. Our partners are responsible for the clinical trials overseas.
6. Naxitamab and Omburtamab, both being biological products, are required to obtain BLA approval before commercialization. For both products, a Phase II clinical trial is adequate to serve as a pivotal trial in support of a BLA approval. As a result, as of the Latest Practicable Date, no Phase III clinical trial was intended or would be carried out for Naxitamab and Omburtamab.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from our competitors:

- A product portfolio focusing on high-potential therapeutic areas, led by marketed products with strong cash generation ability and effective lifecycle management, and fueled by pipeline products, to drive sustainable long-term growth;

- Product commercialization in China driven by innovation and evidenced by a proven track record;
- Efforts in business development and portfolio enrichment to build a drug pipeline that addresses unmet medical needs;
- Strong brand image underpinned by quality assurance of global standards; and
- A visionary management team with a successful track record in the pharmaceutical industry.

See "Business — Our Competitive Strengths."

OUR STRATEGIES

We intend to carry out the following key strategies:

- Continue to strengthen our marketed product portfolio through effective lifecycle management;
- Optimize our pipeline with accelerated fast-to-market strategy for late-stage assets and potential first/best-in-class focus for early-stage assets;
- Continue to innovate in business model and enhance our commercial and development capabilities; and
- Commit to development of talent and enhancement of our operational infrastructure to support our future expansion.

See "Business — Our Strategies."

COMPETITIVE LANDSCAPE

We believe Zadaxin possesses advantages in its competition with generics. As of the Latest Practicable Date, only one generic drug to Zadaxin (Jitai (基泰), the generic thymalfasin drug manufactured by ShuangCheng Pharmaceuticals) had passed the consistency evaluation for quality and efficacy, and even in comparison to its generic drug competitor that has passed the consistency evaluation, we believe Zadaxin may still enjoy competitive edges, even though Zadaxin is sold at a higher price compared to its generic drug competitors:

- Zadaxin, as the first branded thymalfasin drug in China, possesses the first-mover advantage, which allows it to take advantage of its strong brand recognition and product loyalty from doctors and target patients, the majority of whom are self-paying or covered by private medical insurance, and are therefore less sensitive to differences in prices;
- Zadaxin, as a tested and approved thymic hormone drug, has the potential to be used as a combination therapy with other emerging treatments, which enables it to capture new industry opportunities; and
- Zadaxin is able to capitalize on our successful commercialization efforts, as well as the synergies created from innovative sales channels and the GTP model.

The table below shows the comparison between Zadaxin and generic thymalfasin drugs:

		Zadaxin	Generic Thymalfasin Drugs
Approval Time		1996	Ranging from 2015 to 2019
Price[1] (RMB/1.6mg)		474	Ranging from 77 to 122[3]
Annual Cost Per Patient[1][2] (RMB)		24,648	Ranging from 4,005 to 6,344[3]
Market Share[4] in the Thymalfasin Market in China in	2015	44.1%	55.9%
	2016	46.8%	53.2%
	2017	50.8%	49.2%
	2018	51.4%	48.6%
	2019	57.5%	42.5%

Notes:

(1) The information on price and annual cost per patient is based on data at wholesale price level in 2019.

(2) Annual cost per patient refers to the estimated average cost incurred by the application of the drug on the patient in a year. It is calculated based on the assumption that on average each patient on the drug receives 52 shots (1.6mg per shot) annually according to the relevant drug label.

(3) Calculated based on price and annual cost per patient for generic thymalfasin drugs with available information. Industry information on price and annual cost per patient for some generic thymalfasin drugs approved in late 2019 is not available.

(4) In terms of revenue.

See "Industry Overview — The Thymic Hormones Market — Competitive Landscape." For key indicators on Zadaxin's safety and efficacy, see "Business — Products and Services — Our Proprietary Product — Zadaxin 日达仙 — Indications and Clinical Adoptions."

RELEVANT DRUG REGULATORY REGIMES

The drug regulatory regimes that are relevant to the business and results of operations of the Company include the centralized tender process and the volume-based procurement, both governing the purchase of drugs by public hospitals and public medical institutions, as well as the National Reimbursement Drug List ("NRDL") and National Essential Drug List ("NEDL"), both governing drug coverage and reimbursement. For the mechanism, selection criteria, evaluation, approval procedures of such regulatory regimes, our participation in such regimes and their impacts on the Company, see "Regulatory Overview — Drug Purchase by Hospitals", "Regulatory Overview — Laws and Regulations in Relation to the Coverage and Reimbursement" and "Business — Regulatory Regimes Affecting Prices of Pharmaceutical Products."

Our participation in the relevant drug regulatory regimes: For the centralized tender process, participation by pharmaceutical companies is voluntary. For the volume-based procurement, whether the compound for a specific drug is included in the volume-based procurement catalog is determined by the relevant government authorities, but the participation by pharmaceutical companies in the volume-based procurement is voluntary. For both the NRDL and the NEDL, whether the compound for a specific drug is included in such lists is determined by the relevant government authorities, and is beyond the control of pharmaceutical companies. As of the Latest Practicable Date:

- Our marketed products had generally participated in the centralized tender process;
- Bivalirudin, the compound for our product Angiomax, was listed in the catalog for the fourth batch of volume-based procurement on December 25, 2020. We participated in the fourth batch of volume-based procurement for bivalirudin with Angiomax in February

2021, but Angiomax did not win the bid. See "Financial Information — Recent Development — Angiomax's status in the volume-based procurement." Other than bivalirudin, none of the compounds for our marketed products had been included in the volume-based procurement catalog and none of our marketed products had participated in the volume-based procurement;

- Zadaxin was covered by the work-related injury insurance catalog of the NRDL, and the corresponding reimbursement was limited to patients eligible for employment injury insurance, while Zometa and the six promotion products we sell for our business partners were covered by the NRDL; and
- Only Holoxan, Mesna and Endoxan, among our marketed products were listed in the NEDL.

Impact of the centralized tender process: For the centralized tender process, we have made the decision whether to have Zadaxin participate in the centralized tender process in each province depending on our strategies in balancing price and sales volume based on the specific market conditions in each of the provinces. For provinces where we choose not to participate in or fail to win the bids in the centralized tender process, we are able to endure short term decrease in revenue and maintain mid-to-long-term growth driven by the sales to pharmacies. Since the participation in the centralized tender process is voluntary, our PRC Legal Advisor is of the view that the Company has the flexibility in adjusting its participation in the centralized tender process based on its strategies and business needs. Based on such flexibility of the Company in adjusting its participation and strategy, and the track record of the Company in successfully making such adjustments to optimize its results of operations and financial conditions, the Industry Consultant, Frost & Sullivan is of the view that the centralized tender process is not expected to have a material adverse impact on the business, results of operations and financial conditions of the Company.

Impact of the volume-based procurement: As of the Latest Practicable Date, the catalogs for four batches of volume-based procurement had been released, and the volume-based procurement had limited impact on our operations, revenue and profitability. Bivalirudin, the compound for our product Angiomax, was listed in the catalog for the fourth batch of volume-based procurement on December 25, 2020. We participated in the fourth batch of volume-based procurement for bivalirudin with Angiomax in February 2021, but Angiomax did not win the bid. See "Financial Information — Recent Development — Angiomax's status in the volume-based procurement." As of the Latest Practicable Date, only one generic thymalfasin drug had passed the consistency evaluation, while in practice the Joint Procurement Office led by the National Healthcare Security Administration would generally select a compound for which one innovative drug and at least two corresponding generic drugs that have passed the consistency evaluation are eligible to participate in the bid into the catalog. Therefore, the Industry Consultant, Frost & Sullivan is of the view that the likelihood for thymalfasin to be included in the volume-based procurement in the near future is low. In the case that thymalfasin is included in the volume-based procurement catalog, Zadaxin may face more intensive competition in sales to public hospitals and public medical institutions, and consequently, we and the Industry Consultant, Frost & Sullivan, believe that our business, results of operations and financial conditions will be adversely affected. See "Risk Factors — We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as volume-based

procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability." In such case, we may formulate our optimal strategy and choose to participate or not to participate in the volume-based procurement depending on our balancing of various factors including the price level, sales volume and market shares, in similar ways as we formulate our strategy in participating in the centralized tender process. Since the participation in the volume-based procurement is voluntary, our PRC Legal Advisor is of the view that the Company has the flexibility in adjusting its participation in the volume-based procurement based on its strategies and business needs.

Impact of NRDL and NEDL: For both the NRDL and the NEDL, our PRC Legal Advisor is of the view that changes in the NRDL or NEDL coverage will have similar impacts on our products as on the competitors to our products containing identical compounds, and the Industry Consultant, Frost & Sullivan, is of the view that changes in the NRDL or NEDL coverage will not materially and adversely affect the competitive position of our products in comparison to that of their competitors containing identical compounds. On December 25, 2020, the NRDL was updated, with 119 drugs newly added to and 29 drugs removed from the NRDL. See "Regulatory Overview — Laws and Regulations in Relation to the Coverage and Reimbursement — Medical Insurance Catalogue." The Company believes, and the Industry Consultant, Frost & Sullivan, is of the view, that none of the drugs added to or removed from the NRDL on December 25, 2020 are direct competitors to Zadaxin or other marketed or pipeline products of the Company. Therefore, the Company believes, and the Industry Consultant, Frost & Sullivan is of the view, that the updates to the NRDL on December 25, 2020 does not have any material impact on the Company's business, results of operations and financial conditions, and is not expected to materially impact the Company's pricing or competitive strategies.

SALES, MARKETING AND DISTRIBUTION

For our proprietary and in-licensed products, we derive demand primarily from hospitals and pharmacies through our sales and marketing activities. We sell our proprietary and in-licensed pharmaceutical products through distributors to hospitals and pharmacies. Specifically, for our proprietary product, Zadaxin, we procure the API for Zadaxin from Polypeptide, we manufacture Zadaxin through our CMO partner Patheon Italia based on our sales and production forecast, and we generate revenue through sales of Zadaxin to Sinopharm, which acts as our exclusive importer and distributor for Zadaxin in China. In compliance with the "two-invoice system", after our sales of Zadaxin to Sinopharm, Sinopharm clears the products through customs of China as an imported drug and distributes further to hospitals and pharmacies. We sell Zadaxin through Sinopharm to 31 provinces, municipalities and autonomous regions in China as of September 30, 2020. The distribution network through Sinopharm for Zadaxin had reached approximately 1,130 class III hospitals, approximately 1,250 class II hospitals, approximately 720 pharmacies and approximately 3,560 other medical institutions in China as of September 30, 2020.

For our sales of promotion products for business partners, we develop and maintain our collaboration with pharmaceutical companies such as our current partners Pfizer and Baxter and derive demand for the promotion products from hospitals and pharmacies through our sales and marketing activities. Our revenue from our sales of promotion products for business partners is derived from selling the promotion products through distributors to hospitals and pharmacies. For

the promotion products we sell for business partners, we import and distribute through SciClone Jiangsu.

See "Business — Sales, Marketing and Distribution."

Collaborating with Sinopharm, in order to diversify our sales channels and promote Zadaxin's sales to patients through pharmacies, we piloted our GTP platform in 2015 which had since enhanced Zadaxin's accessibility to patients by extending the sales of Zadaxin beyond hospitals into pharmacies. We started to generate sales through this platform in 2018. In 2018, 2019, and the nine months ended September 30, 2020, sales volume through our GTP model contributed to more than 20%, more than 30% and more than 50% of our total sales volume of Zadaxin, respectively, signifying the increasing accessibility of Zadaxin to patients through pharmacies.

CUSTOMERS

Under our product sales of our proprietary and in-licensed pharmaceutical products business, our direct customers generally consist of distributors for pharmaceutical products such as Sinopharm. Under our sales of promotion products for business partners business, our direct customers generally consist of distributors for pharmaceutical products. Under both our product sales of our proprietary and in-licensed pharmaceutical products business and sales of promotion products for business partners business, the end customers are hospitals and pharmacies.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, sales to our five largest customers accounted for approximately 98.2%, 88.5%, 81.3% and 87.2% of our total sales, respectively. In the same periods, sales to our largest customer, in which Sinopharm owned more than 50% of the equity interest as of the Latest Practicable Date, accounted for approximately 87.5%, 77.9%, 71.6% and 79.8% of our total sales, respectively. See "Business — Customers."

PRODUCT DEVELOPMENT

For our proprietary and in-licensed pharmaceutical products, we actively engage in development of such products. We focus on building up a drug portfolio with strong positioning in high-value and high-growth sectors, and we focus on drug development instead of drug research. For the promotion products we sell for our business partners, we currently do not engage in any further product development activities for any new promotion products we sell for our business partners.

As of the Latest Practicable Date, we had a pipeline of eight drug candidates, five of which are late-stage drug products that have entered into pivotal clinical trial or more advanced stages, and three of which are early-stage drug products that have entered into Phase II clinical trial or earlier stage.

For our in-licensed products, we acquire licenses and get involved in the product development process from various stages, ranging from IND filing for some of our early-stage pipeline products, to pivotal clinical trials for some of our late-stage pipeline products.

In November 2020, the CDE promulgated the Clinical Technical Guideline for Conditional Approval of Drugs (Tentative) (《藥品附條件批准上市技術指導原則(試行)》). See "Regulatory Overview — Laws and Regulations in Relation to Drugs — Registration of Drugs". Under such guideline, pipeline drugs treating seriously life-threatening diseases with no existing effective treatments available may apply for conditional approval if its clinical trials have shown efficacy and if its clinical value can be predicted. As our pipeline products primarily focus on therapeutic areas such as oncology and severe infection with significant unmet medical needs in China, we believe, and the Industry Consultant, Frost & Sullivan, is of the view that such guideline may expedite our product development process.

See "Business — Product Development."

PRODUCTION AND QUALITY CONTROL

We produced our proprietary product, Zadaxin, through our CMO partner, Patheon Italia, during the Track Record Period. See "Risk Factors — We rely on limited number of suppliers to manufacture our proprietary product and in-licensed products. If our proprietary product and in-licensed products are not produced to the necessary quality standards, or if our suppliers' production capacities cannot satisfy our demands, our operations, reputation, revenue and profitability could be adversely affected." In addition, we procure certain raw materials including active pharmaceutical ingredients from outsourced raw materials CMOs for the production of our proprietary and in-licensed pharmaceutical products. Our production quality management system is fully aligned with the current GMP as implemented in markets that we operate in.

For the promotion products we sell for our business partners, we do not participate in the production of such products; instead, our business partners, Pfizer and Baxter, supply us with such products. We also adopt stringent quality management measures for the promotion products we sell for our business partners.

See "Business — Production and Quality Control."

SUPPLIERS

Under our product sales of our proprietary and in-licensed pharmaceutical products business, our suppliers generally consist of the CMO manufacturer for Zadaxin and the manufacturers of our APIs used for the manufacturing of our final products. Under our sales of promotion products for business partners business, our suppliers are mainly Pfizer and Baxter, which supply us with finished promotion products we sell for them.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, purchases from our five largest suppliers accounted for approximately 50.7%, 61.9%, 63.4% and 67.6% of our total purchase amount, respectively. Purchases from our largest supplier accounted for approximately 20.7%, 23.1%, 30.3% and 30.9% of our total purchase amount in these periods, respectively. See "Business — Suppliers."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set out summary financial data from our Historical Financial Information for the Track Record Period, extracted from Appendix I to this prospectus. The summary financial data set out below should be read together with, and are qualified in their entirety by reference to, the Historical Financial Information in this prospectus, including the related notes. Our Historical Financial Information was prepared in accordance with IFRS.

Selected Income Statement Data

	For the year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Revenue	1,212,966	100.0	1,408,869	100.0	1,708,068	100.0	1,290,771	100.0	1,584,173	100.0
Cost of revenue	(181,178)	(14.9)	(302,999)	(21.5)	(393,141)	(23.0)	(292,745)	(22.7)	(346,063)	(21.8)
Gross profit	1,031,788	85.1	1,105,870	78.5	1,314,927	77.0	998,026	77.3	1,238,110	78.2
Sales and marketing expenses	(395,965)	(32.6)	(389,046)	(27.6)	(460,332)	(27.0)	(316,009)	(24.5)	(298,430)	(18.8)
Administrative expenses	(332,170)	(27.4)	(143,491)	(10.2)	(118,385)	(6.9)	(92,052)	(7.1)	(146,243)	(9.2)
Research and development ("R&D") expenses	(82,665)	(6.8)	(77,463)	(5.5)	(87,688)	(5.1)	(59,370)	(4.6)	(48,717)	(3.1)
Other income	13,313	1.1	37,085	2.6	6,795	0.4	6,755	0.5	65,624	4.1
Other expenses	—	—	—	—	—	—	—	—	(55,310)	(3.5)
Other gains/(losses) — net	26,459	2.2	(38,599)	(2.7)	(5,128)	(0.3)	(17,535)	(1.4)	7,979	0.5
Operating profit	260,760	21.5	494,356	35.1	650,189	38.1	519,815	40.3	763,013	48.2
Finance income	1,498	0.1	2,659	0.2	12,171	0.7	8,211	0.6	9,189	0.5
Finance costs	(1,744)	(0.1)	(1,742)	(0.1)	(1,189)	(0.1)	(1,101)	(0.1)	(17,381)	(1.1)
Finance (costs)/income, net	(246)	(0.0)	917	0.1	10,982	0.6	7,110	0.5	(8,192)	(0.6)
Profit before income tax	260,514	21.5	495,273	35.2	661,171	38.7	526,925	40.8	754,821	47.6
Income tax (expense)/credit	(240,932)	(19.9)	39,809	2.8	(46,567)	(2.7)	(39,747)	(3.1)	(65,065)	(4.1)
Profit for the year/period attributable to owners of the Company	19,582	1.6	535,082	38.0	614,604	36.0	487,178	37.7	689,756	43.5

In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our gross profit was RMB1,031.8 million, RMB1,105.9 million, RMB1,314.9 million, RMB998.0 million and RMB1,238.1 million, respectively, and our gross margin was 85.1%, 78.5%, 77.0%, 77.3% and 78.2%, respectively. Our gross profit increased throughout the Track Record Period which was in line with our revenue growth. Our gross margin decreased in 2018 primarily due to a change in our

product mix as we started to engage in distribution and sales for Baxter products in 2018 and started to recognize product sales revenue for distribution of such products, which incurred higher cost of revenue as percentages of their revenues. Our gross margin increased in the nine months ended September 30, 2020 primarily due to an increase in the sales of Zadaxin during the period which has higher profit margin compared to that of other products, resulting from an increase in demand and usage of Zadaxin in the first half of 2020, primarily for the prevention and clinical treatment of COVID-19 in China.

In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our net profit was RMB19.6 million, RMB535.1 million, RMB614.6 million, RMB487.2 million and RMB689.8 million, respectively, and our net margin was 1.6%, 38.0%, 36.0%, 37.7% and 43.5%, respectively. Our net profit and net margin increased significantly in 2018 primarily due to (i) decreases in professional service fees and staff costs resulting from our privatization in 2017, discontinued U.S. operations and a corresponding decrease in staff; and (ii) changes in income tax expenses or credits resulting from adjustments made in 2018 to the U.S. repatriation tax estimate recorded in 2017, taking into consideration the use of our remaining tax credits to offset certain U.S. tax liabilities. See Note 14(c) "Income Tax Expense/(Credit) — U.S. Tax Reform" to the Accountant's Report included in Appendix I of this prospectus. Our net profit and net margin increased significantly in the nine months ended September 30, 2020 primarily due to (i) an increase in the sales of Zadaxin during the period, which has a higher profit margin compared to that of other products, resulting from an increase in demand and usage of Zadaxin in the first half of 2020, primarily for the prevention and clinical treatment of COVID-19 in China; and (ii) a decrease in sales and marketing expenses resulting from suspension of certain marketing and promotion activities and reduction in business travels due to the impact of COVID-19.

The following table sets forth a breakdown of our revenue, both in absolute amounts and as percentages of our revenue, from the sales of the products and provision of promotion services for the periods indicated:

	For the year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Product sales										
Zadaxin	1,112,610	91.7	1,168,816	83.0	1,349,309	79.0	1,035,089	80.2	1,326,337	83.7
Promotion products for business partners	56,687	4.7	208,720	14.8	314,333	18.4	222,632	17.2	250,892	15.8
DC Bead[(1)]	15,846	1.3	28,680	2.0	44,426	2.6	33,050	2.6	6,944	0.5
Promotion service revenue	27,823	2.3	2,653	0.2	—	—	—	—	—	—
Total	**1,212,966**	**100.0**	**1,408,869**	**100.0**	**1,708,068**	**100.0**	**1,290,771**	**100.0**	**1,584,173**	**100.0**

Note:

(1) We also generated revenue from the sales of our in-licensed product DC Bead during the Track Record Period. DC Bead is a microbead used in Transarterial Chemo-Embolization (TACE) for liver cancer treatment. The sales of DC Bead was discontinued on April 30, 2020 pursuant to the termination agreement we entered into with Boston Scientific after Boston Scientific's acquisition of BTG plc., which previously owned DC Bead.

Our sales volume for Zadaxin amounted to approximately 3.1 million units, 3.3 million units, 3.6 million units, 2.9 million units and 3.7 million units in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively, and our average selling price for Zadaxin for the same periods was approximately RMB355, RMB349, RMB375, RMB362 and RMB360, respectively. Our revenue from the sales of Zadaxin increased significantly in the first half of 2020, as Zadaxin had been used for the prevention and clinical treatment of COVID-19 in China. Such significant increase was a one-off event, and the demand for Zadaxin for the treatment of COVID-19 decreased significantly in the second half of 2020 and may experience a further drop in the future.

We generated most of our revenue from Mainland China during the Track Record Period. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our revenue from Mainland China amounted to RMB1,141.2 million, RMB1,306.1 million, RMB1,611.8 million, RMB1,228.7 million and RMB1,501.9 million, accounting for 94.1%, 92.7%, 94.4%, 95.2% and 94.8% of our total revenue, respectively.

Selected Balance Sheet Data

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	284,643	240,448	273,807	780,478
Total current assets	1,143,008	1,055,829	1,572,016	2,032,077
Total assets	1,427,651	1,296,277	1,845,823	2,812,555
Total equity	959,898	1,042,871	1,525,177	166,010
Total non-current liabilities	23,196	23,092	14,047	1,642,943
Total current liabilities	444,557	230,314	306,599	1,003,602
Total liabilities	467,753	253,406	320,646	2,646,545
Total equity and liabilities	1,427,651	1,296,277	1,845,823	2,812,555
Net current assets	698,451	825,515	1,265,417	1,028,475

Our net assets decreased in the nine months ended September 30, 2020 primarily attributable to our dividend declaration of RMB2,230.4 million.

As of December 31, 2017 and 2018, we had accumulated losses of RMB702.8 million and RMB171.3 million, respectively, mainly resulting from our Group's accumulated losses before our privatization in 2017 caused by redundant costs and expenses associated with our previous U.S. operations. We recorded retained earnings of RMB229.0 million as of December 31, 2019 as we discontinued our U.S. operations which served as our management center for our global businesses prior to privatization, resulting in reduction of our costs and expenses, and as we continued generating profits and cash inflows during the Track Record Period.

Selected Cash Flow Data

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from operating activities	153,827	167,441	1,031,626	867,773	809,887
Net cash (used in)/generated from investing activities	(4,704)	174,711	(152,490)	(77,495)	(511,026)
Net cash used in financing activities	(476,526)	(542,629)	(234,589)	(17,345)	(47,229)
Net (decrease)/increase in cash and cash equivalents	(327,403)	(200,477)	644,547	772,933	251,632
Effects of exchange rate changes on cash and cash equivalents	13,399	(5,190)	(1,019)	(169)	(19,155)
Cash and cash equivalents at beginning of year/period	795,633	481,629	275,962	275,962	919,490
Cash and cash equivalents at end of year/period	481,629	275,962	919,490	1,048,726	1,151,967

Key Financial Ratios

	As of/For the year ended December 31,			As of/For the nine months ended September 30,
	2017	2018	2019	2020
Current ratio	257.1%	458.4%	512.7%	202.5%
Return on equity (%)	1.7%	53.4%	47.9%	81.6%
Return on total assets (%)	1.3%	39.3%	39.1%	29.6%

See "Financial Information."

DIVIDEND

We declared dividends of nil, RMB563.4 million, RMB211.6 million, nil and RMB2,230.4 million and paid dividends in cash of nil, RMB563.4 million, RMB211.6 million, nil and RMB2,173.8 million to our then shareholders in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Our dividend payment of RMB2,173.8 million for the nine months ended September 30, 2020 was financed by the bank loan facility to be repaid by part of the proceeds from the Global Offering. See "Future Plans and Use of Proceeds." On February 5, 2021, our Board approved our plan to declare a dividend of USD120.0 million from our consolidated retained earnings as of December 31, 2020 to our existing Shareholders. We intend to pay such dividend with our own cash before the Listing. There is no assurance that dividends of any amount will be declared or be distributed in any year. We aim to maximize our Shareholders' interests. Though in order to retain flexibility for our business development, currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions. You should note that the historical dividend distributions are not indicative of our future dividend distribution policy and may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. Any future declarations and payments of dividends will be at the absolute discretion of our Directors and will depend on our actual and expected results

of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividend will be subject to our constitutional documents and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Directors. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

See "Financial Information — Dividend Policy."

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in the section headed "Risk Factors" in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- We rely on the sales of a limited number of proprietary product and promotion products for business partners, especially in Mainland China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in government regulations, our operations, revenue and profitability could be adversely affected.
- We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors selling competing drugs such as substitute or generic drugs and new innovative drugs, which could subject us to the pressure of price reduction and adversely affect our operations, revenue and profitability.
- We are dependent upon Sinopharm as the exclusive importer and distributor of Zadaxin; because of China's tiered method of importing and distributing finished pharmaceutical products, our results may vary substantially from one period to the next.
- We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as volume-based procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability.
- If we, our employees, distributors or suppliers engage, or are perceived to engage, in misconduct or breaches, including corrupt or bribery practices, leakage of confidential information or unfair competition, or if we, our employees or business partners are involved in negative publicity or allegations, our operations and reputation could be adversely affected, and we could be exposed to regulatory investigations, costs and liabilities.
- We recorded significant amount of intangible assets and our operating results may vary significantly due to the impairment of such assets.

See "Risk Factors."

SEC FCPA INVESTIGATION & SETTLEMENT

In August 2010, the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") commenced an investigation (the "Investigation") into SciClone US's potential violations of the Foreign Corrupt Practices Act ("FCPA") in conducting business in China. In February 2016, SciClone US settled with the SEC pursuant to a cease-and-desist order (the "Order") published by the SEC, resolving the Investigation. Around the same time, the DOJ confirmed that it declined to pursue further action. After SciClone US had paid the requisite amount and fulfilled its undertakings under the Order, in June 2018, the SEC's enforcement action was officially closed. After the case closure, we have continued to strengthen our internal control measures to ensure compliance with relevant laws and regulations. See "Business — Legal and Compliance — Legal Proceedings — SEC FCPA Investigation and Settlement."

OUR SINGLE LARGEST SHAREHOLDER

GL Capital Group is our single largest Shareholder. As of the Latest Practicable Date, GL Capital Group was interested in approximately 34.72% of the total issued share capital of our Company and was the single largest Shareholder of our Company. Following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised), GL Capital Group will be interested in approximately 28.78% of the total issued share capital of our Company and will remain as our single largest Shareholder. Our Company will not have any controlling shareholder after the completion of the Global Offering. See "Relationship with Our Single Largest Shareholder."

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 115,984,500 Offer Shares are issued pursuant to the Global Offering; (ii) the Over-allotment Option is not exercised; and (iii) 677,874,263 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$17.20	**Based on an Offer Price of HK$18.80**
	(HK$)	
Market Capitalization of our Shares	11,659.4 million	12,744.0 million
Unaudited pro forma adjusted net tangible assets per Share as of September 30, 2020	2.08	2.34

The unaudited pro forma adjusted net tangible assets per Share attributed to our Shareholders will decrease after our dividend payment in 2021. For further details and the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributed to our Shareholders, see "Appendix II — Unaudited Pro Forma Financial Information."

LISTING EXPENSES

Assuming an Offer Price of HK$18.00 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB114.3 million, accounting for approximately 6.6% of the estimated gross proceeds. We incurred RMB23.4 million of listing expenses during the Track Record Period. We expect to charge approximately RMB13.1 million of the estimated listing expenses to profit or loss during 2020 and to capitalize approximately RMB77.8 million following the Listing.

USE OF PROCEEDS

Assuming an Offer Price of HK$18.00 per Share (being the mid-point of the Offer Price range stated in this prospectus) and assuming that the Over-allotment Option is not exercised, we intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 30.0% of net proceeds, or approximately HK$585.1 million, for investment in potential acquisition of drug targets in China or in other global markets and funding the in-licensing of new drug candidates;
- approximately 28.0% of net proceeds, or approximately HK$546.1 million, to repay existing debt, including our loan facility of USD300.0 million with China Minsheng Banking Corp., Ltd. Hong Kong Branch, with a maturity date of November 4, 2024, and interest rate of LIBOR plus 2.3 per annum;
- approximately 26.0% of net proceeds, or approximately HK$507.1 million, to fund the development and commercialization of our clinical-stage product candidates, including funding the planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of RRx-001, Naxitamab, Omburtamab, PEN-866, PT-112, ABTL-0812 and others;
- approximately 10.0% of net proceeds, or approximately HK$195.0 million, to invest in our recruitment and expand our sales and marketing network and commercial and development infrastructure, including expansion of our sales force in preparation for new product launches and retail channel collaborations, and investment in establishment of CDCs for research and development of Zadaxin's vaccine adjuvant indication; and
- approximately 6.0% of net proceeds, or approximately HK$117.0 million, to fund ongoing clinical studies for additional clinical adoptions of our marketed product portfolio.

See "Future Plans and Use of Proceeds."

RECENT DEVELOPMENT

Selected Financials for the Three Months Ended December 31, 2020

Our revenue, gross profit and net profit for the fourth quarter of 2020 were lower by approximately 20.8%, 20.6% and 45.8% compared to our revenue, gross profit and net profit for the third quarter of 2020, respectively, primarily due to (i) a significant increase in our sales of Zadaxin in the first half of 2020 for the prevention and clinical treatment of COVID-19 in China, which accounted for a majority of our annual sales target, and the corresponding adjustment of sales plan in the fourth quarter of 2020, as well as a drop in demand for Zadaxin for the treatment of COVID-19 in the second half of 2020 which resulted in our revenue from Zadaxin in the second half of 2020 being substantially lower as compared to that in the first half of 2020, (ii) cancellation of Zadaxin shipments to China in December 2020 due to the lockdown of logistics warehouses at Shanghai Pudong International Airport for COVID-19 prevention, the sales of which would have otherwise generated RMB52.5 million in revenue, resulting in our delay in delivery which also affected our fulfillment of orders to Sinopharm, and (iii) increases in sales and marketing expenses and research and development expenses as delayed marketing and promotion activities and research and development activities in 2020 due to the impact of COVID-19 in the first half of 2020 were held in the fourth quarter of 2020 due to our gradual recovery from the COVID-19 impact to catch up on the slowdown in the first three quarters. These factors were all one-off events and we do not expect them to be recurring in the future. We expect to see growth in our revenue in 2021. We also expect our revenue from the sales of our in-licensed products, Angiomax and Zometa, will gradually increase in 2021 due to our commercialization efforts, and we expect our revenue from the sales of Zadaxin in 2021 will continue to account for a substantial part of our total revenue.

Our revenue in the three months ended December 31, 2020 decreased compared to our revenue in the three months ended December 31, 2019, primarily due to (i) a significant increase in our sales of Zadaxin in the first half of 2020 for the prevention and clinical treatment of COVID-19 in China, which accounted for a majority of our annual sales target, and the corresponding adjustment of sales in the fourth quarter of 2020, (ii) our inventory management initiatives to limit our year-end inventories in order to minimize the risk of inventory accumulation, (iii) cancellation of Zadaxin shipments to China in December 2020 due to the lockdown of logistics warehouses at Shanghai Pudong International Airport for COVID-19 prevention, resulting in our delay in delivery which also affected our fulfillment of orders, and (iv) the discontinued sales of DC Bead in April 2020. Our gross profit decrease during the same period was in line with our revenue decrease, and our gross profit margin remained relatively stable. We were not aware of any material adverse change in the demand for Zadaxin up to the date of this prospectus.

Our net profit in the three months ended December 31, 2020 decreased compared to our net profit in the three months ended December 31, 2019, primarily due to (i) decreases in revenue and gross profit, (ii) a significant increase in Listing expenses in connection with the Global Offering, and (iii) increases in sales and marketing expenses and research and development expenses as delayed marketing and promotion activities and research and development activities in 2020 due to the impact of COVID-19 in the first half of 2020 were held or resumed in the fourth quarter of 2020 resulting from our gradual recovery from the COVID-19 impact.

License Agreement with Y-mAbs for the in-licensing of Naxitamab and Omburtamab

On December 17, 2020, we entered into a License Agreement with Y-mAbs Therapeutics, Inc. ("Y-mAbs") for the in-licensing of two pipeline candidates, Naxitamab and Omburtamab. See "Business — Product Development — Products under Development — Products under Development — Late Stage — Naxitamab" and "Business — Product Development — Products under Development — Products under Development — Late Stage — Omburtamab."

NMPA approval for Oravig

In January 2021, we obtained the approval for the commercialization of Oravig in China from the NMPA. See "Business — Product Development — Products under Development — Products under Development — Late Stage — Oravig."

Passing of the consistency evaluation by Jitai (基泰), a generic thymalfasin competitor to Zadaxin

In December 2020, Jitai (基泰), the generic thymalfasin drug manufactured by ShuangCheng Pharmaceuticals passed the consistency evaluation for quality and efficacy. According to Frost & Sullivan, Jitai is the first generic thymalfasin drug that has passed the consistency evaluation. See "Industry Overview — The Thymic Hormones Market — Competitive Landscape." Generic drugs that have passed the consistency evaluation can enjoy certain market privileges. For example, generic drugs that have passed the consistency evaluation are allowed to participate in the volume-based procurement. Up to the date of this prospectus, thymalfasin was not included in the volume-based procurement; however, if thymalfasin is included in the volume-based procurement in the future, though we could either participate or decline to participate in the bidding for Zadaxin, Jitai may choose to participate in the bidding and may be included in the volume-based procurement, resulting in its price decline. Therefore, passing of the consistency evaluation by Jitai may subject us to increased competition, may create greater pressure on the market share and price level of Zadaxin, and consequently, may adversely affect our operations, revenue and profitability. See "Risk Factors — We rely on the sales of a limited number of proprietary product and promotion products for business partners, especially in Mainland China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in government regulations, our operations, revenue and profitability could be adversely affected."

Clinical progress update of SGX-942

In December 2020, SGX-942, one of our potential drug candidates, failed to achieve its Phase III clinical endpoint. It is considered as a subsequent adjusting event and full impairment to related intangible assets in the amount of RMB21.0 million had been provided as of September 30, 2020. The impairment losses were recognized as administrative expenses in the consolidated statements of comprehensive income for the nine months ended September 30, 2020. We will closely monitor the

subgroup analysis of the Phase III clinical data of SGX-942, and continue to develop its other potential clinical adoptions. See "Financial Information — Recent Development" and "Risk Factors — Development of new pharmaceutical products can be time-consuming and costly with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. If we fail to develop and commercialize new pharmaceutical products, our operations, revenue and profitability could be adversely affected."

Angiomax's status in the volume-based procurement

Bivalirudin, the compound for our product Angiomax, was listed in the catalog for the fourth batch of volume-based procurement on December 25, 2020. We participated in the fourth batch of volume-based procurement for bivalirudin with Angiomax in February 2021, but Angiomax did not win the bid. The bid was won by three generic bivalirudin drugs, produced by Qilu Pharmaceutical Co.,Ltd., Hainan Poly Pharm. Co.,Ltd., and Hainan Shuangcheng Pharmaceuticals Co.,Ltd., respectively. See "Financial Information — Recent Development — Angiomax's status in the volume-based procurement." We believe that our overall business, results of operations and financial conditions will not be materially affected by the exclusion of Angiomax from the volume-based procurement.

Declaration of Dividend

On February 5, 2021, our Board approved our plan to declare a dividend of approximately USD120.0 million from our consolidated retained earnings as of December 31, 2020 to our existing Shareholders. We intend to pay such dividend with our own cash before the Listing.

Outbreak of COVID-19

Up to the date of this prospectus, our business, results of operations and financial conditions had not been materially affected by the outbreak of COVID-19. The outbreak of COVID-19 had had limited impacts on our product sales and promotion activities, production and logistics, supply of raw materials and promotion products, product development, and operations. In addition, we believe that the COVID-19 outbreak had not had any material impact on the implementation of our future plans and execution of our strategies. We made various business contingency plans to maintain our profitability and ensure our normal operations during the COVID-19 outbreak. See "Business — Internal Control and Risk Management — Risk Management in Response to the COVID-19 Outbreak."

Our revenue increased by 22.7% from RMB1,290.8 million in the nine months ended September 30, 2019 to RMB1,584.2 million in the nine months ended September 30, 2020, primarily due to the increase in revenue from sales of our proprietary product Zadaxin and promotion products for business partners. Revenue from sales of Zadaxin increased by RMB291.2 million, or 28.1%, from RMB1,035.1 million in the nine months ended September 30, 2019 to RMB1,326.3 million in the nine months ended September 30, 2020, due to an increase in demand and usage of Zadaxin in

the first half of 2020, primarily for the prevention and clinical treatment of COVID-19 in China, as thymalfasin, including Zadaxin as well as its generic drug competitors, had been listed for the treatment of severe and critical cases of COVID-19 according to the treatment guideline issued by NHC and National Administration of Traditional Chinese Medicine on February 14, 2020. Such significant increase was a one-off event, and the demand for Zadaxin for the treatment of COVID-19 decreased significantly in the second half of 2020 and may experience a further drop in the future. Such increase was partially offset by the decreased number of hospital visits and operations by patients, since the outbreak of COVID-19 led many hospitals in China to allocate significant resources to contain COVID-19, and patients suffering from other diseases generally avoided going to hospitals in order to prevent being infected. Revenue from sales of promotion products for business partners increased by RMB28.3 million, or 12.7% from RMB222.6 million in the nine months ended September 30, 2019 to RMB250.9 million in the nine months ended September 30, 2020, primarily due to increases in sales revenue from Methotrexate 50mg and Methotrexate 1g products. The sales and promotion activities of our promotion products for business partners had also been adversely affected by the outbreak of COVID-19, leading to a lower year-on-year revenue growth for such products compared with the growth rates recorded in 2019 and 2018. Up to the date of this prospectus, our promotion, sales and distribution arrangements, production activities, product development process and procurement process had substantially resumed to normal.

Our gross profit increased by 24.1% from RMB998.0 million in the nine months ended September 30, 2019 to RMB1,238.1 million in the nine months ended September 30, 2020 which was in line with our revenue growth. Our gross margin increased from 77.3% in the nine months ended September 30, 2019 to 78.2% in the nine months ended September 30, 2020, primarily due to an increase in sales of Zadaxin during the period which has higher profit margin compared to other products.

We had also been actively observing our social responsibility during the COVID-19 outbreak. See "Business — Environmental Matters, Social Responsibility and Governance."

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change that may impact our financial or trading position or prospects since September 30, 2020, being the end date of the periods reported on in the Accountant's Report in Appendix I of this prospectus, except as otherwise disclosed in this prospectus, and there has been no event since September 30, 2020 that would materially affect the information as set out in the Accountant's Report in Appendix I of this prospectus.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors estimate, on the bases as set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, that our estimated consolidated profit attributable to owners of

our Company and unaudited pro forma estimated earnings per Share for the year ended December 31, 2020 as follows:

Estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020	Not less than RMB740 million (approximately HK$888 million)
Unaudited pro forma estimated earnings per Share for the year ended December 31, 2020	Not less than RMB1.09 (approximately HK$1.31)

The profit estimate, for which our Directors are solely responsible for, has been prepared by them based on the audited consolidated results of our Group for the nine months ended September 30, 2020 as set out in the Accountant's Report in Appendix I to this prospectus and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2020.

The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020 by 677,874,263 Shares that had been assumed to be in issue throughout the year ended December 31, 2020. The calculation of the unaudited pro forma estimated earnings per Share does not take into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, the exercise of the outstanding options granted under the Option Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for the issue and allotment of Shares as described in the section headed "Share Capital" in this prospectus.

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

"**Accountant's Report**"	the report of our Company's reporting accountant, PricewaterhouseCoopers, dated February 19, 2021, the text of which is set out in Appendix I of this prospectus
"**Ability**"	Ability Pharmaceuticals, SL or any of its affiliates
"**affiliate**"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"**Application Form(s)**"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Application Form(s) or, where the context so requires, any of them
"**Articles**" or "**Articles of Association**"	the articles of association of our Company, conditionally adopted on January 22, 2021 and effective on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"**Audit Committee**"	the audit committee of our Board
"**Baxter**"	Baxter Healthcare Trading (Shanghai) Co., Ltd. or any of its affiliates
"**BioAlliance**"	BioAlliance Pharma SA or any of its affiliates
"**Board**" or "**Board of Directors**"	the board of Directors
"**business day**"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"**BVI**"	the British Virgin Islands
"**CAGR**"	compound annual growth rate
"**Cayman Companies Act**" or "**Companies Act**"	the Companies Act (As Revised) of the Cayman Islands, Cap. 22 (Law 3 of 1961), as amended or supplemented or otherwise modified from time to time
"**CCASS**"	the Central Clearing and Settlement System established and operated by HKSCC

"**CCASS Clearing Participant**"	a person admitted to participate in CCASS as a direct participant or a general clearing participant
"**CCASS Custodian Participant**"	a person admitted to participate in CCASS as a custodian participant
"**CCASS Investor Participant**"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"**CCASS Participant**"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"**China**", "**Mainland China**" or "**the PRC**"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau Special Administrative Region and Taiwan
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Company**" or "**our Company**"	SciClone Pharmaceuticals (Holdings) Limited, an exempted company incorporated in the Cayman Islands with limited liability on May 13, 2020
"**Corporate Reorganization**"	the corporate reorganization undergone by our Group in preparation for the Listing as described in the section headed "History, Reorganization and Corporate Structure — Corporate Reorganization" in this prospectus
"**Cumberland**"	Cumberland Pharmaceuticals Inc. or any of its affiliates
"**CSRC**"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"**Director(s)**"	the director(s) of our Company
"**EIT Law**"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得税法》), which came into effect on January 1, 2008 and was last revised on December 29, 2018
"**EpicentRx**"	EpicentRx Inc. or any of its affiliates

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong;
"**Frost & Sullivan**"	Frost & Sullivan International Limited, an Independent Third Party and a market research firm engaged by the Company to prepare an industry report, the details of which are set out in the section headed "Industry Overview" in this document
"**Frost & Sullivan Report**"	an industry report dated February 8, 2021 commissioned by us and issued by Frost & Sullivan, a private independent research firm, containing an analysis of the pharmaceutical market in the PRC and other relevant economic data, as referred to in the section headed "Industry Overview" in this prospectus
"GL Capital Group"	our single largest Shareholder, which is not a legal entity, but a group of companies comprising GL Capital Management GP Limited, GL Capital Management GP L.P., GL China Opportunities Fund L.P., GL Glee Investment Limited, GL Capital Management Ltd, GL Capital Management GP II B.C. I Ltd, GL Trade Investment LP and GL Partners Capital Management Ltd, details of which are set forth in the section headed "Substantial Shareholder" in this prospectus
"**Global Offering**"	the Hong Kong Public Offering and the International Offering
"**GREEN Application Form(s)**"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider designated by our Company
"**Group**", "**our Group**", "**we**" or "**us**"	our Company and our subsidiaries and, in respect of the period before the Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form Service Provider**"	the **HK eIPO White Form** service provider designated by our Company, as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"**HK$**" or "**Hong Kong dollar(s)**" or "**cent**"	Hong Kong dollars, the lawful currency of Hong Kong
"**HKFRS**"	the Hong Kong Financial Reporting Standards
"**HKSCC**"	Hong Kong Securities Clearing Company Limited

"**HKSCC Nominees**"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"**Hong Kong**" or "**HK**"	the Hong Kong Special Administrative Region of the PRC
"**Hong Kong Offer Shares**"	the 11,599,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation, as described in the section headed "The Structure of the Global Offering"
"**Hong Kong Public Offering**"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
"**Hong Kong Share Registrar**"	Tricor Investor Services Limited
"**Hong Kong Stock Exchange" or "Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Hong Kong Takeovers Code**" or "**Takeovers Codes**"	the Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"**Hong Kong Underwriters**"	the underwriters of the Hong Kong Public Offering listed in the section headed "Underwriting — Hong Kong Underwriters" in this prospectus
"**Hong Kong Underwriting Agreement**"	the underwriting agreement dated February 18, 2021 relating to the Hong Kong Public Offering and entered into by our Company, the Joint Representatives, the Joint Sponsors and the Hong Kong Underwriters, as further described in section headed "Underwriting" in this prospectus
"Huizheng"	Huizheng (Shanghai) Pharmaceuticals Technology Co., Ltd or any of its affiliates
"**Independent Third Party(ies)**"	any entity or person who, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"Industry Consultant"	Frost & Sullivan International Limited
"**International Offer Shares**"	the 104,385,500 Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option, subject to reallocation, as described in the section headed "The Structure of the Global Offering"

"**International Offering**"	the offer of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act
"**International Underwriters**"	the underwriters of the International Offering
"**International Underwriting Agreement**"	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, our Company, the Joint Representatives and the International Underwriters on or about February 24, 2021
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**
"**Joint Bookrunners**"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, Nomura International (Hong Kong) Limited, BOCI Asia Limited, ABCI Capital Limited and Zhongtai International Securities Limited
"**Joint Global Coordinators**"	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, Nomura International (Hong Kong) Limited, BOCI Asia Limited and ABCI Capital Limited
"**Joint Lead Managers**"	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering only), Morgan Stanley & Co. International plc (in relation to the International Offering only), China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, Nomura International (Hong Kong) Limited, BOCI Asia Limited, ABCI Securities Company Limited and Zhongtai International Securities Limited
Joint Representatives	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and Nomura International (Hong Kong) Limited
"**Joint Sponsors**"	Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and Credit Suisse (Hong Kong) Limited

"**Latest Practicable Date**"	February 9, 2021, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"**Listing**"	the listing of the Shares on the Main Board of the Hong Kong Stock Exchange
"**Listing Date**"	the date, expected to be on or about March 3, 2021, on which our Shares are listed on the Hong Kong Stock Exchange and from which dealings in our Shares are permitted to commence on the Hong Kong Stock Exchange
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"**Lonza**"	Lonza Sales Ltd or any of its affiliates
"**M&A Rules**"	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)
"**Main Board**"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"**Memorandum**" or "**Memorandum of Association**"	the memorandum of association of our Company, conditionally adopted by our Shareholders on January 22, 2021 to take effect on the Listing Date, a summary of which is set out in Appendix IV to this prospectus
"**MOF**"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"**MOFCOM**"	the Ministry of Commerce of the PRC (中華人民共和國商務部) or its predecessor, the Ministry of Foreign Trade and Economic Cooperation of the PRC (中華人民共和國對外貿易經濟合作部)
"**Negative List**"	the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (《外商投資准入特別管理措施(負面清單)(2020年版)》)
"**NASDAQ**"	the NASDAQ Stock Market in the United States
"**NDRC**"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

"**NHC**"	National Health Commission (國家衛生健康委員會) of the PRC, formerly known as the National Health and Family Planning Commission (國家衛生和計劃生育委員會) ("**NHFPC**") of the PRC; references to NHC include NHFPC
"**NMPA**"	National Medical Products Administration (國家藥品監督管理局) of the PRC, formerly known as China's Food and Drug Administration ("CFDA") (國家食品藥品監督管理總局) or State Food and Drug Administration ("SFDA") (國家食品藥品監督管理局) or China's Drug Administration ("CDA") (國家藥品監督管理局); references to NMPA include CFDA, SFDA and CDA
"**NovaMed**"	NovaMed Pharmaceuticals (Shanghai) Co., Ltd. or any of its affiliates
"**Novartis**"	Novartis AG or any of its affiliates
"**Offer Price**"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%)
"**Offer Shares**"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by us pursuant to the exercise of the Over-allotment Option
"**Option Incentive Plan**"	the option incentive plan approved and adopted by our Company on June 24, 2018, as amended from time to time, for the benefit of any director and employee of the Company or any of our subsidiaries; a summary of the principal terms is set forth in the section headed "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V to this prospectus
"**Over-allotment Option**"	the option expected to be granted by us to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters), pursuant to which we may be required to allot and issue up to an aggregate of 17,397,500 Shares at the Offer Price to cover over-allocations in the International Offering, if any
"**Patheon Italia**"	Patheon Italia S.p.A. or any of its affiliates
"**Pfizer**"	Pfizer International Trading (Shanghai) Co., Ltd. or any of its affiliates
"**Phosplatin**"	Phosplatin Therapeutics LLC or any of its affiliates

"**PolyPeptide**"	PolyPeptide Laboratories, Inc. or any of its affiliates
"**Post-IPO Option Plan**"	the post-IPO share option scheme adopted by Shareholders' resolution on January 22, 2021, to provide selected participants with the opportunity to acquire proprietary interests in our Company; a summary of principal terms is set forth in the section headed "Statutory and General Information — D. Share Plans — 2. Post-IPO Option Plan" in Appendix V to this prospectus
"**Post-IPO RSU Plan**"	the post-IPO Restricted Share Unit Plan adopted by Shareholders' resolution on January 22, 2021, to enable the directors, officers, and other key contributors and employees of our Group to share the success of our Company; a summary of principal terms is set forth in the section headed "Statutory and General Information — D. Share Plans — 3. Post-IPO RSU Plan" in Appendix V to this prospectus
"**PRC government**" or "**State**"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"**PRC Legal Advisor**"	Tian Yuan Law Firm, the PRC legal advisor to our Company
"**Price Determination Date**"	the date, expected to be on or about February 24, 2021, on which the Offer Price will be determined and, in any event, not later than February 25, 2021
"**Province" or "province**"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the PRC Government
"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**Remuneration Committee**"	the remuneration committee of our Board
"**RMB**"	Renminbi, the lawful currency of the PRC
"RSU Holding Entity"	SCLN ESOP Management Limited, a limited company incorporated in the British Virgin Islands and wholly owned by Maples Trustee Services (Cayman) Limited, holding our Shares pursuant to the Post-IPO RSU Plan on trust for and on behalf of grantees under the Post-IPO RSU Plan which will be determined after the Listing

"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"**SciClone US**"	SciClone Pharmaceuticals LLC (formerly known as SciClone Pharmaceuticals, Inc.), a company incorporated in the State of California of the United States on May 4, 1990 and reincorporated in the State of Delaware of the United States on June 26, 2003, and our previous listing entity on NASDAQ. Upon completion of the Corporate Reorganization, SciClone US is no longer part of the Group
"SciClone Jiangsu"	SciClone Pharmaceuticals (Jiangsu) Co., Ltd.
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"**Share Plans**"	the Option Incentive Plan, Post-IPO Option Plan and Post-IPO RSU Plan
"**Share(s)**"	ordinary share(s) in the capital of our Company with nominal value of US$0.00005 each
"**Shareholder(s)**"	holder(s) of our Shares
"Shuangcheng Pharmaceuticals"	Hainan Shuangcheng Pharmaceuticals Co., Ltd. or any of its affiliates
"**Sinopharm**"	Sinopharm Group (Holding) Co. Ltd. or any of its affiliates
"SPIL"	SciClone Pharmaceuticals International Ltd., an exempted company incorporated in the Cayman Islands with limited liability on November 16, 1992 and our Subsidiary
"**Stabilizing Manager**"	China International Capital Corporation Hong Kong Securities Limited
"**State Council**"	the PRC State Council (中華人民共和國國務院)
"**Stock Borrowing Agreement**"	the stock borrowing agreement expected to be entered into between GL Trade Investment L.P. and the Stabilizing Manager (or its agents) on or around the Price Determination Date

"**Tarveda**"	Tarveda Therapeutics, Inc. or any of its affiliates
"**Theravance**"	Theravance Biopharma Antibiotics, Inc. or any of its affiliates
"**Track Record Period**"	the three financial years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020
"**Underwriters**"	the Hong Kong Underwriters and the International Underwriters
"**Underwriting Agreements**"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"**US$**"	U.S. dollars, the lawful currency of the United States of America
"**U.S.**" or "**United States**"	the United States of America
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"**WHITE Application Form(s)**"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's/applicants' own name
"**Y-mab**"	Y-mAbs Therapeutics, Inc., a commercial-stage biopharmaceutical company focused on the development and commercialization of novel, antibody-based therapeutic products for the treatment of cancer
"**YELLOW Application Form(s)**"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person", "connected transaction", "controlling shareholder", "subsidiary" and "substantial shareholder", and their respective plural form, shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"active pharmaceutical ingredient" or "API"	the substance in a pharmaceutical drug that is biologically active
"acute-on-chronic liver failure" or "ACLF"	a syndrome in patients with chronic liver disease with or without previously diagnosed cirrhosis characterized by acute hepatic decompensation resulting in liver failure
"adjuvant"	a pharmacological or immunological agent that helps and enhances the pharmacological effect of a drug or increases the ability of an antigen to stimulate the immune system
"antibiotic"	a substance, such as penicillin or streptomycin, produced by or derived from certain fungi, bacteria and other microorganisms, or produced by chemical processes that can destroy or inhibit the growth of other microorganisms; widely used in the prevention and treatment of infectious diseases
"anti-coagulant"	a chemical substance that prevent or reduce coagulation of blood, prolonging the clotting time
"Akt" or "protein kinase"	a serine/threonine-specific protein kinase that plays a key role in multiple cellular processes such as glucose metabolism, apoptosis, cell proliferation, transcription, and cell migration
"BLA" or "biologics license application"	an application in the United States for permission to introduce a biologic product into U.S. inter-state commerce
"best-in-class"	the drug with the best clinical advantage within a drug class
"cancer"	cancer is not just one disease, but a large group of almost 100 diseases. Its two main characteristics are uncontrolled growth of the cells in the human body and the ability of these cells to migrate from the original site and spread to distant sites
"cardiovascular"	pertaining to the heart and blood vessels
"CD47-SIRP Alfa pathway"	a signaling pathway that aids in tumor evasion of the immune system by delivering an antiphagocytic signal to macrophages that inhibits destruction of cancer cells overexpressing CD47
"clinical adoption"	scenarios or diseases where a drug can be applied. In the biopharmaceutical industry, a drug can be prescribed based on its clinical adoptions, which include both its indication covered by the drug label, and its inclusion under treatment

	guidelines. The prescription of drugs based on clinical adoptions is supported by regulated framework such as *Medical Institution Pharmacy Affairs Management Regulation* (《醫療機構藥事管理規定》) and *Medical Institution Prescription Audit Standard* (《醫療機構處方審核規範》) which state that clinical treatment guidelines, standards and clinical pathways can be used as the basis for drug prescription and prescription audits in medical institutions. Local NHC and the traditional Chinese medicine administrative departments at or above county level are in charge of the supervision and management of the clinical adoption of drugs in medical institutions.
"cGMP"	Cyclic guanosine monophosphate is a cyclic nucleotide which acts as a second messenger for activation of intracellular protein kinases in response to the binding of membrane-impermeable peptide hormones to the external cell surface
"chemotherapy"	the therapeutic use of chemical agents to treat cancers
"cholangiocarcinoma"	a type of cancer that forms in the bile ducts
"class II hospitals"	the regional hospitals designated as class II hospitals by the NHC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"**class III hospitals**"	the largest and best regional hospitals in China designated as class III hospitals by the NHC hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives
"**clinical trial**"	a research study for finding or validating the therapeutica effects and side-effects of test drugs to determine the safety and efficacy of such drugs
"**CMO**"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"co-exclusive license"	a license with arrangement in which the licensor grants to the licensee rights similar to those contained in an exclusive license, but reserves certain other rights, for example, the option to exercise, or grant to a limited group of third parties, the rights to manufacture the products in the territory but solely for use or sales outside the territory, or rights for the licensor to use for non-commercial purposes

"**compounds**"	a substance consisting of two or more elements in union
"**COVID-19**"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"**CRO**"	Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets
"**cross-linking**"	a bond that links one polymer chain to another
"**detoxify**"	to remove harmful substances from the body
"**dihydrofolate reductase**" or "**DHFR**"	an enzyme that catalyzes the conversion of dihydrofolate to the active tetrahydrofolate
"**DNA alkylator**"	a molecule that alkylates DNA which can have pharmaceutical effect
"**DNA synthesis reducer**"	a substance that reduces enzymes required for DNA synthesis
"**DTP pharmacies**"	direct-to-patient pharmacies, which refer to pharmacies that directly provide valuable professional services to patients. When patients receive doctor prescriptions from the hospitals, DTP pharmacies deliver the drugs to the patients based on their prescriptions at the time and location of patients' choices
"**FDA**"	U.S. Food and Drug Administration
"**first-in-class**"	a drug that uses a new and unique mechanism of action for treating a medical condition
"**gastric cancer**"	a disease in which malignant cells form in the lining of the stomach
"**generic drug**"	a drug that is no longer under patent protection, which may be produced by any manufacturer which follows good manufacturing protocols
"**gonadotropin inhibitor**"	a substance that blocks or reduces gonadotrophic hormones
"**GMP**"	Good Manufacturing Practice, guidelines and regulations issued from time to time pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) as part of quality assurance which ensures that pharmaceutical products

	subject to these guidelines and regulations are consistently produced and controlled in conformity to the quality and standards appropriate for their intended use
"**Go-to-Patient**" or "**GTP**"	a business model to enhance communication among doctors and patients and to address patients' access to drugs through pharmacies
"**HABP**" or "**hospital-acquired bacterial pneumonia**"	a pneumonia not incubating at the time of hospital admission and occurring 48 hours or more after admission in patients not receiving invasive mechanical ventilation during hospitalization
"**heparin**"	a highly sulfated glycosaminoglycan, which is widely used as an injectable anticoagulant and has the highest negative charge density of any known biological molecule
"**hepatitis B**"	an infectious disease affecting the liver, caused by the hepatitis B virus (HBV) and differs from hepatitis C in symptoms, prevalence, and prognosis
"**hepatitis C**"	an infectious disease affecting primarily the liver, caused by the hepatitis C virus (HCV) and differs from hepatitis B in symptoms, prevalence, and prognosis
"**hormone resistant advanced prostate cancer**"	a phase when prostate cancer has spread to parts of the body other than the prostate, and it is able to grow and spread even though drugs or other treatments to lower the amount of male sex hormones are being used to manage the cancer
"**HSP90**"	Heat shock protein 90, a chaperone protein that assists other proteins to fold properly, stabilizes proteins against heat stress, and aids in protein degradation
"**hypercalcemia**"	an elevated calcium level in the blood, often indicative of other diseases
"**ICU**"	the intensive care unit
"**immunology**"	a branch of biomedical science that deals with the response of an organism to antigenic challenge and its recognition of what is self and what is not
"**immunomodulator**"	treatment that enhances or suppresses the immune function of the body to treat diseases resulted from abnormal immune function, which can be applied for the treatment of various diseases

"**IDL**"	Import Drug License
"**IND**"	investigational new drug or investigational new drug application, also known as clinical trial application in China
"**Internet Hospital Model**"	a business model referring to a service platform based on hospital entity, focusing on online follow-up consultations and routine consultations, integrating consultation, prescription, payment and drug distribution
"**indication**"	a valid reason to use a certain test, medication, procedure or surgery
"**infectious disease**"	a disease caused by pathogenic microorganisms, such as bacteria, viruses, parasites or fungi; the diseases can be spread, directly or indirectly, from one person to another
"**inhibitor**"	a chemical or substance added or applied to another substance to slow down a reaction or to prevent an unwanted chemical change
"**injectables**"	a form in which medicines may be delivered via injection into the human body in a sterile liquid form
"**injection**"	sterile solution injection, emulsion injection or suspension injection which can be applied by way of intramuscular injection, intravenous injection or intravenous drip
"**KOLs**"	acronym for Key Opinion Leaders who are doctors that influence their peers' medical practice, including but not limited to prescribing behavior
"**lanosterol 14 α — demethylase inhibitor**"	a cytochrome P-450-dependent enzyme that converts lanosterol to ergosterol
"**leukemia**"	cancer that starts in blood-forming tissue, such as the bone marrow, and causes large numbers of abnormal blood cells to be produced and enter the bloodstream
"**lifecycle management**"	a process of managing the entire lifecycle of a product from inception, through engineering design and manufacture, to service and disposal of manufactured products
"**lung cancer**"	cancer that forms in tissues of the lung, usually in the cells lining air passages
"**lymphoma**"	any neoplastic disorder of lymphoid tissue

"**metastasis**"	the spread of cancer from one part of the body to another
"**mini-conjugate**"	a drug built with three modules: a targeting ligand, a linker and a drug payload
"**MAH**"	Marketing Authorization Holder, the company or the drug research and development institution which has obtained a drug registration certificate. The Marketing Authorization Holder is responsible for managing the whole manufacturing and marketing process and the whole lifecycle of drugs and assumes the full legal liability for non-clinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring, under the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorization Holder System (《關於推進藥品上市許可持有人制度試點工作有關事項的通知》) promulgated by the NMPA on August 15, 2017, and the Drug Administration Law (《藥品管理法》) which was revised in August 2019 and became effective on December 1, 2019
"**MNC(s)**"	multi-national company(ies)
"**MRCT**" or "**Multi-Regional Clinical Trials**"	clinical trials that are carried out in multiple institutions in different regions
"**mTOR**" or "**mammalian target of rapamycin**"	a kinase that in humans is encoded by the MTOR gene
"**Myc inhibitor**"	an inhibitor of a family of regulator genes and proto-oncogenes that code for transcription factors
"**NDA**"	New Drug Application
"**non-small cell lung cancer**" or "**NSCLC**"	any carcinoma (as an adenocarcinoma or squamous cell carcinoma) of the lungs that is not a small-cell lung cancer
"**NEDL**"	China's National Essential Drug List, which was issued on August 18, 2009 by the Ministry of Health and eight other ministries and commissions in the PRC pursuant to the issuance of the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法》), as amended on February 13, 2015, and the Guidelines on the Implementation of the National List of Essential Drugs System (《關於建立國家基本藥物制度的實施意見》). The current version of NEDL is promulgated by the NHC and National Administration of Traditional Chinese Medicine pursuant to the Notice on the Issuance of National Essential Drug List (2018 Version) (關於印發《國家基本藥物目錄(2018年版)》的通知) on September 30, 2018 which became effective on November 1, 2018.

"**NRDL**"	China's National Reimbursement Drug List, also known as the Drug Catalogue for the National Medical Insurance (《國家基本醫療保險藥品目錄》) issued in 2000, the Drug Catalogue for the National Medical Insurance and Work-related Injury Insurance (《國家基本醫療保險和工傷保險藥品目錄》) issued in 2004 and the Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (《國家基本醫療保險、工傷保險和生育保險藥品目錄》) published in 2009, which was amended from time to time. The latest effective version of NRDL was jointly published by National Healthcare Security Administration (國家醫療保障局) and Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in 2019 and came into force on January 1, 2020, and an adjusted version of NRDL will take effect on March 1, 2021 and simultaneously replace the current effective version of NRDL according to the Notice of Issuance of Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2020) (《關於印發<國家基本醫療保險、工傷保險和生育保險藥品目錄(2020年)>的通知》) issued on December 25, 2020
"**nuclear estrogen receptors**"	a group of receptors that are activated by the hormone estrogen and belong to the nuclear receptor family of intracellular receptors
"**oncology**"	the branch of medicine dealing with the physical, chemical, and biological properties of tumors, including study of their development, diagnosis, treatment, and prevention
"**oral mucositis**"	inflammation of oral mucosa resulting from chemotherapeutic agents or ionising and any inflammatory condition of oral tissue, including mucosa, dentition/periapices, and periodontium
"**oropharyngeal candidiasis**"	an opportunistic mucosal infection caused, in most cases, by the fungus *Candida albicans*
"**organosulfur**"	organic compounds that contain sulfur
"**osteoclast-mediated bone resorption**"	the process by which osteoclasts break down the tissue in bones and release the minerals, resulting in a transfer of calcium from bone tissue to the blood
"**PD-1**"	Programmed cell death protein 1, a cell surface receptor that belongs to the immunoglobulin superfamily and is expressed on T cells and pro-B cells
"**PD-L1**"	programmed death-ligand 1

"**percutaneous coronary intervention**" or "**PCI**"	a non-surgical procedure that uses a catheter to place a small structure called a stent to open up blood vessels in the heart that have been narrowed by plaque build-up, a condition known as atherosclerosis
"**percutaneous transluminal coronary angioplasty**"	a minimally invasive procedure to open up blocked coronary arteries, allowing blood to circulate unobstructed to the heart muscle
"**peptides**"	short polymers of amino acid monomers linked by peptide bonds. They are distinguished from proteins on the basis of size, typically containing less than 50 monomer units. The shortest peptides are dipeptides, consisting of two amino acids joined by a single peptide bond. There are also tripeptides, tetrapeptides, etc
"**Phase I clinical trials**"	Phase I clinical trials aim to test the safety of a new medicine
"**Phase II clinical trials**"	Phase II clinical trials test the new medicine on a larger group of people who are ill, to get a better idea of whether it works and how well it works in the short-term
"**Phase III clinical trials**"	Phase III clinical trials are for medicines that have already passed Phases I and II which test medicines in larger groups of people who are ill, and compare a new medicine against an existing treatment or a placebo to see if it works better in practice and if it has important side effects
"**pivotal clinical trials**"	clinical trials seeking to demonstrate the efficacy of a new drug candidate in order to obtain its marketing approval by regulatory authorities
"**pneumonia**"	an infection of one or more lungs which is usually caused by bacteria, viruses or fungi
"**pre-clinical**"	a stage preceding a clinical stage
"**primary healthcare providers**"	a group of institutions consisted of community health service centers and stations, township hospitals and village clinics
"**prostate cancer**"	a cancer of the prostate gland, a part of the male reproductive system
"**proteins**"	large biological molecules or macromolecules, consisting of one or more long chains of amino acid residues

"**RCT**" or "**randomized controlled trials**"	a type of scientific experiment that aims to reduce certain sources of bias when testing the effectiveness of new treatments
"**RWS**" or "**real-world studies**"	prospective observational studies designed to collect data on real-world patients. It can also retrospectively draw on existing patient registries, insurance databases, and electronic medical records
"**sales revenue**"	sales revenue with respect to a product or therapeutic area refers to actual sales based on wholesale prices to all healthcare institutions and pharmacies
"**severe infection**"	a severe disorder that is caused by organisms such as bacteria, viruses and fungi that can be passed directly or indirectly from one person to another
"**small cell lung cancer**"	a disease in which malignant cells form in the tissues of the lung
"**SN38**"	7-ethyl-10-hydroxycamptothecin, a biological active metabolite of irinotecan hydrochloride, causing inhibition of DNA topoisomerase I
"**solid tumor**"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer)
"**SOP**"	standard operational practice, a procedure specific to companies' operation which is necessary to complete tasks in accordance with industry regulations, provincial laws or internal standards
"**synthetic peptide innate defence regulator**"	a synthetic immunomodulatory version of natural host defense peptides
"**Tα1**" or "**thymosin alpha 1**"	a 28-amino acid peptide produced by thymic epithelial cells located in the outer cortex and medulla of the thymus
"**tablets**"	a medicinal formulation made of a compressed powdered substance containing an active drug and excipients
"**thymalfasin**"	a thymic hormone polypeptide found in thymosin fraction 5 (a crude thymus gland extract) but now produced by synthesis
"**tumors**"	an abnormal growth of tissue resulting from uncontrolled, progressive multiplication of cells

"**urotoxicity**"	of or relating to the toxicity or the toxic constituents of urine
"**VABP**" or "**ventilator-associated bacterial pneumonia**"	pneumonia occurring more than 48 hours after endotracheal intubation or tracheotomy to receive mechanical ventilation
"**zoledronic acid**"	a type of drug known as a bisphosphonate

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" "vision", "aspire", "target", "schedules" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments; and
- our dividend policy.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

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

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully 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.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on the sales of a limited number of proprietary product and promotion products for business partners, especially in Mainland China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in government regulations, our operations, revenue and profitability could be adversely affected.

Our revenue is highly dependent on the sales of our proprietary product Zadaxin and certain promotion products for business partners, including Farlutal, Methotrexate, Estracyt, Holoxan, Mesna and Endoxan. Revenue from such sources accounted for 96.4%, 97.8%, 97.4%, 97.4% and 99.5% of our total revenue in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Zadaxin, our top product in terms of revenue contribution, accounted for 91.7%, 83.0%, 79.0%, 80.2% and 83.7% of our total revenue in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

We generated a substantial majority of our revenue from Zadaxin in Mainland China in recent years and we expect that such concentration will continue in the foreseeable future. We cannot assure you that we will successfully increase our sales in the overseas markets. As a result, we may be particularly susceptible to factors affecting our sales volume, pricing level or profitability of Zadaxin in Mainland China, including removal or exclusion from provincial or other government-sponsored medical insurance programs, unfavorable legal, regulatory or policy changes such as the implementation and expansion of the National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products) (《國家重點監控合理用藥藥品目錄（化藥及生物製品）》) jointly issued by the NHC and National Administration of Traditional Chinese Medicine (國家中醫藥管理局), which currently includes the thymic hormone drug Thymopentin, and potential inclusion or exclusion of Zadaxin on such list, fluctuation in prices, concerns over adjuvant therapies, and our efforts in expanding the clinical adoptions of Zadaxin. In particular, Zadaxin was approved in China in 1996 as the first branded thymalfasin drug in the market. Given their finite duration, certain patents we used to hold for Zadaxin's indication (such as chronic hepatitis B) had already expired as of the Latest Practicable Date. As a result, we face competition from manufacturers of generic thymalfasin and other thymic hormone drugs in Mainland China. See "Industry Overview — The Thymic Hormones Market — Competitive Landscape." As of the Latest Practicable Date, one generic drug to Zadaxin (Jitai (基泰), the generic thymalfasin drug manufactured by ShuangCheng Pharmaceuticals) had passed the consistency evaluation for quality and efficacy, and four generic drugs to Zadaxin were awaiting consistency evaluation results. Generic drugs that have passed the consistency evaluation may enjoy certain market privileges. For example, generic drugs that have passed the consistency evaluation are allowed to participate in the volume-based procurement. As of

the Latest Practicable Date, thymalfasin was not included in the volume-based procurement; however, if thymalfasin is included in the volume-based procurement in the future, though we could either participate or decline to participate in the bidding for Zadaxin, Jitai may choose to participate in the bidding and may be included in the volume-based procurement, resulting in its price decline. Therefore, passing of the consistency evaluation by any generic drug to Zadaxin, including Jitai, may subject us to increased competition, may create greater pressure on the market share and price level of Zadaxin, and consequently, may adversely affect our operations, revenue and profitability. Although we believe Zadaxin is expected to enjoy market advantage in the near future in China as we continue to diversify our sales through retail pharmacies and reduce our reliance on sales to hospitals, expand Zadaxin's indications and clinical adoptions through lifecycle management, and collaborate with commercial insurance companies to increase Zadaxin's insurance coverage, our operations, revenue and profitability could be adversely affected if our sales of Zadaxin does not meet expectation.

As our revenue is, and we expect will continue to be, concentrated in a limited number of products, we may be particularly susceptible to factors adversely affecting the sales volume, pricing level or profitability of any of the products we generate revenue from. Factors that could adversely affect the sales volume, pricing level and profitability of the products we sell include: exclusion from, or reduced coverage under, the provincial or other government-sponsored medical insurance programs, the impact of government pricing regulations, competition and lack of success in the centralized tender process necessary for sales to PRC public hospitals and other medical institutions, sales of substitute products by competitors, interruptions in the supply of raw materials, increases in the cost of raw materials, issues with product quality or side effects, intellectual property infringements, adverse changes in our sales and distribution network, and unfavorable policy, regulatory or enforcement changes. Many of these factors are outside of our control, and any factor adversely affecting the sales volumes, pricing levels and profit margins of our products could adversely affect our operations, revenue and profitability.

We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors selling competing drugs such as substitute or generic drugs and new innovative drugs, which could subject us to the pressure of price reduction and adversely affect our operations, revenue and profitability.

We operate in a highly competitive environment. Our products primarily compete on the basis of efficacy, price and general market acceptance. Our key competitors are large national and regional manufacturers of pharmaceutical products, including large state-owned pharmaceutical companies. We also compete with multi-national pharmaceutical companies. For our proprietary product Zadaxin, we may face competitions from competing products, such as other approved thymic hormone drugs and alternatives, including Thymopentin and Thymosin. See "Industry Overview — The Thymic Hormones Market."

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

- the patents for our current products, as well as a substantial portion of the product candidates we intend to develop, generally relate to the products' delivery systems,

compositions, preparation methods or production processes, and do not cover the underlying active pharmaceutical ingredients. Therefore, our competitors may formulate substitute products utilizing the same active pharmaceutical ingredients. Also, given the finite duration of patents, certain patents we used to hold for Zadaxin's indication (such as hepatitis B) had already expired as of the Latest Practicable Date, and the five patents of Zadaxin we currently hold in China have expiry dates ranging from 2021 to 2030. We also hold 34 patents of Zadaxin with varying expiry dates in jurisdictions outside China, such as the United States, Italy, the United Kingdom, Japan, Germany and France. See "Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group — (c) Patents." We may face competition from generic or biosimilar medications, and may not be able to develop or market Zadaxin for the relevant indication or clinical adoption exclusively once the patents expire, which could have a material adverse impact on any potential sales of Zadaxin;

- our proprietary product Zadaxin has been sold in the PRC market for more than 20 years, which makes it susceptible to competing drugs such as substitute or generic drugs and new innovative drugs that are more effective clinically or cost-wise as a result of technological developments, changes in treatment protocols and other medical advances that have occurred subsequent to the initial development of our products. See "Business — Competition." We could therefore be subject to the pressure of pricing and volume of Zadaxin against the competing drugs, and any potential sales of Zadaxin, our operations, revenue and profitability could be adversely affected;

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

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

Our products may also face increased competition from substitute products manufactured by overseas pharmaceutical companies that are seeking to access or further penetrate the PRC market. To the extent that our competitors' substitute products are, or are perceived to be, more clinically or cost-effective than ours, or otherwise gain wider market acceptance than any of our pharmaceutical products, this could adversely affect our sales volumes and pricing levels for the relevant products.

In addition, there may also be significant consolidation in the pharmaceutical industry among our competitors, or alliances developed among competitors that may rapidly acquire significant

market share. If we fail to effectively compete with our competitors or adjust to structural changes in the pharmaceutical industry, our revenue and profitability may be materially and adversely affected.

We are dependent upon Sinopharm as the exclusive importer and distributor of Zadaxin; because of China's tiered method of importing and distributing finished pharmaceutical products, our results may vary substantially from one period to the next.

Imported products in China, including Zadaxin and other imported products, are distributed through a tiered method of importing and distributing finished pharmaceutical products. At each port of entry, and prior to moving the product forward to the distributors, government-licensed importing agents must process and evaluate each imported product shipment to determine whether it satisfies China's quality assurance requirements. In order to efficiently manage this process, the importing agents typically place large, and therefore relatively few, orders within an annual period. Therefore, sales to an importing agent can vary substantially from period to period depending on the size and timing of the orders, which has in the past caused, and may in the future cause our revenue to fluctuate. In addition, the price at which Sinopharm procures Zadaxin from us is subject to fluctuation in end-point sales price at which the product will be sold to hospitals or pharmacies, which may cause our revenue to fluctuate. We rely on Sinopharm to import Zadaxin to China and distribute Zadaxin in China. As a result, our receivables from Sinopharm are material, and if we were unable to collect receivables from Sinopharm, our operations, revenue and cash flow would be adversely affected.

Generally, our importers are not obligated to place purchase orders for our product, and if they determined for any reason not to place purchase orders, we would need to seek alternative licensed importers, which could cause fluctuations in our revenue. As a result of our agreement granting certain exclusive importation rights to Sinopharm for Zadaxin, we are dependent upon Sinopharm's performance of its obligations under that agreement. We have a long-standing and, we believe, stable relationship with Sinopharm; however, if Sinopharm were unable to adequately perform its obligations under, or breached the agreement, our operations would be adversely affected.

We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as volume-based procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability.

The products we sell are subject to increasing pricing pressures, particularly in China. Government regulations on pricing and limitations on patient access to the products we sell impact our business, and our future results could be adversely affected by changes in such regulations or policies.

The PRC government is increasing its efforts to reduce overall healthcare costs, including regulating prices on pharmaceutical products by establishing a centralized tender process or centralized procurement mechanism, revising the NRDL or provincial medical insurance drug catalogues and strengthening regulation of medical and pricing practices. Individual provinces in

China and, in some cases, individual hospitals can and have established pricing requirements for a product to be included on formulary lists or imposed price reductions as part of the provincial tender process. In some cases, these price limits may be significantly lower than prices at which our distributors sell Zadaxin and other products we sell, which consequently may reduce sales to certain hospitals and could adversely affect our future sales.

In May 2015, pursuant to the Notice on Issuing the Opinion on Promoting Pharmaceutical Pricing Reform (《關於印發推進藥品價格改革意見的通知》) issued by seven PRC state agencies, including the NDRC and the NMPA, government price controls on most pharmaceutical products were lifted effective as of June 1, 2015. As a result, prices of most pharmaceutical drugs are currently determined mainly by market competition through the centralized tender process at the provincial level, without being subject to price ceilings set by the NDRC. However, there is no assurance that such market-based pricing mechanism will result in higher product pricing compared to government-controlled pricing, as competition from other manufacturers, particularly those offering the same products at more competitive prices may force us to lower prices of the products we sell upon commercialization to the previous government-controlled price levels. In addition, some new methods are used in recent centralized tender process at the provincial level, such as renegotiation of prices between hospitals and distributors or manufacturers after the retail prices are determined by the statutory tender process, which may further increase pricing pressure. See "— If we are unable to win bids to sell our proprietary product or in-licensed products to PRC public medical institutions through the centralized tender process, we will lose market share and our operations, revenue and profitability could be adversely affected." There is no guarantee that the new policies would not create any downward pressure on the prices of our existing and future products.

The changing pricing regulations in China, whether operating at a national, provincial or institutional level, as well as regulation of import of pharmaceutical products, may reduce retail prices of, and our own revenue from, Zadaxin and other products we sell, and we expect that pricing pressure will continue. While the regulatory mechanisms are changing and the ultimate outcome is uncertain, and while we have been able to mitigate the impact of prior price reductions on our overall business, prices could be reduced to levels significantly below those that would prevail in an unregulated market, limit the volume of product which may be imported and sold, or place high import duties on the product, any of which may limit the growth of our revenues or cause them to decline.

On November 15, 2018, the Joint Procurement Office led by the National Healthcare Security Administration published the Papers on Centralized Drug Procurement in "4+7 Cities" (the "**Papers**"), which launched the volume-based procurement of public medical institutions. The Papers list 31 drugs for this pilot scheme together with an intended quantity commitment for each drug. The domestic drug manufacturers and the domestic general agents for imported drugs in China are invited to bid to supply the drugs to public medical institutions in the "4+7 Cities." The move is aimed at reducing drug prices and may potentially impact how drugs are priced and procured in China. On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which provides additional detailed measures in

the implementation of the volume-based procurement in the "4+7 Cities." See "Regulatory Overview — The Volume-based Procurement in '4+7 Cities' and Wider Areas." Furthermore, there are uncertainties with respect to future drug coverage of this national pilot scheme and the scheme may be promoted to provincial levels as well. Although the pilot scheme requires that public medical institutions should give priority to the use of selected products for centralized procurement and ensure that the usage at the agreed procurement quantity is completed within one year, the public medical institutions may reserve up to 30% of its total procurement volume for unselected products, leaving considerable volume share for unselected products. However, there can be no assurance that we may have drugs added to this national pilot scheme in the future to increase our sales volume, while our competing drugs may be added to the scheme if they pass the consistency evaluation, which may in turn result in increased pricing and volume pressures on us.

As of the Latest Practicable Date, none of our marketed products were included in the volume-based procurement for sales to PRC public medical institutions, and other than bivalirudin, none of the corresponding chemical compounds of our products were included in the volume-based procurement bidding catalogue. Only one generic drug to Zadaxin (Jitai (基泰), the generic thymalfasin drug manufactured by ShuangCheng Pharmaceuticals) had passed the consistency evaluation for quality and efficacy, and only innovative drugs, as well as generic drugs that have passed the consistency evaluation, may be included in the volume-based procurement. Currently, the volume-based procurement scheme has limited impact on our operations, revenue and profitability. The bidding for the third round of the volume-based procurement which was completed in August 2020 resulted in significant price decline of the drugs included, in certain cases as much as 80%. With the expansion of the volume-based procurement scheme, including the fourth round of the volume-based procurement, which included bivalirudin, the chemical compound of Angiomax in the bidding catalogue, and as the scheme embodies a PRC regulatory aim to reduce the drug prices and the burden of pharmaceutical costs on patients, if any of our products or their corresponding chemical compounds is included in the volume-based procurement, though we could either participate or decline to participate in the bidding, our competing generic drugs, if such generic drugs pass the consistency evaluation, may choose to participate in the bidding and be included in the volume-based procurement, resulting in significant price decline of the relevant drugs, and we may experience increased pricing pressures and our operations, revenue and profitability could be materially and adversely affected.

In terms of volume, sales of Zadaxin accounted for 20.4% of the thymalfasin market in China in 2019, according to Frost & Sullivan. The following table sets forth a sensitivity analysis illustrating the potential impact of the hypothetical inclusion of thymalfasin in the volume-based procurement on the revenue from our sales of Zadaxin for the year ended December 31, 2019. The sensitivity analysis is only a hypothetical illustration on the average selling price decreases, market share changes and the resulting potential impact on the revenue from the sales of Zadaxin, and therefore by no means represents our actual business strategy and decision in response to the volume-based procurement. We will decline to participate in the volume-based procurement if the participation will result in significant price decrease of Zadaxin.

		Zadaxin's market share in the thymalfasin market in China in terms of volume					
		5%[1]	**10%[1]**	**15%[1]**	**30%[2]**	**40%[2]**	**50%[2]**
		Fluctuations of revenue from our sales of Zadaxin					
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
		Assuming we decline to participate in the volume-based procurement			**Assuming we participate in the volume-based procurement and win the bid**		
Zadaxin's average selling price decrease	**0%[1]**	(945,963)[1]	(638,832)[1]	(331,701)[1]	N/A[4]	N/A[4]	N/A[4]
	30%[2]	N/A[3]	N/A[3]	N/A[3]	36,856[2]	466,839[2]	896,822[2]
	60%[2]	N/A[3]	N/A[3]	N/A[3]	(515,980)[2]	(270,275)[2]	(24,570)[2]
	90%[2]	N/A[3]	N/A[3]	N/A[3]	(1,068,815)[2]	(1,007,389)[2]	(945,963)[2]

Notes:

(1) Based on the assumption that we decline to participate in the volume-based procurement, resulting in Zadaxin's unchanged average selling price and market share loss compared to its actual 20.4% market share of the thymalfasin market in China in 2019 in terms of volume, and corresponding decrease in revenue from the sales of Zadaxin. For instance, if we decline to participate in the volume-based procurement, resulting in Zadaxin's unchanged average selling price and market share drop to 15%, our revenue from the sales of Zadaxin will decrease by RMB331.7 million.

(2) Based on the assumption that we participate in the volume-based procurement and win the bid, resulting in Zadaxin's average selling price decrease and market share gain compared to its actual 20.4% market share of the thymalfasin market in China in 2019 in terms of volume, and corresponding change in revenue from the sales of Zadaxin. For instance, if we participate in the volume-based procurement and win the bid, resulting in Zadaxin's average selling price decrease by 30% and market share increase to 30%, our revenue from the sales of Zadaxin will increase by RMB36.9 million.

(3) Not applicable as under the assumption that we decline to participate in the volume-based procurement, Zadaxin's average selling price will not decrease and will remain unchanged.

(4) Not applicable as under the assumption that we participate in the volume-based procurement and win the bid, Zadaxin's average selling price will decrease and will not remain unchanged.

For the nine months ended September 30, 2020, sales volume through our GTP model, which is outside the traditional public hospital and public medical institution sales channels affected by the volume-based procurement, accounted for more than 50% of our total sales volume of Zadaxin. We will continue to expand our sales through the GTP model and reduce our reliance on the traditional public hospital and public medical institution sales channels to lessen the impact of potential inclusion of thymalfasin in the volume-based procurement.

If the retail prices of the products we sell decline due to government pricing regulations, competition or other factors, there can be no assurance that we will be able to mitigate the adverse effects of such price reductions without incurring substantial expenses to improve the products we

sell, and our operations, revenue and profitability could be materially and adversely affected. See "Financial Information — Description of Major Components of Our Results of Operations" for average selling prices of the products we sell during the Track Record Period.

If we, our employees, distributors or suppliers engage, or are perceived to engage, in misconduct or breaches, including corrupt or bribery practices, leakage of confidential information or unfair competition, or if we, our employees or business partners are involved in negative publicity or allegations, our operations and reputation could be adversely affected, and we could be exposed to regulatory investigations, costs and liabilities.

We are subject to risks in relation to actions taken by us, our employees, distributors or affiliates that may constitute violations of applicable anti-corruption and other related laws. There have been instances of corrupt practices in the pharmaceutical industry in recent years, including, among other things, provision of kickbacks, bribes or other illegal gains or benefits to pharmacies, hospitals and medical practitioners from manufacturers, distributors and pharmacies in connection with the prescription of pharmaceutical products. Any allegations of such behavior against us, our employees, distributors or affiliates or the pharmaceutical industry in general could generate negative publicity and materially and adversely affect our reputation and business prospects. For instance, in August 2010, the U.S. Securities and Exchange Commission ("SEC") and the U.S. Department of Justice ("DOJ") commenced an investigation (the "Investigation") into SciClone US's potential violations of the Foreign Corrupt Practices Act ("FCPA") in conducting business in China. In February 2016, SciClone US settled with the SEC pursuant to a cease-and-desist order (the "Order") published by the SEC, resolving the Investigation. Around the same time, the DOJ confirmed that it declined to pursue further action. See "Business — Legal and Compliance — Legal Proceedings — SEC FCPA Investigation and Settlement."

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

Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Purchase and Sales of Medicines (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》), which was

promulgated by the NHC, 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 PRC 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.

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

Our revenues are dependent on our obtaining or maintaining of regulatory licenses and compliance with country-specific regulations, including renewing our drug import licenses and compliance with the Chinese Pharmacopeia.

Our revenue is dependent on receipt and maintenance of regulatory permits, licenses and approvals and compliance with other country-specific regulations in a timely manner. For example, we have received regulatory approvals to import and market our proprietary product and in-licensed products in China. In order to continue our sales to China, we need to maintain these approvals, known as Import Drug Licenses, which allow for the importation and commercial sale of a pharmaceutical product manufactured outside of China. Our Import Drug Licenses need to be renewed every five years for us to continue our ability to import and sell our proprietary product and in-licensed products into China. Although Import Drug License renewals in the past were obtained successfully, there is no assurance that we will receive renewals in the future when applied for or that the renewals will not be conditioned or limited in ways that limit our ability to import and sell products into China.

Our ability to obtain a renewal of or maintain our regulatory permits, licenses and approvals from the NMPA could be adversely affected due to changes in policies and practices at the NMPA in the review process, including with respect to potential requirements for additional technical information and product specification changes regarding the products we sell.

The NMPA and other regulatory agencies may change their internal administrative rules in ways that may delay or complicate the regulatory approval process. Those changes are not always disclosed or made known to us and we may experience unexpected delays or additional costs as a result of such changes. Any change in our ability to obtain or renew regulatory permits, licenses or approvals could have an adverse effect on our revenue and results of operations.

The products we sell are subject to rigorous regulation in the jurisdictions where they are sold, including the standards established by the Chinese Pharmacopoeia (《中華人民共和國藥典》), or ChP, in China. The ChP is an official compendium of drugs in China and sets the standards of purity, description, test, dosage, precaution, storage, and the strength for each drug in China. If the products we sell fail to meet relevant specifications, including ChP specifications, during routine customs testing as such specifications may be revised from time to time, our Import Drug Licenses, which

allow the importation for commercial sales, may be revoked, which would result in a significant loss of revenue and materially adversely affect our business.

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

The pharmaceutical industry in China is subject to extensive government regulation and supervision as well as monitoring by government authorities. In particular, the current regulatory framework addresses all aspects of a pharmaceutical company's operations, including approval, production, licensing, certification requirements and procedures, periodic renewal and continued inspection and reassessment processes, registration of new drugs, quality control, labelling, pricing and advertising of pharmaceutical products, and environmental protection. Any violation of relevant laws, rules and regulations may constitute a criminal offense under certain circumstances. Certain other laws, rules and regulations may affect the pricing, demand and distribution of the pharmaceutical products we sell, such as those relating to procurement, prescription and dispensing of essential and other drugs by hospitals and other medical institutions, pharmacies, government funding for private healthcare and medical services, and the inclusion of products in the NRDL or provincial medical insurance drug catalogues. In addition, the pharmaceutical distribution, pharmaceutical retail and healthcare services in China are each subject to extensive and changing government regulations and supervision. Any unfavorable regulatory changes in these industries may increase our compliance burden and materially and adversely affect our business, profitability and prospects. In addition, we cannot assure you that the PRC government will adopt policies supporting the pharmaceutical industry in China. For example, since July 2015, the NMPA has introduced a number of measures to deal with the drug applications backlog. On July 22, 2015, the NMPA issued the Notice in relation to the Self-review of Clinical Trials Data of Pharmaceutical Products (《關於開展藥物臨床試驗數據自查核查工作的公告》), which required applicants to self-review the clinical trials data of 1,622 listed drugs with pending applications for manufacturing or importation approval. On July 31, 2015, the NMPA issued the Announcement on Consultation on Policies in relation to Swiftly Resolving Drug Applications Backlog (《關於徵求加快解決藥品註冊申請積壓問題的若干政策意見的公告》), according to which the NMPA planned to apply stringent standards to review and approve current drug applications. In addition, on November 11, 2015, the NMPA issued the Announcement on 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》), which set out ten key points to be applied in the process of reviewing and approving drug applications and clinical trials, with an emphasis on the accuracy of clinical trial data and drug effectiveness. The combination of these policies indicates that pharmaceutical companies need to conduct self-reviews of their drug applications and data to determine if they meet the stringent standards set by the NMPA. Failure to meet NMPA requirements could result in the relevant applicant having to withdraw its drug application and resubmit the relevant drug application only when NMPA requirements are met. The stringent standards in respect of drug applications may delay our applications in relation to our future products or require us to withdraw our applications.

In March 2016, the General Office of the State Council issued the Opinion on Conducting the Consistency Evaluation of the Quality and Efficacy of Generic Drugs (國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見) (the "**March 2016 Opinion**"), which requires pharmaceutical

manufacturers to evaluate the quality and efficacy of certain of their generic drugs within the prescribed time limits. In August 2017, the NMPA issued the Announcement of the China Food and Drug Administration on Relevant Matters Concerning the Consistency Evaluation for Quality and Efficacy of Generic Drugs (國家食品藥品監督管理總局關於仿製藥質量和療效一致性評價工作有關事項的公告), which sets out procedures for the application, approval, inspections and test of the consistency evaluation as required under the March 2016 Opinion. In December 2018, the NMPA issued the Announcement on the Relevant Matters Concerning the Quality and Efficacy Consistency Evaluation of Generic Drugs (《國家藥品監督管理局關於仿製藥質量和療效一致性評價有關事項的公告》) which removed the uniform timelines for the oral solid preparations of chemical generic drugs included in the National Essential Drugs List (2012 Edition) to complete the consistency evaluation. As these are new regulations, there remains significant uncertainty relating to the substantive and procedural requirements of the evaluation process, and the interpretation of such written requirements and procedures. As of the Latest Practicable Date, one generic drug to Zadaxin (Jitai (基泰), the generic thymalfasin drug manufactured by ShuangCheng Pharmaceuticals) had passed the consistency evaluation for quality and efficacy. Passing of the consistency evaluation by any generic drug to Zadaxin may adversely affect our operations, revenue and profitability.

In addition, on November 15, 2018, the Joint Procurement Office led by the National Healthcare Security Administration launched a national pilot scheme for volume-based procurement. See "Regulatory Overview — The Volume-based Procurement in '4+7 Cities' and Wider Areas." The implementation of this procurement scheme may result in increased pricing pressure on us. See "— We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as the volume-based procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability." Legal and regulatory changes in the PRC pharmaceutical industry could result in increased costs and lowered profit margins for distributors of pharmaceutical products. Any legal and regulatory changes could also lead to a decrease in the amount of products purchased by our customers and/or the price of the products we sell. We cannot assure you that we will be able to effectively and promptly respond to legal and regulatory changes in the future at reasonable costs, and such failure may have a material and adverse effect on our operations, revenue and profitability.

While we intend to increase the sales of Zadaxin and other pharmaceutical products through the adoption of the GTP model, there are certain legal and regulatory restrictions with regard to online sales of drugs. As of the Latest Practicable Date, of all the products we sold, only Zadaxin was provided on the GTP platform, which is not subject to such restrictions. However, there can be no assurance that other products we sell will not be subject to these restrictions, and our business prospects could be adversely affected due to the restrictions. See "Regulatory Overview — Laws and Regulations in Relation to Drugs — Distribution of Drugs — Drug Operation Permit."

We rely on certain business partners for sales of promotion products. The termination of any distribution or promotion and sales agreement with our business partners may adversely affect our operations, revenue and profitability.

Sales of promotion products for business partners depends on our relationships with leading multi-national pharmaceutical manufacturers such as Baxter and Pfizer. Products we distribute or

promote for Baxter and Pfizer accounted for 7.0%, 15.0%, 18.4%, 17.2% and 15.8% of our total revenue in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. We typically distribute and promote such products pursuant to distribution or promotion and sales agreements entered into directly between us and our business partners. We typically enter into agreements with our business partners for sales of promotion products for business partners for a prescribed term. See "Business — Products and Services." There can be no assurance that our business partners will continue to sell products to us on commercially reasonable terms or at all. We also cannot assure you that we will be able to establish new business partner relationships, or extend existing relationships with our business partners when our agreements with them expire. Furthermore, certain of our agreements with our business partners may be terminated at will prior to their specified termination dates, our business partners may alter the specifications and/or types of products they sell to us, and our business partners are under no obligation to continue manufacturing the products. If we are unable to maintain our relationships with our key business partners, or any of our distribution or promotion and sales agreements with our key business partners are terminated, our operations, revenue and profitability could be materially and adversely affected.

We rely on certain licensors with respect to our in-licensed products. If we cannot maintain our relationships with such licensors, or if such licensors are involved in intellectual property disputes for our in-licensed products, our ability to renew the exclusive promotion and selling rights of our existing in-licensed products upon expiry, or obtain promotion and selling rights for new products could be adversely affected.

We depend on our relationships with our licensors with respect to our in-licensed products. We cannot assure you that we will be able to maintain our relationships with our licensors or that we will be able to renew our existing licensing agreements when they expire. Our failure to maintain such relationships or obtain such renewals could materially and adversely affect our operations, revenue and profitability.

Furthermore, we or our licensors may be subject to claims that former employees, collaboration partners or other third parties have an interest in our in-licensed patents. 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 or our patent claims may be narrowed, invalidated or held unenforceable. In addition, if our licensors are unsuccessful in any inventorship disputes to which they are subject, we may lose valuable intellectual property rights, such as the exclusive right to use our in-licensed patents. If we or our licensors are unsuccessful in any interference proceedings or other priority or inventorship disputes, 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 materially adversely affect our operations, revenue, profitability and business prospects. Even if we or our licensors are successful in interference proceedings or other similar priority or inventorship disputes, it could result in substantial costs and be a distraction to our management and other employees.

If the products we sell are removed or excluded from provincial or other government-sponsored medical insurance programs, patients in certain income classes may not be able to afford our products and our operations, revenue and profitability could be adversely affected.

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

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

If we are unable to win bids to sell our proprietary product or in-licensed products to PRC public medical institutions through the centralized tender process, we will lose market share and our operations, revenue and profitability could be adversely affected.

The majority of the pharmaceutical products we sell to our distributors are then sold to public hospitals and other public medical institutions in China. Each public medical institution in China must generally procure drugs through a provincial centralized drug purchase platform and make substantially all of its purchases of pharmaceutical products through a centralized tender process. We submit bids in a centralized tender process to supply our products to these institutions at specified prices. Our bids are generally considered on the basis of price relative to substitute products and their clinical effectiveness, as well as the quality of our products and services, among other things. If we are successful in winning bids in a centralized tender process, the relevant products will be sold to the public hospitals and other public medical institutions at the bid prices, which is the primary determinant of the prices at which we sell our products to our distributors. The centralized tender process can create pricing pressure among substitute products or products that are perceived to be substitute products. See "Business — Pricing for Products and Services — Regulatory Regimes Affecting Prices of Pharmaceutical Products."

Our sales volumes and profitability depend on our ability to successfully differentiate our products and price of our bids in a manner that enables us to succeed in the centralized tender process at profitable levels. If we are unable to do so, we will lose the revenue associated with the

sale of the affected pharmaceutical products to the relevant PRC public hospitals and other public medical institutions, which may have a material and adverse impact on our market share and operations. Potential changes in regulations of provincial and municipal tender processes may further increase the public medical institution procurement covered through the tender processes and limit the profits available to pharmaceutical companies, which may further affect our operations, revenue and profitability.

We may fail to win bids in a centralized tender process due to various factors including reduced demand for the relevant product, uncompetitive bidding prices, 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 the products we sell are not selected in the centralized tender process in one or more regions, we will be unable to sell the relevant products to the public hospitals and other public medical institutions in those regions, and our market share, revenue and profitability could be adversely affected.

We may incur unexpected charges relating to our operations.

Certain post-production processes, including transportation, storage, warehousing and usage, may adversely affect the quality of our pharmaceutical products. We generally rely on transport operators for delivery of our products. Delivery disruptions for reasons beyond our control, including weather conditions, political turmoil, social unrest and strikes, could lead to delayed deliveries. The nature of pharmaceutical products may also mean that poor handling or storage by pharmacies, hospitals, patients or transport operators could result in damage to our products, including contamination or degeneration. For example, prolonged exposure to heat or sunlight may damage certain pharmaceutical products. Some of these processes are managed by third parties, over which we have limited control. In particular, once we have sold our products to distributors, we have limited control over how our distributors store and transport our products.

If, as a result of such post-production processes, our pharmaceutical products are deemed or proven to be unsafe, ineffective, defective or contaminated, this may result in product liability or product recalls. Even if a situation does not necessitate a product recall, we cannot assure you that product liability claims will not be asserted against us as a result. Any claims relating to the quality of our pharmaceutical products, regardless of their merit, could adversely affect our reputation, divert the time, resources and attention of our management, and result in material and adverse impact on our operations, revenue and profitability.

Although we have generally experienced minimal product returns and our customers have historically paid all invoiced amounts, we could incur future charges relating to inventory that expires or as a result of customer failures to pay invoiced amounts timely or in full. We may have significant bad debt expenses or write-offs in the future. We could also experience additional charges for potential inventory obsolescence related to other products if we are unable to sell units that are nearing their expiration dates, or for bad debt if other distributors do not pay outstanding receivables in full. Those or similar future events would have an adverse impact upon our operating results.

We rely on limited number of suppliers to manufacture our proprietary product and in-licensed products. If our proprietary product and in-licensed products are not produced to the necessary quality standards, or if our suppliers' production capacities cannot satisfy our demands, our operations, reputation, revenue and profitability could be adversely affected.

We depend on our relationships with our suppliers for a steady supply of our proprietary product and in-licensed products. We typically enter into exclusive supply agreements with our suppliers for a fixed term of five years or more. Most of these agreements renew automatically. However, for various reasons our supply agreements may be terminated pursuant to the terms of the respective agreements or some of their terms may be held unenforceable under applicable laws and regulations.

We cannot assure you that we will be able to maintain our relationships with our suppliers or that we will be able to renew our existing supply agreements when they expire. Our failure to maintain such relationships or obtain such renewals could materially and adversely affect our operations, revenue and profitability.

Our suppliers' products and manufacturing processes are required to meet certain quality standards that we impose. We have established a quality control management system to help prevent quality issues in respect of our products. See "Business — Production and Quality Control — Quality Management" for further details of our quality control management system. Despite our quality control system, we cannot eliminate the risk of errors, defects or failure by our suppliers. We may fail to detect or cure quality defects as a result of a number of factors, many of which are outside our control, including but not limited to:

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

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 revenue and profitability.

In addition, our suppliers' manufacturing process is subject to stringent legal and regulatory requirements. If they fail to comply with the relevant rules and regulations and consequently cannot deliver the products to us on time and in the manner as requested by us, we may not be able to find alternative suppliers in a short period of time, which could adversely affect our operations, reputation, revenue and profitability.

During the Track Record Period, we produced Zadaxin through our CMO partner, Patheon Italia with whom we have worked since 2002 under the Manufacturing and Supply Agreement with

Patheon Italia. We currently rely on Patheon Italia for the supply of Zadaxin. Although we have a long-term and stable business relationship with Patheon Italia, it is not guaranteed that we will be able to maintain our relationship with Patheon Italia or that we will be able to renew the Manufacturing and Supply Agreement with Patheon Italia when it expires. Our failure to maintain such relationship or obtain such renewal or any material disruption to Patheon Italia's operation due to any causes could impact our production, procurement and sales of Zadaxin and our operations, revenue and profitability could be materially and adversely affected.

We have outsourced the production of Zometa under the Supply Agreement dated February 25, 2020 with Novartis, from which we have licensed in Zometa. Novartis will supply us with the products manufactured by Novartis, until we establish our own manufacturing and supply relationship with an international CMO for Zometa. If we are unable to establish such relationship, our sales of Zometa could be impacted and our operations, revenue and profitability could be adversely affected. As of the Latest Practicable Date, we had inventories of Zometa that can last for more than seven months based on our best estimates.

Furthermore, if we plan to increase our production demand in the future, our suppliers' ability to increasing production capacities is subject to a number of risks and uncertainties, including, but not limited to, their 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 their ability to timely recruit sufficient qualified staff to support the increase in production capacity. Consequently, there can be no assurance that our suppliers will be able to increase production capacities in the manner we contemplate, or at all. In the event our suppliers fail to increase production capacities, we may not be able to capture the potential growth in demand for our products, or to successfully commercialize additional products, each of which could adversely affect our results of operations and business prospects.

Development of new pharmaceutical products can be time-consuming and costly with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results. If we fail to develop and commercialize new pharmaceutical products, our operations, revenue and profitability could be adversely affected.

Our long-term competitiveness depends on our ability to enhance our existing products and to develop and commercialize new pharmaceutical products. The development process of pharmaceutical products is time-consuming and costly, and there can be no assurance that our development activities will enable us to successfully develop new pharmaceutical products. Our research and development expenses accounted for 6.8%, 5.5%, 5.1%, 4.6% and 3.1% of our total revenue in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

There is an inherent risk of failure for each of our drug candidates. We cannot predict when or if any of our drug candidates will prove effective and safe for humans or will receive regulatory

approval. Before obtaining regulatory approval from regulatory authorities for the sale of any drug candidate, our drug candidates must complete pre-clinical studies and we must then conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical testing is expensive, difficult to design and implement, and can take many years to complete. The outcomes of pre-clinical development testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. For instance, in December 2020, SGX-942, one of our potential drug candidates, failed to achieve its Phase III clinical endpoint. As a result, we provided full impairment to related intangible assets in the amount of RMB21.0 million. Moreover, pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their drug candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain regulatory approval of their drug candidates. Since relatively few development programs in the pharmaceutical industry produce a commercially viable product, a product candidate that appears promising in the early phases of development may fail to reach the market for a number of reasons. For example:

- regulators or institutional review boards ("**IRBs**"), or ethics committees may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us or them, to conduct additional clinical trials, or we may decide to abandon drug development programs;
- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;
- third-party contractors used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the trial, which may require that we add new clinical trial sites or investigators;
- we may fail to conduct a companion diagnostic test to identify patients who are likely to benefit from our drug candidates;
- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators, suspend or terminate clinical development for various reasons, including non-compliance with regulatory requirements, undesirable side effects or unexpected characteristics, or a finding that participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our drug candidates may be greater than we anticipate;
- the supply or quality of our drug candidates or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate;
- we may fail to obtain approvals for intended indications from relevant regulatory bodies, such as the NMPA, or fail to obtain timely approvals and lose market opportunities;
- we may fail to manufacture and commercialize;
- third parties may hold proprietary rights, such as patent rights related to our product candidate and they may refuse to sell or license such rights to us on reasonable terms or at all, or may include restrictive terms in their license; and
- there may be changes in the applicable regulatory framework, which may make our development process more time-consuming and costly. See "— We are subject to

changing legal and regulatory requirements in the pharmaceutical industry, and new laws, rules and regulations may adversely affect our operations, revenue and profitability or impose additional compliance burdens on us."

New pharmaceutical products must be approved by the NMPA before they can be marketed and sold in China. The NMPA requires successful completion of clinical trials and demonstration of manufacturing capabilities before granting approval, and it often takes several years before a medicine can be ultimately approved by the NMPA. In addition, the NMPA and other regulatory authorities may apply more stringent standards in reviewing the applications. For example, in July 2015, the NMPA introduced certain new measures in connection with reviewing IND and NDA applications, which, among others, required that applicants conduct a self-review of clinical trial data of 1,622 listed drugs with pending applications for manufacturing or importation approval to ensure safety and efficacy, and accuracy of clinical trial data pursuant to the Notice in relation to the Self-review of Clinical Trials Data of Pharmaceutical Products (《關於開展藥物臨床試驗數據自查核查工作的公告》). Complying with existing or potential new standards may be time-consuming and expensive and could result in delays or preclude us from obtaining NMPA approval for our product candidates.

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

The market opportunities for our drug candidates may be smaller than we anticipate, which could render some drug candidates less profitable than expected even if commercialized, and we may 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.

We estimate the incidence and prevalence of target patient populations for particular diseases based on 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 which candidates to focus our limited resources on in pre-clinical 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 these diseases, 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 operations, revenue and profitability.

Because we have limited financial and managerial resources, we must limit our licensing and development programs to specific drug candidates that we identify for specific indications. As a result, we may forgo 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.

If we fail to attain market acceptance for our proprietary product, in-licensed products or promotion products for business partners among the medical community in China, including existing or future products, our operations, revenue and profitability could be adversely affected.

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

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

In addition, market acceptance of a product is also affected by whether it is included in the national and provincial medical insurance drug catalogues. See "— If the products we sell are removed or excluded from provincial or other government-sponsored medical insurance programs, patients in certain income classes may not be able to afford our products and our operations, revenue and profitability could be adversely affected." above.

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

We may experience prolonged delay or significant disruption to the supply of promotion products for business partners, or an increase in the purchase prices of such products, which may adversely affect our operations, revenue and profitability.

We depend on leading multi-national pharmaceutical manufacturers such as Baxter and Pfizer to supply key promotion products for business partners currently in our product portfolio. We may

experience unexpected interruption in the supply of such products for a number of reasons, such as changes to regulatory requirements, imposition of import restrictions, loss of or failure to renew certifications or licenses, interruptions to or breakdowns in the manufacturing operations of our suppliers, disruptions in logistics or delivery of products to us, natural disasters (including but not limited to flooding, typhoons, earthquakes, blizzards and snow storms), acts of terror or other third-party interference.

In addition, our suppliers may adjust the prices of promotion products for business partners when they renew their supply agreements with us or otherwise in accordance with the terms of the supply agreements, resulting in an increase in our costs. Because of market factors or pricing regulations established by the PRC government, we may be unable to entirely offset increased costs by increasing the prices of our products. Any disruption to the supply of promotion products for business partners, or any increase in the purchase prices of such products, could have a material adverse effect on our operations, revenue and profitability.

Our sales are concentrated in China and we face risks relating to operating in China, including risks due to changes in the regulatory environment, slow payment cycles and exposure to fluctuations in the Chinese economy.

A significant portion of our revenue and profit is derived from operations in China. Consequently, our overall financial results are dependent on this market, and our business is exposed to risks there. A downturn in the Chinese economy could materially and adversely affect our revenues and results of operations. In addition to the risks relating to pricing previously discussed above, these risks also include changes in economic conditions (including wage and cost inflation, currency exchange rates, consumer spending and employment levels), tax rates, laws, changes in the regulatory environment, increased competition and potential noncompliance with local laws and regulations. For instance, we are required to make minimum amounts of social insurance and housing provident funds contributions for the benefit of our employees in the manner as requested under PRC laws and regulations, and non-compliance of such requirements may subject us to penalties by the relevant authorities. Furthermore, we have leased properties in China primarily for use as offices and the backup warehouse, and non-compliance with the relevant PRC laws and regulations, such as failure to make the administrative filings of the lease agreements, could subject us to fines and require us to cease occupation and use of the leased properties. Risks also include changing pharmaceutical product preferences and preferred sales channels, as well as our ability to accommodate such changing preferences. Certain risks and uncertainties of doing business in China are solely within the control of the PRC government. Also, any significant or prolonged deterioration in China's relations with the United States and other countries could adversely affect our China business, as we purchase raw materials from overseas partners and produce our products through collaboration with our overseas partners. There are also uncertainties regarding the interpretation and application of laws and regulations and the enforceability of intellectual property and contract rights in China. There can be no assurance as to the future effect of any such risks and uncertainties on our results of operations, revenue or cash flows.

We experience other issues with managing sales operations in China including long payment cycles, potential difficulties in timely accounts receivable collection and, especially from significant

customers, fluctuations in the timing and amount of orders, and the adverse effect of any of these issues on our business could be increased due to the concentration of our business with a small number of distributors. Problems with collections from, or sales to, any one of those distributors could materially adversely affect our results.

Our future results could be adversely affected by changes in laws and regulations, including, among others, changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law and regulatory interpretations), competition laws, privacy laws and environmental laws in China and other countries.

Compliance with changing regulations concerning corporate governance and public disclosure has resulted in and may continue to result in additional expenses. Changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for companies such as ours, and costs are increasing as a result of this uncertainty and other factors. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, we intend to invest all reasonably necessary resources to comply with evolving standards, and this investment has resulted, and may continue to result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

We are exposed to concentration risk of reliance on sales through a limited number of distributors. If we are unable to maintain business relationships with our distributors, our operations, revenue and profitability could be adversely affected.

We sell most of the products through distributors. We rely on sales through distributors for our sales and as a result, our operations, revenue and profitability depend on, among other things, the continuous contribution of sales revenue through distributors and our continuous relationship with them. Our reliance on the limited number of distributors for sales revenue will have significant impact on our operations and revenue if any uncontrollable adverse event happens on these distributors. There is no assurance that they will continue the distribution arrangement with us, whether on similar terms as the existing arrangements or at all, and the termination or unfavorable change in the terms of such arrangements may significantly affect our operations and revenue.

We cannot assure you that our distributors will at all time strictly adhere to the terms and conditions under our distribution arrangements. Any wrongdoing of the distributors or their employees, such as corruption or deliberate contamination of or tampering with our products may harm our operations or give rise to product liability claims or customer complaints against us. If any of our distributors fails to distribute our products in a timely or effective manner or in accordance with the terms of our sales and distribution agreements, or at all, or if our sales and distribution agreements are suspended, terminated or otherwise expired without renewal, our operations, revenue and profitability could be materially and adversely affected.

The distributors may not be able to market and sell our products successfully or maintain their competitiveness as a result of various factors. If the sales volumes of our products are not

maintained at a satisfactory level, our distributors may not place orders for new products with us, or they may reduce orders or ask for discount on purchase price. The loss of our distributors, reduced orders from them or reduce in sales price, could adversely affect our sales volume and revenue.

If we fail to successfully maintain our relationships with the distributors or our distributors fail to operate successfully, our ability to effectively sell our products could be adversely affected. Accordingly, our corporate and product image may be adversely affected, possibly resulting in decline in sales.

Our operations, revenue and profitability may be adversely affected by the "two invoice system" if we lose the exclusivity on the promotion products we sell for business partners.

As one of the measures of the PRC healthcare system reform, the State Council together with seven other central government departments (including the NHC and the NMPA) jointly issued the Notice of Publishing Opinions on Implementing Two-invoice System in Drug Procurement Among Public Medical Institutions (For Trial Implementation) (《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見（試行）的通知》) on December 26, 2016. See "Regulatory Overview — Distribution of Drugs — Two-invoice System."

The "two-invoice system" refers to the system under which the value added invoices are allowed to be issued twice aggregately in the process of the distribution, where one value added invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other value added invoice to be issued from pharmaceutical distributors to medical institutions. The domestic general agent within the territory of the PRC for overseas drugs can be deemed as a pharmaceutical manufacturer under the "two-invoice system", provided that only one such general agent is permitted within the territory of the PRC.

For the promotion products we sell for business partners, we import and distribute through SciClone Jiangsu. If we lose the exclusivity on the promotion products we sell for business partners, SciClone Jiangsu may no longer be deemed as a pharmaceutical manufacturer for such promotion products under the "two-invoice system", and we may have to adjust our sales model accordingly as SciClone Jiangsu, being a pharmaceutical distributor, will only be able to issue one invoice to the public hospitals or medical institutions, which could adversely affect our operations, revenue and profitability.

If counterfeit versions of our proprietary product, in-licensed products or promotion products for business partners become available in the market, our operations, reputation and the brand names for the relevant products could be adversely affected, and we may be exposed to liability claims.

Certain products distributed or sold in the pharmaceutical markets in the PRC and overseas may be manufactured without proper licenses or approvals or fraudulently mislabeled with respect to their content or manufacturer. These products are generally referred to as counterfeit pharmaceutical

products. The counterfeit pharmaceutical product control and enforcement system, particularly in developing markets such as the PRC, may be inadequate to discourage or eliminate the manufacturing and sale of counterfeit pharmaceutical products, including those imitating the products we sell. Consequently, certain pharmaceutical products sold in the PRC and other markets may be counterfeit products.

Since counterfeit pharmaceutical products are generally sold at lower prices than authentic pharmaceutical products, and are in some cases very similar in appearance to authentic pharmaceutical products, counterfeit products imitating our own pharmaceutical products can quickly erode our sales volume of the relevant product. Moreover, counterfeit products may or may not have the same chemical composition as our products, which may make them less effective than our products, entirely ineffective or more likely to cause severe adverse side effects. This could expose us to negative publicity, reputational damage, fines and other administrative penalties, and may even result in litigation against us.

As a result of these factors, the continued proliferation of counterfeit pharmaceutical products in the market could affect our sales, damage our reputation and the brand names for the relevant products and expose us to liability claims. We have in the past become aware of some limited instances of counterfeit version of some of our products. Although these instances have not had a material adverse effect on our business and operations, there can be no assurances that instances of counterfeit version of our products in the future will not have a material adverse effect on us or we will be able to prevent future occurrences in the PRC.

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

We cannot predict the safety profile of the use of our proprietary product, in-licensed products or promotion products for business partners, particularly when used in combination with other drugs.

While the products we sell have good safety profiles, we cannot predict whether any product we sell may have unexpected safety issues in new patient populations or when used in new indications. For instance, the same drug could have different effects on patients with different physical conditions or on other medications, and the corresponding reactions could be unpredictable. In addition, we cannot predict how the products we sell or other drugs we may develop or market will work with other drugs, including causing possible adverse side effects not directly attributable to the other drugs that could compromise the safety profile of the products we sell or other drugs we may develop or market when used in certain combination therapies. We are exploring new indications for the products we sell and there is a risk that new safety issues could appear in these new patient populations.

As we introduce new products, there may be adverse safety events related to those products. Adverse safety events may have a negative impact on our business. Discovery of safety issues with our products could create product liability and could cause additional regulatory scrutiny and requirements for additional labeling, withdrawal of products from the market, and the imposition of fines or criminal penalties. Adverse safety events may also damage confidence in our products and our reputation. Any of these could result in liabilities, loss of revenue, material write-offs of inventory, material impairments of goodwill and fixed assets, material restructuring charges and other adverse impacts on our operations.

Regulatory authorities are making greater amounts of stand-alone safety information directly available to the public through periodic safety update reports, patient registries and other reporting requirements. The reporting of adverse safety events involving our products or products similar to ours and public rumors about such events may increase claims against us and may also cause our product sales to decline or experience periods of volatility.

If third-party reimbursement is not available or patients cannot otherwise pay for our proprietary product, in-licensed products or promotion products for business partners, we may not be able to successfully market them.

Significant uncertainty exists as to the reimbursement status of therapeutic products, such as the products we sell or other drugs we may develop. We cannot assure you that third-party insurance coverage and reimbursement will be available for therapeutic products we might develop. Although certain reimbursement is available in China for the products we sell, we cannot assure you that we will be able to maintain existing reimbursements or increase third-party payments for the products we sell or obtain third-party payments for other products that we sell or develop in China. The failure to maintain third-party reimbursement for our products would harm our business.

Recent efforts by governmental and third-party payers to contain or reduce health care costs and the announcement of legislative proposals and reforms to implement government controls has caused us to reduce the prices at which we market our products in China, and additional reforms, if they were to occur, could cause us to further reduce our prices which could reduce our gross margins and may harm our business.

We rely on third parties for development, commercialization and other aspects of our business, and the inability of any of these parties to reliably, timely or cost-effectively provide us with their obligated services could materially harm the timing of bringing our products to market and accordingly adversely affect our business.

We rely on third parties, such as collaboration partners, medical institutions, clinical investigators, and contract laboratories, in the development of our product candidates and in the conduct of clinical trials for our product candidates. We are also dependent upon third parties for the commercialization or distribution of products or product candidates, including our distributor for Angiomax in China and our distributors for Zadaxin in South Korea. If these parties, whom we do not control, do not successfully carry out their contractual duties or regulatory obligations or meet

expected deadlines, or if our collaboration partners do not have the ability or the resources to successfully complete their objectives, or choose not to continue their relationship with us, our development efforts could be delayed, suspended or terminated, or our commercialization efforts may be delayed, impaired or terminated. If the quality or accuracy of the data they obtain through third parties is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our pre-clinical or clinical activities could be delayed and we may not be able to obtain regulatory approval for our product candidates.

If our thymalfasin API or Zadaxin products are not shipped and stored at precise temperatures, the products could become damaged, which could negatively affect our sales and operating results.

Thymalfasin API and Zadaxin are temperature-sensitive products. We rely on third-party organizations to provide temperature-controlled shipping logistics services from the point of ownership transfer from the API contract manufacturer to the point where thymalfasin API is converted to Zadaxin drug product, and from the Zadaxin drug product manufacturing site to China. Although some temperature fluctuations are allowable and thymalfasin and Zadaxin are relatively stable when exposed to temperatures higher than recommended, if any third-party logistics or equipment provider fails to perform its required oversight duties with respect to temperature control or a shipment is delayed in transit for a prolonged period of time, the thymalfasin API or Zadaxin drug product could become unsuitable for subsequent processing or commercial use. Although we have not experienced cold chain interruptions in the past and our distributor in China may maintain several months' supply of our product, were our cold chain distribution or warehouse capability to be interrupted, our ability to timely deliver finished product to China could be adversely affected, which in turn could materially adversely affect our sales and operations.

We may pursue collaborations, in-licensing arrangements, joint ventures, strategic alliances, partnerships or other investments or arrangements. If such arrangements fail to achieve our set goals or produce anticipated benefits, our operations, revenue and profitability could be adversely affected.

We continually pursue opportunities for collaboration, in-licensing, joint ventures, acquisitions of products, assets or technologies, strategic alliances, or partnerships that we believe would be complementary to or promote our existing business. Proposing, negotiating and implementing these opportunities 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 be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

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

Furthermore, 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 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 actions, consents, approvals, waivers, participation or involvement in various degrees by 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, consents, approvals, waivers, participation or involvement on a timely basis, on acceptable terms, or at all.

We may not be able to successfully license-in new drug candidates.

We seek to license-in promising drugs or drug candidates to expand our existing portfolio. 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 drugs or drug candidates that we target, we cannot assure you that the products will be successfully commercialized.

Even after we successfully license-in drug candidates, we cannot assure you that our licensors will not breach the relevant license agreements, whether inadvertently or otherwise. Alternatively, our licensors 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 candidates we licensed-in.

If we are unable to conduct effective promotion or maintain a qualified sales force, the sales volume of our proprietary product, in-licensed products and promotion products for business partners and our operations, revenue, profitability 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 volumes and business prospects could be adversely affected.

In particular, our sales and marketing efforts consist of raising awareness and knowledge of our products and product candidates among medical professionals, hospitals and other medical institutions throughout China. Therefore, our sales and marketing force must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the relevant therapeutic areas and products, as well as sufficient promotion and communication

skills. If we are unable to effectively train our in-house sales representatives and evaluate their academic marketing performance, our sales and marketing may be less successful than desired. See "Business — Sales, Marketing and Distribution."

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

If we fail to maintain, expand and optimize an effective distribution network for our proprietary product, in-licensed products and promotion products for business partners or encounter problems with our distributors, our operations, revenue and profitability could be adversely affected.

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

We typically enter into agreements with our distributors for a prescribed term. See "Business — Sales, Marketing and Distribution." Our distributors might elect not to renew their agreements with us or otherwise terminate their business relationships with us for reasons including in the event that PRC pricing regulations or other factors limit the margins our distributors can obtain through the resale of our pharmaceutical products to pharmacies, hospitals and other medical institutions. Our strategies contemplate expansion of our sales and distribution network by increasing our presence in county-level and community hospitals. We may not be able to establish relationships on commercially acceptable terms with new distributors to cover these areas. In the event that a significant number of our distributors terminate their relationships 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. Additionally, in the event that a significant number of our distributors cease or reduce their purchases of our products or fail to meet the terms of our distribution agreements, our operations, revenue and profitability may be materially and adversely affected. See "Business — Sales, Marketing and Distribution — Distribution in China."

If we or parties on whom we rely fail to maintain the necessary licenses for the development, production, promotion, sales and distribution of our proprietary product, in-licensed products or promotion products for business partners, our ability to conduct our business could be materially impaired and our operations, revenue and profitability could be adversely affected.

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

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

If we fail to maintain optimal inventory levels, our operating costs could be increased and our customer orders may be unfulfilled, and our operations, revenue, profitability and business prospects could be adversely affected.

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

accurately. See "Business — Production and Quality Control — Quality Management — Inventory Management."

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

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

Our business depends on our key senior management members, key development personnel and key marketing and sales personnel. If we are unable to retain our key employees, or are unable to attract and retain skilled and experienced personnel, our ability to conduct our business could be materially impaired and our business prospects could be adversely affected.

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

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

We generally grant our distributors credit terms of 45 to 90 days. As of September 30, 2020, we had trade receivables of RMB410.1 million. If our distributors' cash flow, working capital, financial

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

If our proprietary product, in-licensed products or promotion products for business partners cause, or are perceived to cause, severe side effects, our operations, revenue, profitability and business prospects could be adversely affected.

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

In addition, our products may be perceived to cause severe side effects if other pharmaceutical companies' products containing the same or similar active pharmaceutical ingredients, raw materials or delivery technologies as our products cause or are perceived to have caused severe side effects, or if one or more regulators, such as the NMPA or other regulatory agencies, determines that products containing the same or similar pharmaceutical ingredients as our products could cause or lead to severe side effects.

We may be subject to product liability lawsuits, and our insurance may be inadequate to cover damages.

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

If a product liability claim is brought against us, it may, regardless of merit or outcome, strain our financial resources and consume the time and attention of our management, which might incur substantial costs and lead to diversion of resources. It may also result in damage to our reputation, product recalls and loss of our revenue and capabilities 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 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. Our product liability insurance to cover damages that may arise from product liability claims may be inadequate. 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. During the Track Record Period and as of the Latest Practicable Date, there had been no product liability claim brought by third parties against us.

PRC laws and regulations currently do not require us to maintain liability insurance to cover product liability claims. We currently maintain insurance for bodily injury and property damage arising out of the products we sell, adverse effects in clinical trials, and shipment of our cargos, and such insurance may not fully cover our potential liabilities. We currently do not intend to purchase insurance covering other aspects of risks. Our inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of products that we develop.

If we are unable to adequately protect our intellectual property, or if the scope of our intellectual property fails to sufficiently protect our proprietary rights, other pharmaceutical companies could compete against us more directly, and our operations, revenue and profitability could be adversely affected.

Our commercial success depends in part on our ability to protect our existing intellectual property and to obtain additional patents or other intellectual property, in particular to protect our products from direct substitute products. See "Business — Our Products and Services" and Appendix V to this prospectus for further details of our material intellectual property including patents and copyrights.

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

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

impact on the sales volumes and pricing levels for such products and our ability to successfully commercialize such product candidates.

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

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

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

We may be subject to intellectual property infringement claims, which could expose us to substantial liability, adversely affect our reputation and limit our development or other business activities and/or our ability to commercialize our drug candidates.

Our success depends significantly on our ability to develop, manufacture, market and sell our drug candidates and use our proprietary technologies without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The pharmaceutical industry is characterized by extensive litigation regarding patents and other intellectual property rights. In the PRC, invention patent applications are generally maintained in confidence until their publication 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and invention patent applications are filed. Even after reasonable investigation, we may not know with certainty whether any third-party may have filed a patent application without our knowledge while we are still developing or producing that product. We may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our technology and any drug candidates we may develop.

Third parties may assert infringement claims against us based on patents or other proprietary rights that we currently hold or may be granted in the future, regardless of their merit. We may receive in the future notices that claim our technologies or certain other aspects of our business have infringed, misappropriated or misused other parties' intellectual property rights. Whether or not third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. A court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, which could materially and adversely affect our ability to commercialize any drug candidates we may develop and any other drug candidates or technologies covered by the asserted third-party patents.

If we are found to infringe on a third party's intellectual properties, and we are unsuccessful in demonstrating that such patents are invalid or unenforceable, we could be required to:

- obtain royalty-bearing licenses from such third party to such patents, which may not be available on commercially reasonable terms, or at all and even if we were able to obtain such licenses, they could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and could require us to make substantial licensing and royalty payments;
- defend litigation or administrative proceedings;
- reformulate our product(s) so that it does not infringe the intellectual property rights of others, which may not be possible or could be costly and time consuming;
- cease developing, manufacturing and commercializing the infringing technology or drug candidates; and
- pay such third party significant monetary damages, if we are found to have willfully infringed a patent or other intellectual property right.

Some of our competitors are larger than we are and have substantially greater resources. They are, therefore, likely to be able to sustain the costs of complex intellectual property litigation longer than we could. In addition, the uncertainties associated with litigation could have a material adverse effect on our ability to raise the funds necessary to conduct our clinical trials, continue our internal development programs, in-license needed technology, or enter into strategic partnerships that would help us bring our drug candidates to market.

Claims that we have misappropriated the confidential information or trade secrets of third parties could have a material adverse effect on our business, financial condition, results of operations, and prospects. Even if we are successful in litigation or administrative proceedings, such litigation and proceedings may be costly and could result in a substantial diversion of management resources. Any of the foregoing may have a material adverse effect on our business, prospects, financial condition and results of operations. During the Track Record Period and as of the Latest Practicable Date, there had been no intellectual property related claims brought by third parties against us.

If we or our brand names fail to maintain a positive reputation, our operations, revenue and profitability could be adversely affected.

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

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

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

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

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

In addition, despite our internal guidelines and supervision efforts, our employees or distributors may fail to follow such guidelines, which may adversely affect our sales and reputation. For example, our employees or distributors may fail to provide accurate and complete information about our products, as a result of which hospitals, medical institutions, doctors and patients may misunderstand or misuse our products. During the Track Record Period and as of the Latest Practicable Date, there had been no such incident to the best of our knowledge. Such misunderstanding or misuse could result in our products being less effective, or cause severe adverse effects that could otherwise be avoided. As a result, the sales volume and reputation of our products could be adversely affected and we could be exposed to product liability lawsuits or regulatory investigations, resulting in penalties, fines or other disruptions to our operations.

If we are unable to comply with environmental and other laws and regulations, our business may be harmed.

We are subject to laws, regulations and recommendations relating to the use, manufacture, storage, handling and disposal of hazardous materials and waste products (including radioactive compounds and infectious disease agents), as well as safe working conditions, laboratory and manufacturing practices and the experimental use of animals. The extent of government regulation that might result from future legislation or administrative action in these areas cannot be accurately predicted.

We do not currently maintain hazardous materials at our facilities. While we outsource our development programs involving the controlled use of biohazardous materials, if in the future we conduct these programs ourselves, we might be required to incur significant cost to comply with environmental laws and regulations. Further, in the event of an accident, we would be liable for any damages that result, and the liability could exceed our resources.

We may fail to sufficiently and promptly respond to rapid scientific and technological changes, clinical demands and market changes in the pharmaceutical industry, and we may be unable to maintain or enhance our market share in this industry for a variety of reasons.

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

In addition, clinical demand for pharmaceutical products may change rapidly. Our success depends on our ability to anticipate product offering lead-time and demand, identify customer preferences and adapt our products to these preferences. We may need to adjust our 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 operations, revenue and profitability.

The pharmaceutical industry is highly competitive and fragmented. We face competition from both domestic and international competitors across most of our product lines based on quality, the timing and scope of the regulatory approvals, prices, sales and marketing capabilities, the availability and cost of supply, patent position and other factors. In general, we face pricing competition from domestic competitors, and competition on product quality and brand recognition from international competitors. In particular, some of our domestic competitors may have, among other things, greater pricing flexibility and more robust sales networks, which may enable them to offer products with similar functions but lower prices to the end users. We may not be able to

successfully compete with our competitors and cannot ensure you that we will be able to demonstrate compelling advantages in quality to overcome price competition and to be commercially successful.

In addition, some of our competitors may have, among other things:

- greater financial and other resources;
- a greater variety of products;
- brands and products that are better recognized by doctors who recommend products to patients;
- more extensive development and technical capabilities and human resources;
- stronger manufacturing capabilities; or
- more extensive sales networks.

Our operations are dependent on the supply of certain raw materials. If the supply of raw materials decreases or the cost increases, our ability to conduct our business could be materially impaired and our operations, revenue and profitability could be adversely affected.

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

Our international business is subject to risks and uncertainties associated with different regulatory regimes and reliance on overseas partners.

We sell our products to certain overseas markets through our overseas partners. However, our presence in overseas markets may expose us to risks and uncertainties, including but not limited to:

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

- risks associated with commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- risks associated with higher costs for new product development and relying on potential overseas partners and/or their distribution network for the development, commercialization, marketing and distribution of our products; and
- increased risk of product liability litigation and regulatory scrutiny arising from the marketing and sale of pharmaceutical products in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities.

The IRS may assert that we are to be treated as a U.S. domestic corporation or otherwise subject to certain adverse consequences for U.S. federal income tax purposes.

Although we are a limited company incorporated in the Cayman Islands, the U.S. Internal Revenue Service (the "IRS") may assert that, as a result of certain recent reorganization transactions undertaken by our predecessor corporation, we should be treated as a U.S. corporation (and, therefore, a U.S. tax resident) for U.S. federal income tax purposes pursuant to section 7874 of the U.S. Internal Revenue Code of 1986, as amended ("Section 7874"). These rules are known as the corporate inversion rules.

Section 7874 generally provides that if, following a direct or indirect acquisition of substantially all of the assets of a U.S. corporation by a non-U.S. corporation, at least 80% of the acquiring non-U.S. corporation's stock (by vote or value) is considered to be held by former shareholders of the U.S. corporation by reason of holding stock of such U.S. corporation (such test referred to as the "80% ownership test"), then the non-U.S. corporation generally would be treated as a U.S. corporation for U.S. federal income tax purposes even though it is a corporation created and organized outside the U.S.

Based on currently available information, we do not believe that we would be treated as a U.S. corporation under the 80% ownership test, although this conclusion is not free from doubt because neither we nor our reporting accountant, PricewaterhouseCoopers, have completed a detailed analysis of the potential application of the 80% ownership test to us, and our legal advisors have not expressed an opinion with respect to the potential application of Section 7874. If we were treated as a U.S. corporation for U.S. federal income tax purposes under the 80% ownership test, we could be liable for substantial additional U.S. federal income tax on our operations and income. Additionally, if we were treated as a U.S. corporation for U.S. federal income tax purposes, non-U.S. shareholders generally would be subject to U.S. withholding tax on the gross amount of any dividends we pay to such shareholders. There can be no assurance that the IRS will agree with the position that we would not be treated as a U.S. corporation under the 80% ownership test.

The remainder of this prospectus assumes that we will not be treated as a U.S. corporation for U.S. federal income tax purposes. You should consult your own tax advisors regarding the potential consequences of us being treated as a U.S. corporation under the 80% ownership test of Section 7874.

We may need to obtain additional funding to support our long-term product development, including funding of in-licensed products, and commercialization programs.

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

- the expenses associated with expanding our sales and distribution network;
- the costs of drug development programs for the expansion of our product portfolio;
- the costs of in-licensed intellectual properties for the development of new products; and
- the funding required to consummate acquisitions.

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

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

The discontinuation of any of the financial incentives currently available to us could adversely affect our operations, revenue and profitability.

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. We recorded government grants income in the amounts of RMB7.3 million, RMB8.3 million, RMB6.8 million, RMB6.8 million and RMB9.8 million in 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively. Due to the Preferential Policies Notice and further potential changes in government policies, we cannot be certain of the level of government grants we will receive in the future. Our post-tax profitability and cash flows may be adversely affected as a result of one or more of these or other factors.

The determination of the fair value changes and impairment of certain of our assets requires the use of estimates that are based on unobservable inputs, and therefore inherently involves a certain degree of uncertainty, which may significantly affect our financial position and results of operations.

We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets, including financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. As of September 30, 2020, we had financial assets at fair value through profit or loss of RMB125.3 million and financial assets at fair value through other comprehensive income of RMB166.0 million. The fair value changes of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

We recorded significant amount of intangible assets and our operating results may vary significantly due to the impairment of such assets.

As of September 30, 2020, we had intangible assets of RMB567.9 million. Intangible assets represented a significant portion of the assets on our consolidated balance sheet as of September 30, 2020. The value of intangible assets is based on a number of assumptions made by the management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. For instance, in December 2020, SGX-942, one of our potential drug candidates, failed to achieve its Phase III clinical endpoint. As a result, we provided full impairment to related intangible assets in the amount of RMB21.0 million. Intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. As a result of such tests, we could be required to book impairment charges in our statement of profit or loss. The amount of any potential impairment is not predictable. Any significant impairment of intangible assets could have a material adverse effect on our business, financial condition and results of operations. For more information regarding our impairment policy in relation to intangible assets, see "Financial Information — Certain Balance Sheet Items — Intangible Assets — Impairment Test" and Note 19 to the Accountant's Report included in Appendix I to this prospectus.

We are subject to risks relating to fluctuations in foreign exchange rates.

We are exposed to foreign exchange risk primarily through sales and purchases, capital expenditures and expenses that are denominated in a currency other than Renminbi. In addition, we are also subject to currency conversion risks as our consolidated financial statements are denominated in Renminbi while the financial statements of our subsidiaries are measured and presented in the currency of the primary economic environment in which the entity operates. In 2017 and the nine months ended September 30, 2020, we incurred a net foreign exchange gain of RMB25.8 million and RMB4.5 million, respectively. In 2018 and 2019 and the nine months ended September 30, 2019, we incurred a net foreign exchange loss of RMB35.7 million, RMB10.9 million and RMB20.8 million, respectively. In 2017, we recognized other comprehensive loss through currency translation differences of RMB72.9 million. In 2018 and 2019 and the nine months ended September 30, 2019 and 2020, we recognized other comprehensive income through currency translation differences of RMB57.5 million, RMB27.6 million, RMB47.1 million and RMB22.7 million, respectively. Our foreign currency exposure mainly arises from the exposure of Renminbi against the U.S. dollar.

We may grow our business through acquisitions in the future. If we fail to identify quality targets or achieve set goals for the acquisitions, our business prospects could be adversely affected.

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

- we may not be able to identify suitable acquisition targets or have to engage in intense competition for attractive acquisition targets, which may make it difficult to consummate acquisitions on commercially acceptable terms or at all;
- we may not have access to financing for acquisitions on acceptable terms or at all;
- we may fail to obtain or secure governmental approvals and third party consents necessary to consummate any proposed acquisition which may result in liabilities, fines or penalties arising directly from such inability;
- we may have to manage a larger, growing business, operating in new geographical regions and optimizing the allocation of resources and operational efficiency;
- we may fail to effectively integrate development functions; and
- we may fail to retain the management team or development professionals of the acquired businesses.

The PRC regulations and rules concerning mergers and acquisitions, including the M&A Rules promulgated by the CSRC, the SAFE, the MOFCOM and three other PRC governmental and regulatory agencies promulgated on August 8, 2006 and amended on and effective since June 22, 2009, and other recently adopted regulations and rules concerning mergers and acquisitions established a series of procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex,

including requirements in some instances that the MOFCOM be notified in advance of certain change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the NPC in September 1993 and amended on April 23, 2019 requires that the MOFCOM shall be reported to in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Provisions of Ministry of Commerce on Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) (the "**Implementation Provision of Security Review System**") promulgated by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire *de facto* control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the Implementation Provision of Security Review System prohibits any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

Our historical growth may not be indicative of our future performance.

Our historical growth rate and results may not be indicative of our future growth or performance. There is inherent risk in using our Historical Financial Information to project or estimate our financial performance in the future, as it only reflects our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue, gross profit margin and return on net assets for reasons including, but not limited to, deterioration in the market conditions of the pharmaceutical industry in China, and outbreak or containment of epidemics, such as COVID-19. For instance, our revenue from the sales of Zadaxin increased significantly in the first half of 2020, as Zadaxin had been used for the prevention and clinical treatment of COVID-19 in China. Such significant increase was a one-off event, and the demand for Zadaxin for the treatment of COVID-19 decreased significantly in the second half of 2020 and may experience a further drop in the future.

In addition, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the shares to decline. Our revenue, expenses and operating results may vary from period to period due to a variety of factors beyond our control. As a result of these and other factors, there can be no assurance that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

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

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

Further, integration of 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 operations, revenue and profitability 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 operations, revenue and profitability could be materially and adversely affected, particularly with respect to the maintenance of our relevant approvals and licenses granted by the relevant authorities.

If we, our management or directors become party to litigation, legal disputes, claims or administrative proceedings, our management's or directors' attention may be diverted and our operations, reputation, revenue and profitability could be adversely affected.

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

In addition, negative publicity arising from litigation, legal disputes, claims or administrative proceedings may damage our reputation and adversely affect the image of our brands and products. In addition, if any verdict or award is rendered against us, we could be required to pay significant

monetary damages, assume other liabilities, and suspend or terminate the related business ventures or projects. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

We may experience failures in our information and data management systems and security breaches and other disruptions could compromise our information and expose us to liability, which could adversely affect our operations, revenue and profitability.

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

An occurrence of natural disaster, widespread health epidemic or other outbreaks could adversely affect our operations, revenue and profitability.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome ("SARS"), Ebola, Zika, COVID-19 or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in China or elsewhere in the world could materially disrupt our business and operations. For example, the recent outbreak of COVID-19 has sickened and killed many people in and outside of China, caused temporary suspension of productions and shortage of labor and raw materials in affected regions, and disrupted local and international travel and economy. The exacerbation, continuance or reoccurrence of COVID-19 has already caused and may continue to cause an adverse and prolonged impact on the economy and social conditions in the affected countries. The production and delivery of raw materials and products could be substantially impacted. The commencement of new clinical trials could be substantially delayed or prevented by any delay or failure in patient recruitment or enrollment in our trials as a result of the outbreak of COVID-19. These factors could cause delay in delivery of products, clinical trials, regulatory submissions, and required approvals of our drug candidates, and could cause us to incur additional costs. See "Business — Internal Control and Risk Management — Risk Management in Response to the COVID-19 Outbreak."

These events could also significantly impact our industry and cause a temporary suspension or closure of the facilities we use for our operations, which would severely disrupt our operations and

have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of contracting an epidemic disease, since this could require us or our business partners to quarantine some or all of these employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the PRC and global economy in general. Our operations could also be severely disrupted if our patients were affected by natural disasters, health epidemics or other outbreaks.

RISKS RELATING TO CONDUCTING OPERATIONS IN THE PRC

Adverse changes in political, economic and other policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our products and adversely affect our operations, revenue and profitability.

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

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

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

Although China has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008 and its annual GDP growth rate has declined from 6.9% in 2015 to 6.7% in 2016, 6.9% in 2017, 6.4% in 2018 and 6.1% in 2019. There is no assurance that future growth will be sustained at similar rates or at all.

The PRC 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 pharmaceutical companies competing with us, which may have an adverse effect on us. Our operations, revenue and profitability 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 PRC 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 PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC 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 operations and revenue. For example, the pharmaceutical market may grow at a slower pace than expected, which could adversely affect our operations, revenue and profitability.

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

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

Future changes in laws, regulations or enforcement policies and practices in China could adversely affect our operations.

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

For example, on November 11, 2015, the NMPA issued the Announcement on 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》), 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 and effectiveness of the drug. Our future drug applications are now subject to more strict approving standard.

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

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

Under the EIT Law and its implementation rules, enterprises organized under the laws of jurisdictions outside the PRC with their "de facto management bodies" located within the PRC may be considered as "PRC resident enterprises" and subject to a uniform 25% PRC income tax on their worldwide income. The implementation rules to the EIT Law define the term "de facto management body" as "body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, properties and other assets of an enterprise." The Notice on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in accordance with Criteria for Determining de facto management body (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), which was promulgated on April 22, 2009 and was amended on January 29, 2014 by the Determination of Resident Enterprises Based on the Standards of de facto management body (《關於依據實際管理機構標準實施居民企業認定有關問題的公告》), and has been partially abolished on December 29, 2017 by the SAT pursuant to Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) and the Administrative Measures on the

Corporate Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得税管理辦法 (試行)》) issued on July 27, 2011, and amended on April 17, 2015, June 15, 2018, and partially abolished on June 28, 2016, respectively, set out certain criteria for what constitutes a "de facto management body" in respect of enterprises that are established offshore by the PRC enterprises, which could be applied in determining the tax resident status of the non-PRC enterprises. Currently we are not Chinese-controlled offshore incorporated enterprises, however, the aforementioned factors may be considered by the SAT when determining our tax resident status for PRC EIT purpose.

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

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

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

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

On February 3, 2015, the PRC State Administration of Taxation issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets

by Non-Resident Enterprises (《國家税務總局關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**Circular 7**"), which provided comprehensive guidelines relating to, and also heightened the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

For example, Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of the PRC Taxable Assets, when a non-resident enterprise transfers the PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of the PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding the PRC EIT and without any other reasonable commercial purpose. When determining whether there is a "reasonable commercial purpose" of such transfer, factors to be taken into consideration include (i) whether the main value of the equity interest of the relevant offshore enterprise derives from the PRC Taxable Assets; (ii) whether the assets of the relevant non-resident enterprises mainly consists of direct or indirect investment in the PRC or if its income mainly derives from the PRC; (iii) whether the non-resident enterprises and its subsidiaries directly or indirectly holding the PRC Taxable Assets have real commercial substance which is evidenced by their actual function and risk exposure; (iv) the duration of existence of the shareholders, business model and organizational structure of the relevant offshore enterprises; (v) the substitutability of the transaction by direct transfer of the PRC Taxable Assets; and (vi) the tax situation of an indirect transfer and applicable tax treaties or similar arrangements.

We have conducted and may conduct acquisitions involving changes in our corporate structure, and historically our Shares were transferred by certain then shareholders to the current shareholders. Although Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of the PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of the PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in the PRC under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, or whether the PRC tax authorities will, at their discretion, reclassify such transaction by applying Circular 7. Therefore, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving the PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

If the beneficial owners of our Shares who are PRC residents fail to comply with certain PRC regulations relating to investments in offshore companies by PRC residents, our ability to distribute profits and our overseas and cross-border investment activities could be restricted, and we could be subject to liabilities under PRC laws.

The SAFE has promulgated several regulations requiring the PRC residents to register with the PRC government authorities before engaging in direct or indirect offshore investment activities,

including the Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Roundtrip Investment through Special Purpose Vehicles Conducted by Domestic Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), issued and effective on July 4, 2014, the Notice of the State Administration of Foreign Exchange on Issuing the Provisions on the Foreign Exchange Administration of the Overseas Direct Investments (《國家外匯管理局關於發佈境內機構境外直接投資外匯管理規定的通知》), issued on July 13, 2009 and effective on August 1, 2009 and the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**Circular 13**"), issued on February 13, 2015 and effective on June 1, 2015. Circular 37 requires PRC resident individuals and entities to register with local branches of the SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with assets or equity interests of onshore companies or offshore assets or interests held by the PRC resident individuals or entities, referred to in Circular 37 as a "special purpose vehicle" (the "**SPV**"). Circular 37 further requires timely amendment to the registration with the SAFE in the event of any fundamental or significant changes with respect to the SPV. Circular 13 cancels the administrative approval of confirmation of foreign exchange registration under overseas direct investment by the SAFE. Instead, qualified banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

If our Shareholders or beneficial owners who are PRC resident individuals or entities do not complete their registration, approval or filing with the local SAFE branches, NDRC or MOFCOM or its branches relating to the overseas investment activities, our PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to us, and we may be restricted in our ability to contribute additional capital to our PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liabilities for our PRC subsidiaries under the PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas within a period specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas and deemed to have been evasive, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive. Furthermore, the persons-in-charge and other persons at our PRC subsidiaries who are held directly liable for the violations may be subject to criminal sanctions. In addition, our shareholders who are PRC entities may be ordered to suspend or stop the investment and to complete the registration, approval or filing within a specified time, and may be warned or prosecuted for relevant liabilities.

We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. However, we may not always be fully aware or informed of the identities of our beneficiaries who are PRC resident individuals or entities, and may not always be able to compel them to comply with Circular 37 or other regulations relating to overseas investment activities issued by SAFE, NDRC and MOFCOM. As a result, there can be no assurance that all of our current or future Shareholders or beneficial owners who are PRC resident

individuals or entities will at all times comply with, or in the future make or obtain any applicable registrations, filings or approvals required by, Circular 37 or other regulations relating to overseas investment activities issued by SAFE, NDRC and MOFCOM. Failure by any such Shareholders or beneficial owners to comply with Circular 37 or other regulations relating to overseas investment activities issued by SAFE, NDRC and MOFCOM could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

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

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

We may receive dividends and other fees paid by PRC subsidiaries. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, an appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on

our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

The PRC government imposes controls on the convertibility of foreign currencies into Renminbi. Under China's existing foreign-exchange regulations, foreign-exchange transactions under capital accounts continue to be subject to significant foreign-exchange controls and require the registration with, and approval of, the PRC governmental authorities. In particular, if one of our PRC subsidiaries receives foreign-currency loans from us or other foreign lenders, these loans must be registered with the SAFE or its local counterparts. If we finance such subsidiary by means of additional capital contributions, these capital contributions must be filed and registered with certain PRC government authorities, including the MOFCOM or its local counterparts and the SAMR through its Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) and the SAFE.

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

On March 30, 2015, the SAFE released the Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, which came into force and superseded SAFE Circular 142 from June 1, 2015 and was partially abolished on December 30, 2019. On June 9, 2016, the SAFE further promulgated the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects (《關於改革和規範資本項目結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 19 has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital funds of foreign-invested enterprises, and some foreign exchange restrictions under SAFE Circular 142 are expected to be lifted. Under SAFE Circular 19 and SAFE Circular 16, the settlement of foreign exchange under capital accounts by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, SAFE Circular 19 and SAFE Circular 16 also reiterate that the settlement of foreign exchange under capital accounts shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity. Under SAFE Circular 19 and SAFE Circular 16, we may still not be allowed to convert foreign exchange capital funds of our PRC subsidiaries which are foreign-invested enterprises into RMB capital for securities investments or other finance and investment

except for principal-guaranteed bank products. Further, SAFE Circular 19 and SAFE Circular 16 restrict a foreign-invested enterprise from using Renminbi converted from its registered capital funds to provide loans to a its non-affiliated company. Violations of SAFE Circular 19 and SAFE Circular 16 could result in severe monetary or other penalties. We cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries, and conversion of such loans or capital contributions into Renminbi. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our ability to fund and expand our business.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, according to which a non-investment foreign-invested enterprise is permitted to make domestic equity investments with its capital funds provided that such investments do not violate the Negative List and the target investments are genuine and in compliance with laws. On April 10, 2020, the SAFE promulgated the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》), or SAFE Circular 8, under which eligible enterprises are allowed to make domestic payments by using their capital funds, foreign loans and the income under capital accounts of overseas listing, without providing the evidentiary materials concerning authenticity of each expenditure in advance, provided that their capital use shall be authentic, and conform to the prevailing administrative regulations on the use of income under capital accounts. Considering that SAFE Circular 28 and SAFE Circular 8 are often principle-oriented and subject to the detailed interpretations by the enforcement bodies to further apply and enforce such laws and regulations in practice, it is unclear how they will be implemented, and there can be high uncertainties with respect to its interpretation and implementation by government authorities and banks.

Inflation in the PRC could negatively affect our profitability and business prospects.

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

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

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

If we fail to comply with PRC regulations regarding the registration requirements for employee stock incentive plans, we and the PRC plan participants could be subject to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, the PRC citizens and non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personals in China and the representatives of international organizations in China) who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent entrusted by the domestic company which these participants serve for and is affiliated to the overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of this Global Offering. Failure of the PRC plan participants to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and

may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially adversely affect our business.

There may be difficulties in effecting services of process and seeking recognition and enforcement of foreign judgments against us in China based on foreign laws.

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

On July 14, 2006, the government of the Hong Kong Special Administrative Region and the Supreme People's Court of the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《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 "**2006 Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement may still be uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"). Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect. When the 2019 Arrangement becomes effective, it will supersede the 2006 Arrangement and any party concerned may apply to the relevant PRC court or Hong Kong High Court for recognition and enforcement of the effective judgements in civil and commercial cases under the 2019 Arrangement but will be subject to the conditions set forth in the 2019 Arrangement. Therefore, the outcome and effectiveness of any action brought under the 2019 Arrangement is still uncertain. We cannot assure you that an effective judgement that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

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

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

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

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

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

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

The Offer Price of the Offer Shares is higher than the net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of the Offer Shares in the Global

Offering will experience an immediate dilution in pro forma consolidated net tangible asset value to HK$2.21 per Share, based on the mid-point of the Offer Price range of HK$18.00. There can be no assurances that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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

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

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

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

Our single largest Shareholder has significant influence over our Company and its interests may not be aligned with the interests of our other Shareholders.

Immediately following the Global Offering, our single largest Shareholder will hold in aggregate approximately 28.78% of our Shares, assuming the Over-allotment Option is not exercised. Our single largest Shareholder will, through its 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 single largest Shareholder may not act in the best interests of our minority Shareholders. In addition, without the consent of our single largest Shareholder, we

could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our Shares.

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

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

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares relies in part on the research and reports that equity research analysts publish about us or our business. We do not control these analysts. If research analysts do not maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Shares or publishes inaccurate or unfavorable research about our business, the market price for our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our Shares to decline significantly.

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

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our PRC operating subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refers to after tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under HKFRS. As a result, our PRC operating subsidiaries may not be able to pay a dividend in a given year if they do not have distributable profits as determined under PRC GAAP, even if they have profits as determined under HKFRS. Accordingly, since our Company derives substantially all of our earnings and cash flows from dividends paid to us by our PRC operating subsidiaries in China, we may not have sufficient distributable profits to pay dividends to our Shareholders.

See "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.

We are a Cayman Islands company, and you may have different protection of your shareholder rights than you would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum, Articles, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in Hong Kong and other jurisdictions. See "Summary of the Constitution of the Company and Cayman Company Law" in Appendix IV to this prospectus. As a result, our Shareholders may encounter different issues in protecting their interests through actions against our management, Directors or major Shareholders compared to shareholders of a corporation incorporated in Hong Kong or other jurisdictions.

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

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

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

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

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. As of the Latest Practicable Date, our executive Director, Mr. Zhao Hong, is not, and is expected to continue to be not, ordinarily resided in Hong Kong and has been, and is expected to continue to be, ordinarily resided in the PRC.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Hong Kong Stock Exchange. The two authorized representatives are Mr. Zhao Hong and Ms. Pan Rongrong;

(b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

(c) all our Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Hong Kong Stock Exchange upon reasonable notice;

(d) our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;

(e) Maxa Capital Limited, our compliance advisor, will act as an additional channel of communication with the Hong Kong Stock Exchange; and

(f) each Director will provide his or her mobile phone number, office phone number, e-mail address and fax number to the Hong Kong Stock Exchange.

See "Directors and Parties Involved in the Global Offering" in this prospectus for further details about other channels of communication with the Hong Kong Stock Exchange.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he or she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

We have appointed Ms. Pan Rongrong and Ms. Chan Sin Man Nico as our joint company secretaries. Ms. Chan Sin Man Nico is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Ms. Pan Rongrong joined our Group in November 2018 and has gained a thorough understanding of the internal administration and business operation of our Group. See "Directors and Senior Management — Joint Company Secretaries" in this prospectus for details about Ms. Pan Rongrong's experience and qualifications. By virtue of Ms. Pan Rongrong's experience and familiarity with our Group, our Company believes Ms. Pan Rongrong is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company.

Since Ms. Pan Rongrong does not possess any of the academic and professional qualifications required of a company secretary under Note 1 to Rule 3.28 of the Listing Rules, we have sought and obtained from the Hong Kong Stock Exchange a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Pan Rongrong may be appointed as our joint company secretary. The waiver has been granted for a three-year period on the condition that we engage Ms. Chan Sin Man Nico who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules, as a joint company secretary of the Company for the waiver

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

WAIVER AND EXEMPTION IN RELATION TO THE OPTION INCENTIVE PLAN

Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, requires the Company to disclose, among other things, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for shares or debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted options under the Option Incentive Plan to a total of 130 eligible grantees, including 10 Directors, senior management or other connected persons of the Company, 7 grantees that have been granted 750,000 options or above and 113 other employees of our Group, to subscribe for an aggregate of 54,778,710 Shares, representing 7.48% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan) on the terms set out in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V.

We have applied to the Stock Exchange and SFC, respectively for, for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground

that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(a) Given that 130 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Option Incentive Plan in the prospectus would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation, prospectus preparation and printing;

(b) The grant and exercise in full of the options under the Option Incentive Plan will not cause any material adverse impact to the financial position of our Company;

(c) Non-compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(d) Material information relating to the options under the Option Incentive Plan will be disclosed in the prospectus, including the total number of Shares subject to the Option Incentive Plan, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Option Incentive Plan. The Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment in their investment decision making process has been included in the prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interest of the investing public.

The Stock Exchange has agreed to grant to our Company a waiver under the Listing Rules on condition that:

(a) on an individual basis, full details of the options granted under the Option Incentive Plan to each of the Directors, the senior management, other connected person of the Company and grantees that have been granted 750,000 options or above will be disclosed in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted under the Option Incentive Plan to remaining grantees (being the other grantees who are not Directors, the senior management, other connected person of the Company or grantees that have been granted 750,000 options or above), disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Shares underlying the options under the Option Incentive Plan, (2) the consideration paid (if any) for the grant of the options under the Option Incentive Plan and (3) the exercise period and the exercise price of the options granted under the Option Incentive Plan, in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V;

(c) aggregate number of Shares underlying the options granted under the Option Incentive Plan and the percentage to the Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V;

(d) the potential dilution effect and impact on earnings per Share upon the full exercise of the options under the Option Incentive Plan will be disclosed in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V;

(e) a summary of the major terms of the Option Incentive Plan will be disclosed in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V;

(f) the particulars of the waiver will be disclosed in this prospectus;

(g) a list of all the grantees (including those persons whose details have already been disclosed) containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI; and

(h) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

(a) on an individual basis, full details of the options granted under the Option Incentive Plan to each of the Directors, the senior management, other connected person of the Company and grantees that have been granted 750,000 options or above will be disclosed in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted under the Option Incentive Plan to remaining grantees (being the other grantees who are not Directors, the senior management, other connected person of the Company or grantees that have been granted 750,000 options or above), disclosure will be made, on an aggregate basis, of (1) the aggregate number of grantees and number of Shares underlying the options under the Option Incentive Plan, (2) the consideration paid (if any) for the grant of the options under the Option Incentive Plan and (3) the exercise period and the exercise price of the options granted under the Option Incentive Plan, in "Statutory and General Information — D. Share Plans — 1. Option Incentive Plan" in Appendix V;

(c) a list of all the grantees (including those persons whose details have already been disclosed in this prospectus) who have been granted the options under the Pre-IPO Share Option Plan, containing all the particulars as required in paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI; and

(d) the particulars of the exemption will be disclosed in this prospectus, and the prospectus will be issued on or before February 19, 2021.

Further details of the Option Incentive Plan are set out in the section headed "Appendix V — Statutory and General Information — D. Share Plans — 1. Option Incentive Plan."

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

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

Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, requires all prospectuses to include the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and sets out the reports specified in Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Pursuant to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of this 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.

Pursuant to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in this prospectus a report by our Company's auditor with respect to profits and losses in respect of each of the three financial years immediately preceding the issue of the Prospectus and assets and liabilities of the Company at the last date to which the financial statements of the Company were prepared.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate

of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountant's Report for each of the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 has been prepared and is set out in Appendix I to this prospectus.

Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended December 31, 2018, 2019 and 2020. However, an application was made to the Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver was granted by the Hong Kong Stock Exchange on the conditions that:

(a) this prospectus will be issued on or before February 19, 2021 and Shares of our Company must be listed on the Stock Exchange on or before March 31, 2021 (i.e. within three months after the end of the Company's latest financial year immediately preceding the issue of this prospectus);

(b) this prospectus contains the profit estimate for the year ended December 31, 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) and the statement from the Directors that after performing all reasonable due diligence work which they consider appropriate, up to the date of the prospectus, there is no material and adverse change to the financial and trading positions or prospects of our Company, with specific reference to the trading results from October 1, 2020 to December 31, 2020;

(c) our Company obtains a certificate of exemption from the SFC on strict compliance with section 342(1)(b), paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(d) our Company shall publish its annual results announcement and annual report for the financial year ended December 31, 2020 no later than March 31, 2021 and April 30, 2021, respectively, in compliance with Rules 13.46(2) and 13.49(1) of the Listing Rules.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption be set forth in this prospectus; and (ii) this prospectus be issued on or before February 19, 2021 and our Company be listed on the Stock Exchange on or before March 31, 2021 (i.e. within three months after the end of our Company's latest financial year immediately preceding the issue of this prospectus).

The applications to Hong Kong Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1)(b) in respect of paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance have been made on the grounds, among others, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interests of the investing public as:

(a) there would not be sufficient time for our Company and the reporting accountant of our Company (the "**Reporting Accountant**") to finalize the audited financial statements for the year ended December 31, 2020 for inclusion in this prospectus. If the financial information for the year ended December 31, 2020 is required to be audited, our Company and the Reporting Accountant would have to carry out substantial volume of work to prepare, update and finalize the Accountant's Report and the Prospectus, and the relevant sections of the Prospectus will need to be updated to cover such additional period. This would involve additional time and costs since substantial work is required to be carried out for audit purposes. It would be unduly burdensome for the audited results for the year ended December 31, 2020 to be finalized in such short period of time. Our Directors consider that the benefits of such work to the existing and prospective shareholders of our Company may not justify the additional work and expenses involved and the delay of the listing timetable of the Company;

(b) our Directors and the Joint Sponsors herein confirm that after performing all reasonable due diligence work which they consider appropriate, up to the date of prospectus, except to the extent disclosed in the paragraph headed "Recent development" above and the listing expense in connection with the Global Offering, there has been no material adverse change to the financial and trading positions or prospects of our Group since October 1, 2020 (immediately following the date of the latest audited statement of financial position in the Accountant's Report set out in Appendix I to this prospectus) up to December 31, 2020 and there has been no event which would materially affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus, the financial information section, profit estimate as set out in Appendix III to this prospectus and information regarding the Company's recent development subsequent to the Track Record Period and up to the Latest Practicable Date, since October 1, 2020;

(c) our Company is of the view that the Accountant's Report covering the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, together with the profit estimate for the year ended 31 December 2020 (in compliance with Rules 11.17 to 11.19 of the Listing Rules) included in this prospectus have already provided the potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an informed assessment of the business, assets and liabilities, financial position, trading position, management and prospects has been included in this prospectus. Therefore, the waiver and exemption would not prejudice the interests of the investing public; and

(d) we will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company

currently expects to issue our annual results and annual report for the financial year ended December 31, 2020 on or before March 31, 2021 and April 30, 2021, respectively. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

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

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set forth herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Joint Representatives, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, agents, employees or advisors or any other party involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "The Structure of the Global Offering," and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" and in the relevant Application Forms.

UNDERWRITING

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

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Representatives (on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Wednesday, February 24, 2021, subject to the Offer Price being agreed.

If, for any reason, the Offer Price is not agreed among us and the Joint Representatives (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering as well as our Shares that may be issued pursuant to the exercise of the options under the Option Incentive Plan and the Post-IPO Share Option Plan.

No part of our Share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Hong Kong Stock Exchange are expected to commence on Wednesday, March 3, 2021. Our Shares will be traded in board lots of 500 Shares each. The stock code of our Shares will be 6600.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, our Shares or exercising any rights attaching to our Shares. We emphasize that none of us, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on our Hong Kong register of members. Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

EXCHANGE RATE CONVERSION

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

Unless otherwise specified, amounts denominated in HKD and RMB have been translated, for the purpose of illustration only, into U.S. dollars in this prospectus at the following exchange rates:

USD1.00: HKD7.75218

USD1.00: RMB6.45330

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this prospectus which are not in the English language and their English translations, the names in their respective original language shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. ZHAO Hong (趙宏)	Room 503, No. 80 Lane 777, Lingling Road Xuhui District, Shanghai the PRC	Chinese
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Mr. LI Zhenfu	No.402, Gate 6, 3rd Floor, Yard 18A, Yanjingli Middle Street, Chaoyang District, Beijing the PRC	American
Dr. VASELLA Daniel Luzius	Aabachweg 3 6343 Risch Switzerland	Swiss
Ms. LIN Shirley Yi-Hsien	Room 103, Block 1 Building No. 10, Guo Ying Yuan Xicheng District, Beijing	American
Ms. LI Quan (李泉)	Room 601, Unit 1 Building 10, Yangguangshangdong Chaoyang District, Beijing the PRC	Chinese
Mr. SHI Cen (石岑)	12/F, Block F, Scenic Villas 12 Scenic Villa Drive, Pok Fu Lam Hong Kong	Chinese (Hong Kong)
Ms. WANG Xiaozhuo (王曉卓)	No.7, Gate 1, 19th Floor Sanlihe District 2 Xicheng District, Beijing the PRC	Chinese
Independent Non-executive Directors		
Dr. LIU Guoen (劉國恩)	Staff Dormitory No.5 Yiheyuan Road Haidian District, Beijing the PRC	Chinese
Dr. CHEN Ping	Room 501, No. 46 Lane 281, North Yupan Road Pudong New District Shanghai the PRC	American

Name	Address	Nationality
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See "Directors and Senior Management."

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	Zhongtai International Securities Limited 19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong
Legal Advisors to Our Company	*As to Hong Kong and U.S. laws*: **Clifford Chance** 27/F, Jardine House One Connaught Place Hong Kong *As to PRC laws*: **Tian Yuan Law Firm** 10/F, Tower B China Pacific Insurance Plaza No. 28 Fengsheng Lane Xicheng District Beijing, PRC *As to Cayman Islands laws*: **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbour Road, Wanchai Hong Kong
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong and U.S. laws*: **Paul Hastings** 21-22/F Bank of China Tower 1 Garden Road, Central Hong Kong *As to PRC laws*: **JunHe LLP** 26/F HKRI Centre One HKRI Taikoo Hui, 288 Shimen Road (No. 1) Shanghai, PRC
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Industry Consultant	**Frost & Sullivan International Limited** 1706, One Exchange Square 8 Connaught Place Central, Hong Kong
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

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Principal place of business in Hong Kong	3401A, Windsor House 311 Gloucester Road, Causeway Bay Hong Kong
Company's Website	www.sciclone.com (*The information on the website does not form part of this prospectus*)
Joint Company Secretaries	Ms. PAN Rongrong 3401A Windsor House 311 Gloucester Road Causeway Bay Hong Kong Ms. CHAN Sin Man Nico Level 54, Hopewell Centre 183 Queen's Road East Hong Kong *(Chartered secretary, chartered governance professional and associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom)*
Authorized Representatives	Mr. ZHAO Hong 3401A Windsor House 311 Gloucester Road Causeway Bay Hong Kong Ms. PAN Rongrong 3401A Windsor House 311 Gloucester Road Causeway Bay Hong Kong
Audit Committee	Ms. HAYES Wendy *(Chairman)* Ms. LI Quan Mr. GU Alex Yushao
Remuneration Committee	Mr. GU Alex Yushao *(Chairman)* Mr. ZHAO Hong Dr. CHEN Ping
Nomination Committee	Mr. LI Zhenfu *(Chairman)* Ms. HAYES Wendy Dr. LIU Guoen

Cayman Islands Principal Share Registrar and Transfer Agent	**Maples Fund Services (Cayman) Limited** PO Box 1093, Boundary Hall, Cricket Square Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Compliance Advisor	**Maxa Capital Limited** Flat 08, 19/F, Harbour Centre 25 Harbour Road, Wanchai Hong Kong
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	Citibank N.A., Hong Kong Branch 3 Garden Road, Central Hong Kong

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

CHINA'S PHARMACEUTICAL MARKETS

Overview

China's pharmaceutical market steadily grew in recent years and is expected to continue such growth trend in the near future. China's pharmaceutical market reached RMB1,633.0 billion in 2019, representing a CAGR of 7.5% from 2015, and is estimated to reach RMB2,228.8 billion in 2024, representing a CAGR of 6.4% from 2019.

We focus on therapeutic areas with strong growth potential. Oncology is the fastest growing major therapeutic area in China's pharmaceutical market, with a CAGR of 13.5% from 2015 to 2019, and an expected CAGR of 15.0% from 2019 to 2024; oncology is also estimated to be the largest therapeutic area in China in 2024, with a market size of RMB367.2 billon and accounting for 16.5% of the total China's pharmaceutical market in 2024. Infectious diseases are currently the second largest therapeutic area in China, with a market size of RMB225.5 billion and accounting for 13.8% of China's pharmaceutical market in 2019. In particular, the increasingly challenging treatment of complex severe infection diseases has generated unmet medical needs, leading to promising market potential.

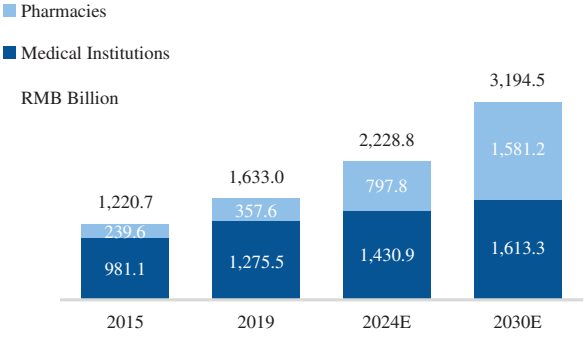
China's Pharmaceutical Market, Breakdown by Therapeutic Areas

Therapeutic Areas	Market Size						CAGR	
	2015		2019		2024E		2015-19	2019-24E
	RMB billion	*Market share*	*RMB billion*	*Market share*	*RMB billion*	*Market share*	*%*	*%*
Oncology[1]	110.2	9.0%	182.7	11.2%	367.2	16.5%	13.5%	15.0%
Alimentary tract and metabolism	173.3	14.2%	233.2	14.3%	318.9	14.3%	7.7%	6.5%
Infectious diseases[2]	195.8	16.0%	225.5	13.8%	260.7	11.7%	3.6%	2.9%
Central nerve system	144.0	11.8%	204.4	12.5%	250.9	11.3%	9.1%	4.2%
Cardiovascular system	158.8	13.0%	212.2	13.0%	247.7	11.1%	7.5%	3.1%
Blood and blood forming organ	101.9	8.4%	138.4	8.5%	184.5	8.3%	7.9%	5.9%
Respiratory system	61.4	5.0%	90.8	5.6%	131.5	5.9%	10.3%	7.7%
Muscle-skeleton system	53.5	4.4%	68.2	4.2%	90.0	4.0%	6.2%	5.7%
Systemic hormonal preparations[3]	41.4	3.4%	53.7	3.3%	72.9	3.3%	6.7%	6.3%
Urology	32.1	2.6%	41.2	2.5%	55.3	2.5%	6.4%	6.1%
Others	148.2	12.1%	182.5	11.2%	249.3	11.2%	5.4%	6.4%
Total	1,220.7	100.0%	1,633.0	100.0%	2,228.8	100.0%	7.5%	6.4%

Note: (1) not including cancer supportive care; (2) including severe infection; (3) excluding sex hormones and insulins.
Source: Frost & Sullivan

China's pharmaceutical market primarily consists of two channels: (i) medical institutions, including hospitals and primary healthcare providers (which refer to community health service centers and stations, township clinics and village clinics), and (ii) pharmacies. Although sales through medical institutions accounted for 78.1% of China's pharmaceutical market in terms of revenue, sales through pharmacies is fast-growing, with a CAGR of 17.4% from 2019 to 2024 and a CAGR of 12.1% from 2024 to 2030, in each period significantly outperforming the corresponding CAGR of sales through medical institutions. By 2030, sales revenue through pharmacies is estimated to reach RMB1,581.2 billion, accounting for 49.5% of China's pharmaceutical market.

Breakdown of China's Pharmaceutical Market by Sales Channels, 2015-2030E



Period	CAGR		
	Total	Medical Institutions	Pharmacies
2015-2019	7.5%	6.8%	10.5%
2019-2024E	6.4%	5.4%	17.4%
2024E-2030E	6.2%	4.1%	12.1%

Source: Frost & Sullivan

China's pharmaceutical market is characterized by the following entry barriers:

- **Regulatory compliance**: Each step along the business processes of the pharmaceutical industry, such as laboratory research, clinical trials, manufacturing and sales, is subject to stringent regulations. New entrants with less relevant experience are more prone to failing to comply with such regulatory requirements, leading to potential penalties from government regulatory authorities and loss of reputation among doctors and patients.
- **Professional talents**: Each step of pharmaceutical research, ranging from drug discovery to clinical trials and registration, requires close collaboration of a sizable group of multi-disciplinary talents, which is hard for new entrants to recruit.
- **Diversified product portfolio**: A diversified product portfolio not only helps pharmaceutical companies mitigate the risk of price fluctuation, but also provides synergistic effects during clinical development, regulatory approval and sales activities.
- **Upfront investments**: Pharmaceutical research, development and manufacturing activities require large amount of upfront investments, which may be hard for new entrants to afford.

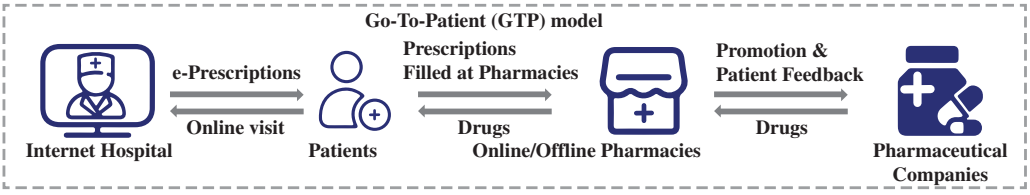
Growth Drivers and Major Trends in the PRC Pharmaceutical Market

Key growth drivers for the pharmaceutical industry in China include the following:

- **The aging trend of the Chinese population**: Due to population planning policies and the increase of average life expectancy, China's population has witnessed a significant trend of aging, which is expected to persist in the near future. In 2030, China's population aged 65 or above is estimated to reach 309.3 million, representing 21.5% of the total population in China. As elder people generally have a greater need for pharmaceutical products and services, the aging trend of China's population creates opportunities for China's pharmaceutical market.
- **Rising healthcare expenditure**: China's healthcare spending has grown steadily in recent years, both in overall level and per capita terms, due to the aging trend of the population and the rise in the prevalence of various diseases. Total healthcare expenditure in China reached RMB6,519.6 billion in 2019, representing a CAGR of 12.3% from 2015, and is expected to further grow at a CAGR of 10.3% from 2019 to 2024. The per capita healthcare expenditure in China has also grown rapidly in recent years, reaching RMB4,656.7 in 2019 and representing a CAGR of 11.8% from 2015, and is expected to further grow at a CAGR of 9.9% from 2019 to 2024.
- **Improving public medical insurance system**: Public medical insurance is the single largest payer for China's pharmaceutical market. The wide coverage and the significant growth in public medical insurance are both strong drivers for the growth of China's pharmaceutical market. In 2019, approximately 96.3% of China's population was covered by the public medical insurance. From 2015 to 2019, the public medical insurance revenue and expenditure grew at a CAGR of 20.2% and 21.0%, respectively. Moreover, the ongoing integration of public medical insurance terms for urban and rural residents will further improve the reimbursement standard and lead to greater opportunities in China's pharmaceutical market.

In China's pharmaceutical market, innovative drugs demonstrate promising prospects. Innovative drugs refer to the first drugs created containing the specific active ingredients to receive approval for its label, and the drug patents usually will be applied for and registered by the founding companies. In contrast, generic drugs refer to pharmaceutical drugs that contain the same active ingredient as the respective innovative drugs. Sales of innovative drugs accounted for 56.1% of the total China's pharmaceutical market in 2019, and is expected to account for 62.6% in 2024. The sales of innovative drugs in China are expected to grow at a CAGR of 8.8% from 2019 to 2024, significantly outpacing the growth of sales of generic and biosimilar drugs, which are expected to grow at a CAGR of 3.0% from 2019 to 2024.

In terms of the sales and marketing model, the Go-to-Patient ("GTP") model is gaining increasing popularity. This model started when pharmacies began to offer value-added services, such as drug deliveries and disease education campaigns, to enhance customer experience and loyalty. The GTP model has since evolved to encompass the Internet Hospital Model to provide full scope of services benefiting all stakeholders: (i) for patients, the GTP model allows them to order drugs online and have drugs delivered to them, efficiently enhancing their accessibility to drugs, (ii) for doctors and hospitals, the GTP model separates healthcare services and drug sales, thus enabling doctors to focus on the diagnosis and treatment of patients' diseases, (iii) for pharmaceutical companies, the GTP model extends their sales beyond hospitals into pharmacies to diversify their sales channel and maximize patient reach, and (iv) for pharmacies, the GTP model leads to an increase in drug sales revenue.



Source: Frost & Sullivan

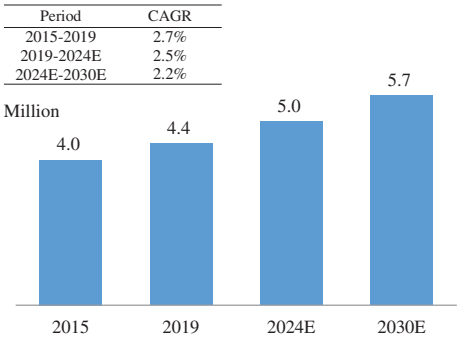
ONCOLOGY MARKET

Driven by multiple factors, the number of new cases of cancer in China has been constantly increasing, from 4.0 million in 2015 to 4.4 million in 2019, representing a CAGR of 2.7%. Such number is expected to further grow in the near future, reaching 5.0 million in 2024 and 5.7 million in 2030. Amongst other clinical adoptions, our proprietary product, Zadaxin, has been listed in the treatment guidelines for the treatment of liver cancer, pancreatic cancer and lymphoma, and the incidences of such cancers are expected to constantly increase in the near future. According to Frost & Sullivan, the incidence of liver cancer in China was 410.4 thousand in 2019, and is expected to reach 462.8 thousand in 2024 and 526.0 thousand in 2030, representing a CAGR of 2.4% from 2019 to 2024 and a CAGR of 2.2% from 2024 to 2030; the incidence of pancreatic cancer in China was 108.4 thousand in 2019, and is expected to reach 127.1 thousand in 2024 and 152.2 thousand in 2030, representing a CAGR of 3.2% from 2019 to 2024 and a CAGR of 3.0% from 2024 to 2030; the incidence of lymphoma in China was 95.4 thousand in 2019, and is expected to reach 107.1 thousand in 2024 and 121.6 thousand in 2030, representing a CAGR of 2.4% from 2019 to 2024 and a CAGR of 2.1% from 2024 to 2030. Furthermore, according to Frost & Sullivan, the market size of liver cancer drugs in China was RMB6.9 billion in 2019, and is expected to reach RMB23.1 billion in 2024 and RMB48.7 billion in 2030, representing a CAGR of 27.2% from 2019 to 2024 and a CAGR

of 13.2% from 2024 to 2030. The market size of pancreatic cancer drugs in China was RMB2.7 billion in 2019, and is expected to reach RMB5.4 billion in 2024 and RMB11.8 billion in 2030, representing a CAGR of 15.2% from 2019 to 2024 and a CAGR of 13.8% from 2024 to 2030. The market size of lymphoma drugs in China was RMB10.4 billion in 2019, and is expected to reach RMB31.3 billion in 2024 and RMB60.9 billion in 2030, representing a CAGR of 24.7% from 2019 to 2024 and a CAGR of 11.7% from 2024 to 2030.

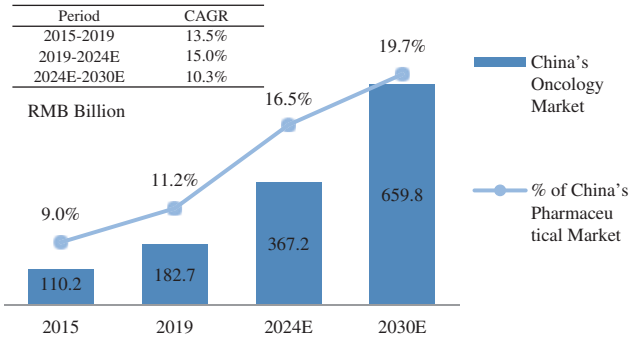
Significantly outpacing the growth rate of new cancer cases in China, the oncology drug market in China has demonstrated robust growth and is expected to continue such high-growth rate in the near future. In 2015, the size of oncology drug market in China was RMB110.2 billion, accounting for 9.0% of the total China's pharmaceutical market. In 2019, the oncology drug market in China reached RMB182.7 billion, accounting for 11.2% of China's pharmaceutical market and representing a CAGR of 13.5% from 2015 to 2019. In 2024, the oncology drug market in China is estimated to reach RMB367.2 billion, accounting for 16.5% of China's pharmaceutical market then and representing a CAGR of 15.0% from 2019 to 2024. In 2030, the oncology drug market in China is estimated to reach RMB659.8 billion, accounting for 19.7% of China's pharmaceutical market then and representing a CAGR of 10.3% from 2024.

Estimated New Cases of Cancer in China, 2015-2030E



Source: Frost & Sullivan

China's Oncology Drug Market Size and Forecast, 2015-2030E



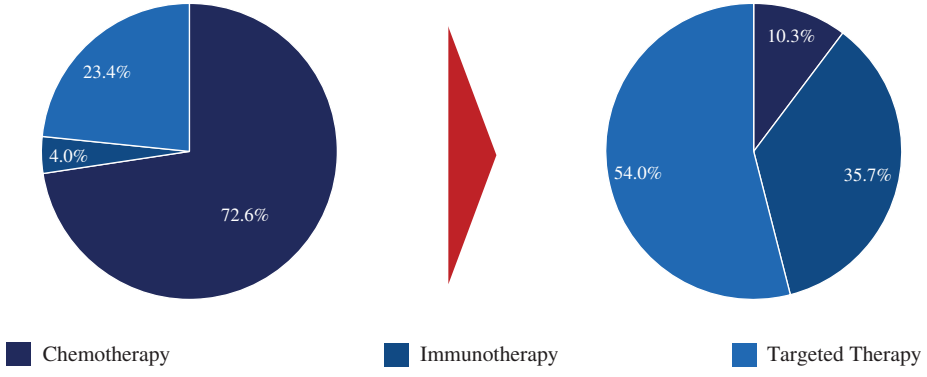
Source: Frost & Sullivan

The oncology drug market covers both the cancer treatment market and the cancer supportive care market. In terms of treatment methods, cancer treatment has gone through a long process of development in history. Today, major treatments include surgery, radiotherapy, chemotherapy, and precision oncology (which includes targeted therapy and immunotherapy). In addition, cancer supportive care, which refers to the medical care that focuses on relieving the symptoms caused by cancer treatments to improve the quality of life, has also evolved over time with the development of various cancer treatment methods.

In 2019, China's oncology drug market is dominated by chemotherapy drugs, which accounted for approximately 72.6% of the total China's oncology drug market, in terms of sales revenue. The targeted therapy drugs accounted for 23.4%, and immunotherapy drugs accounted for the remaining 4.0%. The drivers for immunotherapy and targeted therapy include favorable policy such as Notice for the Publication of the Health China — Implementation Plan for Cancer Prevention (2019-2022 edition)(《關於印發健康中國行動——癌症防治實施方案(2019 — 2022年)的通知》) issued by the NHC,

NMPA and eight other national authorities, which requires a comprehensive clinical evaluation system for oncology drugs to be established and the approval of both domestic and imported oncology drugs to be accelerated. Another driver is technology advancement, for instance in immuno-oncology field more categories of drugs have been discovered and further researched such as targeted antibodies, bispecific antibodies, checkpoint inhibitors, oncolytic virus therapy, cancer vaccines, etc., providing more treatment options for cancer patients. In addition, along with the continuous growth in economy and urbanization, the average income level of the Chinese residents has also increased continuously in recent years. From 2015 to 2019, the per capita disposable income increased from RMB21,966 to RMB30,733, representing a CAGR of 8.8%. According to Frost & Sullivan, by 2024, the per capita disposable income is expected to increase to RMB44,614, with a CAGR of 7.7% from 2019 to 2024. This illustrates that affordability has been increasing and is expected to further improve from the patient side, allowing greater penetration of targeted therapy and immunotherapy. Immunotherapy and targeted therapy are expected to account for 35.7% and 54.0%, respectively, of China's oncology drug market in 2030.

Breakdown of the Oncology Drug Market by Therapy in China, in terms of revenue, 2019 and 2030 E



Source: Frost & Sullivan

The oncology drug market in China is expected to demonstrate the following trends in the future:

- **Managing cancer as a chronic disease**: With the availability of anti-cancer drugs and the effectiveness of health management, the five-year survival rate for cancer patients has been increased, making cancer a kind of chronic disease like diabetes and hypertension, which requires not only treatment but also after-treatment and follow-up rehabilitation. Such trend has led to an increasing demand for more advanced screening methods, such as genetic sequencing and imaging detection, and more advanced rehabilitation solutions, such as special nutritional support, cachexia treatment and comorbidity treatment.
- **Emerging innovative therapies**: Emerging innovative therapies such as ADCs, gene-based therapies and cell-based therapies are now recognized as effective treatments for a specific subset of cancers. The fast-evolving clinical progresses in emerging innovative therapies are attributable to the exponential growth in understanding of the underlying cell biology, the increasingly sophisticated techniques for genetic engineering, and the increasingly advanced technology for using synthetic biology to control cellular therapeutics.

- **Expanding combination therapies**: The combination of the different therapies, such as chemotherapy with immunotherapy, would bring better efficacy of the treatment, which leads to the future direction of development for cancer therapies. The launch of an increasing number of therapies in China, such as immunotherapy, has greatly enhanced the chance to combine multiple therapies for cancer treatment.
- **Improving affordability**: The average per capita disposable income in China is expected to continue growing in the near future, which is expected to increase the willingness and ability of patients to pay for cancer treatment, including more expensive medical treatments and medications such as oncology drugs.

Such trends in the oncology drug market in China can be attributed to the drivers below:

- **Increasing number of cancer patients**: In 2019, new cases of Chinese cancer patients have reached 4.4 million. Driven by a series of factors including aging of the population, pollution, and the prevalence of unhealthy lifestyle such as smoking, high caloric diet, and lack of exercise, the number of oncology patients in China will grow further, which will drive the expansion of China's oncology drug market.
- **Growing demand for new drugs**: The demand and unmet needs for new drugs and new therapies, such as new immunotherapy, are expanding. Patients worldwide generate great demand for new drugs that are used to treat diseases such as cancers.
- **Technology advancement**: The application of biotechnology in pharmaceutical science has led to a series of breakthroughs in the development of new drugs. Biotechnology can create substances that cannot be found in nature and integrate two molecules of different substances into one to exploit benefits from both of them. In addition, biotechnology advancement may improve R&D efficiency and decrease R&D and production costs.
- **Rising small- and mid-sized pharmaceutical companies**: Many small- and mid-sized pharmaceutical companies can offer more attractive career opportunities for sales and R&D talents than MNCs. As many small- and mid-sized pharmaceutical companies are more flexible in operation and concentrate more on specialty drugs such as oncology drugs, the talent attrition from MNCs to small- and mid-sized pharmaceutical companies has brought more opportunities into the oncology drug industry.

Chemotherapy

Overview

Chemotherapy is a cancer treatment that uses chemical substances, especially one or more anti-cancer drugs to stop or slow the growth of cancer cells. Chemotherapy can be used to treat many types of cancer alone or in combination with other treatments. Chemotherapy also causes side effects such as mouth sores, nausea, and hair loss. Typical chemotherapeutic drugs include alkylating agents, antimetabolites, and anti-tumor antibiotics.

Platinum Chemotherapeutics Market

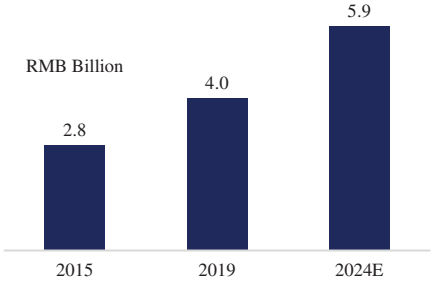
One of the sub-divisions within the chemotherapy market is the platinum chemotherapeutics market, where our pipeline product PT-112 competes in. Platinum chemotherapeutics, also known as

platinum-based anti-neoplastic drugs, are chemotherapeutic agents used to treat cancers such as lung, ovarian and breast cancer. As coordination complexes of platinum, platinum chemotherapeutics can cause the formation of platinum-DNA adducts, which will interfere with the transcription and replication of DNA, and initiate a DNA-damage recognition response that results in apoptosis. However, platinum chemotherapeutics have toxic side effects, and tumors can become resistant to them.

The platinum chemotherapeutics market in China is growing robustly, which lays out the growth prospects for our pipeline candidate, PT-112, a platinum containing compound which aims to cover indications of late stage prostate cancer and cholangiocarcinoma. The market of platinum chemotherapeutics in China, in terms of sales revenue, amounted to RMB4.0 billion in 2019, representing a CAGR of 9.9% from 2015. The market of platinum chemotherapeutic in China is estimated to reach RMB5.9 billion in 2024, representing a CAGR of 8.0% from 2019 to 2024.

The current platinum chemotherapeutics market in China faces two challenges: (i) drug resistance, including intrinsic resistance, where cancer cells are inherently resistant to platinum chemotherapeutics, and acquired resistance, where up to 80% of ovarian cancer patients eventually would develop, and (ii) drug toxicity, as serious toxicity effects may develop among patients who adopt platinum chemotherapeutics. Such challenges call for innovative platinum chemotherapeutics products, where drug resistance can be prevented and drug toxicity can be reduced. Developed to address such unmet clinical needs, PT-112 has demonstrated competitive advantages over competitors based on its ability to delay drug resistance, as well as its more favorable side-effect profile.

China's Platinum Chemotherapeutics Market Size and Forecast, 2015-2024E



Period	CAGR
2015-2019	9.9%
2019-2024E	8.0%

Source: Frost & Sullivan

In the future, the platinum chemotherapeutics market in China is expected to demonstrate the following trends:

- **Emerging innovative chemicals**: In the future, emerging innovative chemicals may deploy active targeting strategies in order to achieve better anti-tumor efficacy. Emerging innovative chemicals with different tissue distribution or mechanism of membrane transport may contribute to a greater variety of future platinum-based therapies.
- **Reduced adverse effects**: The future development of platinum drug delivery systems will focus on toxicity problems and reduce toxicity of platinum-based drugs. The reduction of adverse effects requires not only successful delivery, but also sufficient release of the drug at the tumor site.

- **Reduced resistance**: In future therapies, complexes with distinctively different DNA interaction modes from current platinum-based therapies may play a vital role. Such complexes may circumvent intrinsic and acquired resistance to the current platinum based treatments through eluding the vigilance of DNA repair systems.

Targeted Therapy

Overview

Targeted therapies block the growth and spread of cancer by interfering with cell signaling pathways. Targeted therapy uses an agent (or combination of agents) that acts with a high degree of specificity on a well-defined target or biologic pathway that drives the cancer phenotype, so that when the patient is treated with the agent(s), the cancer cells are destructed, with minimal harm to normal cells. Currently, the main categories of targeted therapy are monoclonal antibodies and small molecules. Targeted therapy market accounted for 23.4% of the total oncology drug market in China in 2019 and is expected to account for 54.0% of the total oncology drug market in China in 2030.

Small Molecule Drug Conjugates ("SMDCs") Market

One of the many sub-divisions within the targeted therapies market is the SMDCs market, where our pipeline product PEN-866 competes in. The SMDCs are built with three modules: (i) a targeting ligand, which has low-molecular weight and high affinity and can bind to specific receptors, (ii) a linker, which is designed to be stable in the bloodstream and then releases the active drug from the targeting ligand when the SMDC is taken up by the diseased cell, and (iii) a drug payload, which is a highly active molecule that is too toxic to be administered in its untargeted form at therapeutic dose levels. This modular approach allows the combination of various targeting ligands, linkers and drug payloads to generate SMDCs for different diseases.

As of October 31, 2020, there had been no approved SMDCs or relevant ongoing clinical trials in China. There are two SMDC candidates currently undergoing clinical trial worldwide, as illustrated in the following table.

Drug Name	Target	Indications	Sponsors	Phase	First Posted Date*	Location
PEN-866	HSP90, TOP1	Solid Tumors	Tarveda Therapeutics	I/IIa	2017/7/18	US
PEN-221	SSTR2	Neuroendocrine Carcinoma, Small Cell Lung Tumors	Tarveda Therapeutics	I/IIa	2016/10/18	US, UK

**Note: First Posted Date indicates the date that the sponsor of the clinical trial first submitted the study record to clinicaltrials.gov.*

Compared with traditional targeted small molecular drugs and antibody-drug conjugates ("ADCs"), SMDCs have many advantages: (i) SMDCs have lower molecular weights, so they have a

higher potential for good cell penetration in solid tumors, and the targeting ligands and linkers can be adjusted to make conjugates with the desired pharmacokinetics, (ii) synthesis of SMDCs is much more manageable, in comparison with the preparation of ADCs where the ratio of payload and antibodies is uncertain, and (iii) SMDCs have a non-immunogenic nature, as they, unlike the ADCs, do not rely on binding antigens that express on tumor cells.

The SMDCs market is expected to demonstrate the following trends in the future: (i) the targeting ligand is expected to improve in binding affinity (so the dose of drug needed to achieve high efficacy is reasonably reduced), in target selectivity (so the toxicity of the payload towards normal cells can be reduced), and in conjugate size (so low-molecular-weight therapeutic cargo can be much easier to release into the tumor), (ii) the linker is expected to enhance in both the ability to improve the hydrophilicity of the SMDCs, and the ability to release the parent drug at predicable site and reliable rate, and (iii) the drug payload is expected to have higher efficiency, fewer multi-drug interaction, less intracellular metabolism, higher binding affinity and enhanced drug release and metabolism effects.

The competitive advantage of SMDCs over traditional targeted small molecular drugs and ADCs, the currently undeveloped competitive landscape for SMDCs in China and the future trends in the SMDCs market together set forth the future growth prospects for our candidate product PEN-866.

PI3K/Akt/mTOR-targeted Drug Market

Another example of targeted therapies is the PI3K/Akt/mTOR pathway. The PI3K/Akt/mTOR pathway regulates multiple normal cellular functions (i.e. cellular proliferation, growth, survival and mobility) that are also critical for tumorigenesis. Activation of the PI3K/AKT/mTOR pathway contributes to the development of tumor and resistance to anti-cancer therapies. PI3K/Akt/mTOR pathway dysregulation is frequently found in a wide spectrum of tumors including breast cancer, colorectal cancer, and hematologic malignancies, and thus becomes an attractive target for anti-cancer treatment. Inhibition of PI3K/Akt/mTOR pathway can result in both decreased cellular proliferation and increased cellular death.

The safety and efficacy of small molecule inhibitors of PI3K/Akt/mTOR pathway have been investigated in a wide range of pre-clinical and clinical trials, and it is becoming increasingly clear that PI3K/Akt/mTOR inhibitors are effective in inhibiting tumor progression. Besides, currently available oral administration of potent PI3K/Akt/mTOR inhibitors for cancer treatment provides additional convenience to patients. Our pipeline product ABLT-0812 targets the PI3K/Akt/mTOR pathway for treatment of endometrial cancer, lung cancer and pancreatic cancer.

Immunotherapy

Overview

Immunotherapy is a type of cancer treatment that helps the immune system of the patients fight cancer. Immunotherapy mainly consists of two categories and six treatment types: checkpoint

inhibitors, adoptive cell transfer, hormone immunomodulator, traditional Chinese medicine immunomodulator, therapeutic cancer vaccines and cytokines. The immunotherapy market accounted for 4.0% of the total oncology drug market in China in 2019. With favorable policy, technology advancement, and increasing affordability of patients, immunotherapy is expected to account for 35.7% of the total oncology drug market in China in 2030, demonstrating strong potential in the future.

Currently, the growth of the immunotherapy market is driven by the following factors:

- **Indication expansion**: At present, clinical trials for immunotherapy for many different indications in China are radically advancing, and the expected expansion of indications will drive the rapid development of the immunotherapy market in China.
- **Rapid development of new generations of technology**: Based on progress in both pre-clinical and clinical science, immunotherapy has become a sub-specialty within oncology owing to its unique science and its potential for substantial and long-term clinical benefits. Such development is based on progress in both pre-clinical and clinical science, including the development of new methods of investigations
- **Emerging biotech pharmaceutical companies**: Since the early 2000s, talents have been flowing from multi-national pharmaceutical companies to emerging biotech pharmaceutical companies, and their rich industry experiences and systematic knowledge of management will further drive the development of immunotherapy market.

In the future, the immunotherapy market is expected to demonstrate the following trends:

- **Combination therapy with new therapeutic targets**: The field of cancer immunotherapy is expected to advance towards more targeted approaches that enhance efficacy and reduce toxicity. With the discovery and verification of more therapeutic targets and signaling pathways, as well as the upgrading of treatment methods, immunotherapy will provide more flexible strategies for combination therapy.
- **Precision treatment**: The development of genetic sequencing and the increased detection efficiency have made it possible to set precise immunotherapy based on patient's own tumor conditions. In the future, pharmaceutical companies and diagnostic companies will cooperate with hospitals to build a more accurate diagnostic platform, so as to customize precision treatment strategies for patients.

The Anti-CD47 Therapy Market

One example of immunotherapy is the anti-CD47 therapy. CD47 (Cluster of Differentiation 47) is a transmembrane protein that is expressed on all normal cells in human and is found to be overexpressed on cancer cells. CD47 interacts with SIRPα (signal-regulatory protein α) on the surface of myeloid cells. The CD47-SIRPα interaction inhibits macrophage phagocytosis, allowing cancer cells to escape immune surveillance.

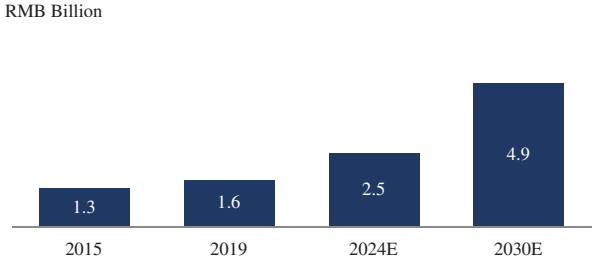
The anti-CD47 therapy works by targeting towards inhibiting the CD47-SIRPα interaction via anti-CD47 antibodies. This activates innate immunity and promotes cancer cell destruction by macrophages. Our pipeline product RRx-001 is an anti-CD47-SIRPα small molecule anti-cancer immunotherapeutic drug candidate, which competes in the anti-CD47 therapy market.

Neuroblastoma Market

Neuroblastoma starts in certain early types of nerve cells, most commonly found in an embryo or fetus. It is a cancer that develops from immature nerve cells found in several areas of the body. Neuroblastoma most commonly arises in and around the adrenal glands, and it can also start in areas near the spine in the chest or neck. Neuroblastoma can be presented as a lump in the neck, chest, or abdomen, bulging eyes, abdominal swelling, and etc. It is the most common type of extracranial solid tumor among infants in China. Currently, treatment options for neuroblastoma in China mainly consist of surgery, radiotherapy and chemotherapy.

According to Frost & Sullivan, the market size of neuroblastoma drugs in China was RMB1.3 billion in 2015, increased to RMB1.6 billion in 2019, and is expected to reach RMB2.5 billion in 2024 and RMB4.9 billion in 2030, representing a CAGR of 6.0% from 2015 to 2019, a CAGR of 8.3% from 2019 to 2024 and a CAGR of 12.4% from 2024 to 2030. Our pipeline products Naxitamab and Omburtamab are expected to enjoy potential growth of China's neuroblastoma market in the future.

China's Neuroblastoma Market Size and Forecast, 2015-2030E



Period	CAGR
2015-2019	6.0%
2019-2024E	8.3%
2024E-2030E	12.4%

Cancer Supportive Care Market

Overview

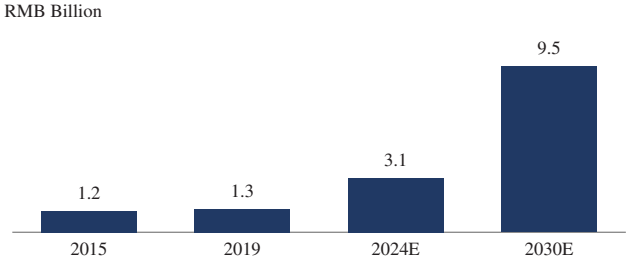
Cancer supportive care is medical care that focuses on relieving the symptoms caused by serious illnesses like cancers to improve the quality of life. The goal of supportive care is to prevent or treat as early as possible the symptoms of a disease, side effects caused by treatment of a disease, and psychological, social, and spiritual problems related to a disease or its treatment. Cancer supportive care therapeutics reduce side effects caused by cancer treatments, thereby assisting in increasing the life expectancy of individuals. In terms of therapeutic areas, cancer supportive care therapeutics can be used to treat radiation-induced nausea and vomiting, radiotherapy/chemotherapy-caused oral mucositis, tumor cachexia, bone metastases, and chemotherapy-induced neutropenia.

Bone Metastases Market

Bone metastasis occurs when cancer cells spread from their original site to a bone. Nearly all types of cancer can spread to the bones, causing pain and broken bones. With rare exceptions, cancers that have spread to the bones can't be cured, but treatments can help reduce pain and other symptoms of bone metastases. Zometa, one of our marketed products in China, is an osteoclast mediated bone resorption inhibitor used to treat bone metastases from solid tumors.

The market of bone metastases drugs in China, in terms of sales revenue, amounted to RMB1.3 billion in 2019, and represented a CAGR of 2.4% from 2015. The market is estimated to grow at a CAGR of 19.1% from 2019 to 2024 and to reach RMB3.1 billion in 2024, and is estimated to further grow at a CAGR of 20.5% from 2024 to 2030 and to reach RMB9.5 billion in 2030. The sales revenue of Zometa in China in 2019 was RMB205.7 million, ranked third in China's bone metastases market, with a market share of 15.9%. As a third-generation bisphosphonate, Zometa has the highest relative potency compared to the first- and second-generation bisphosphonate drug and more selectivity for inhibition of bone resorption.

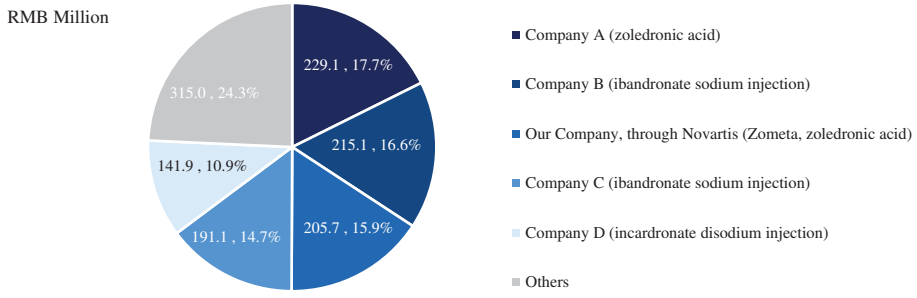
China's Bone Metastasis Market Size and Forecast, 2015-2030E



Period	CAGR
2015-2019	2.4%
2019-2024E	19.1%
2024E-2030E	20.5%

Source: Frost & Sullivan

Breakdown of China's Bone Metastasis Market by Company, 2019 in Terms of Sales Revenue



Source: Frost & Sullivan

Oropharyngeal Candidiasis Infection Market

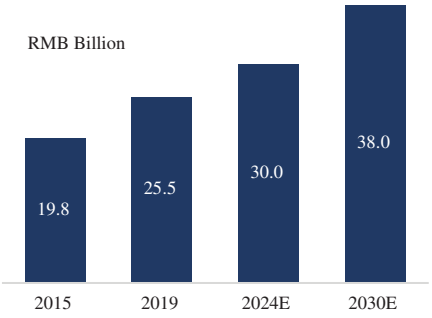
Oropharyngeal candidiasis is a common endogenous, opportunistic infection caused, in most cases, by the fungus *Candida albicans*. Symptoms of oropharyngeal candidiasis include white patches on the inner cheeks, tongue, roof of mouth and throat, redness or soreness, loss of taste, pain while eating or swallowing and cracking, and redness at the corners of the mouth. Cancer patients are at higher risk for oropharyngeal candidiasis infection due to the immunosuppressive nature following their cancer treatments.

Treatment for oropharyngeal candidiasis infection is usually antifungal medicine, which includes one of our pipeline products, Oravig, a buccal tablet to apply topically to the gum that releases miconazole. Miconazole is an imidazole anti-fungal agent which acts by inhibiting ergosterol synthesis, a major component of fungal cell membranes.

The market of anti-fungal drugs in China, in terms of sales revenue, amounted to RMB25.5 billion in 2019 and represented a CAGR of 6.5% from 2015. The market is estimated to grow at a

CAGR of 3.3% from 2019 to 2024 and to reach RMB30.0 billion in 2024, and is estimated to further grow at a CAGR of 4.1% from 2024 to 2030 and to reach RMB38.0 billion in 2030. As an imidazole anti-fungal drug, Oravig's market is expected to experience continuous growth in the future.

China's Anti-fungal Drug Market Size and Forecast, 2015-2030E



Period	CAGR
2015-2019	6.5%
2019-2024E	3.3%
2024E-2030E	4.1%

Source: Frost & Sullivan

SEVERE INFECTION MARKET

Overview

Severe infection is a severe disorder caused by organisms such as bacteria, viruses, fungi, or parasites that are passed, directly or indirectly, from one person to another.

Future trends of severe infection market in China include the following:

- **New mechanism of action ("MoA") or structure of anti-infectives**: Since the discovery of daptomycin in 1987, no antibiotic with a new MoA or structure has been developed, while the resistance of bacteria against such last resort antibiotics as daptomycin, carbapenem and linezolid has increased. Therefore, as illustrated by the market performance of linezolid and daptomycin, next generation antibiotics with new MoA or structure are urgently needed to address this problem.
- **Priority in using narrow spectrum antibiotics**: The overuse of broad spectrum antibiotics has resulted in rapid development of drug resistance, potential cross drug resistance and spectrum overlap. Therefore, there is consensus among the European, U.S. and Chinese guidelines that the use of narrow spectrum antibiotics in bacterial infections should become a priority.
- **Stringent regulatory regime for antibiotics use**: In the last five years, the FDA, the EMA, the PMDA and the NMPA have introduced regulations and policies to regulate the use of antibiotics in both human treatment and environmental use to prevent development of drug resistant bacteria, especially multi-drug resistant bacteria. For example, uses of antibiotics fall under three classes in China, and the higher the class, the more stringent certification is required for such use.
- **Preference of oral antibiotics**: Oral administration is considered to be the most acceptable and economical method of administration for antibiotics. The advent of new antibiotics that have an improved safety profile are suitable for oral administration and will offer more choices to doctors and patients.

Such trends in the severe infection drug market in China are driven by the following growth drivers:

- **Increasing number of infection cases:** Bacterial and fungal infection cases have been growing in recent years in China, which increase the demand for anti-infectives.
- **Drug resistance and increase in dosage:** The overuse of broad spectrum antibiotics has led to increased resistance of bacteria against currently available antibiotics. As a result, an increase in the dosage is required for certain antibiotics to be effective.
- **Favorable policies:** Favorable government policies that have been driving the anti-infective market in China include clear and reasonable classifications of antibiotics and the reduction of application barriers for antibiotics.
- **Needs for better potency and safety profile:** Multi-drug resistance bacterial infections are becoming increasingly common and serious, emphasizing the need for new antibiotics with better potency and safety profile.
- **Emerging oral anti-infective with improved potency and safety:** Oral anti-infectives provide convenience in administration and reduce cost for patients discharged from hospital. The emerging need for oral antibiotics with improved potency and safety profiles to treat severe infection is expected to drive the anti-infective market in the future.

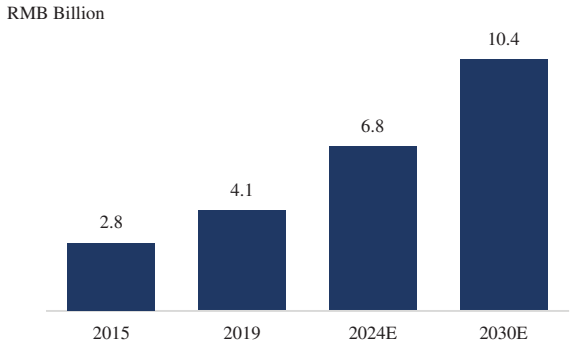
Anti-bacterial Drug Market

Anti-bacterial drug is a type of anti-infective that only targets bacteria and is used to treat or prevent bacterial infections. Anti-bacterial drugs are derived from bacteria or molds, or are synthesized in laboratories de novo. Anti-bacterial drugs target essential bacterial physiology and biochemistry, causing microbial cell death or the cessation of growth.

Among all bacterial infection cases, multi-drug resistant bacteria impose severe threat to public health worldwide. In 2017, the World Health Organization published its first list of antibiotic resistant "priority pathogens," a catalogue of 12 families of bacteria that pose the greatest threat to human health. Within the list of 12 families of bacteria, *Staphylococcus aureus*, also known as *S. aureus*, is a genus of multi-drug resistant bacteria. Among which, there is a strain called methicillin-resistant *Staphylococcus aureus* (MRSA). This is a bacterium which causes infections in different parts of the body and is tougher to treat than other strains of *S. aureus* as it is resistant to some commonly used antibiotics. MRSA infection may cause diseases including HABP and VABP.

One of our pipeline candidates, Vibativ (telavancin), is used for treating MRSA infection and the robust growth of anti-MRSA infection antibacterial drug market sets forth the growth prospects for Vibativ. The market size of anti-MRSA infection antibacterial drug in China in 2019 was RMB4.1 billion, representing a CAGR of 10.2% from 2015. This market size is estimated to continuously increase at a CAGR of 10.4% from 2019 to 2024 and is estimated to reach RMB6.8 billion in 2024. It is expected to further grow at a CAGR of 7.4% from 2024 to 2030 and to reach RMB10.4 billion in 2030. Corresponding to the growth in anti-MRSA infection antibacterial drug market in China, the market potential of Vibativ is also expected to further expand.

China Anti-MRSA Infection Antibacterial Drug Market Size and Forecast, 2015-2030E



Period	CAGR
2015-2019	10.2%
2019-2024E	10.4%
2024E-2030E	7.4%

Source: Frost & Sullivan

THE THYMIC HORMONES MARKET

Overview

Thymic hormones refer to any of the hormones produced by the thymus that can help attract lymphoid stem cells to the thymus and stimulate their development into mature T lymphocytes. Thymic hormones can be used as immunomodulators, which refer to the pharmaceutical products that enhance or suppress the immune function of the body to treat diseases resulted from abnormal immune function. Immunomodulators have been adopted in a wide range of clinical applications, ranging from oncology and severe infection to respiratory diseases and digestive system diseases. Among all types of immunomodulators, thymic hormones demonstrate advantages in that they can be applied in a wide range of indications, with manageable side effects and good safety profile.

There are three types of thymic hormone drugs available in China, namely thymosin, thymopentin and thymalfasin:

- **Thymalfasin (胸腺法新) (scientifically referred to as thymosin alpha 1, "Tα1")**: Thymalfasin, originally isolated as a natural substance from thymus tissue, is a pure, synthetic peptide of 28 amino acids, with a half-life of 1.65 hours. Thymalfasin works as immunomodulator by promoting T lymphocytes maturation, increasing the secretion of various lymphokines by activated T cells and the level of lymphokines receptor on T cells, as well as activating CD4 cells to enhance allogeneic and autologous human mixed lymphocyte response. Different from thymosin and thymopentin, thymalfasin is the only one displaying the same chemical structure and configuration as the natural Tα1 that presents in human body, leading to enhancement towards patients' immunity and life quality, and increase in remission rate and survival rate. Thymalfasin (brand name Zadaxin) was first approved in Italy in 1993, China in 1996 and registered in more than 30 countries. It has been adopted in a wide variety of clinical adoptions, including the treatment of chronic hepatitis B and chronic hepatitis C, vaccine enhancer and the adjuvant treatment of cancers. More recent evidence suggests that it has the potential to be used in combination with tumor immunotherapy drugs.

- **Thymopentin** (胸腺五肽): Thymopentin is a synthetic pentapeptide (residues 33-38 of Tmpo) that fully reproduces immunological effects of full length thymopoietin. Its natural synthesis has never been demonstrated. Thymopentin is a short-lived peptide with a half-life in plasma of about 5-6 min. Thymopentin works as immunomodulator by inducing the differentiation of T lymphocytes, promoting the development, maturation and activation of T lymphocyte subsets. Thymopentin was approved in China in 1997, one year following thymalfasin, and only approved in China. According to the search of PubMed, there are relatively few clinical studies and medical evidences.
- **Thymosin** (胸腺肽): Thymosin is extracted directly from mammals' thymuses. Though thymosin has been in China for more than 20 years, the clinical adoption is reducing given the purity challenges and corresponding safety and efficacy concerns.

Market Size and Forecast

The overall thymic hormone market in China is expected to recover from the downward trend in the past few years and realize growth in the near future. The market size of thymic hormone in China experienced moderate decrease from RMB 6.0 billion in 2015 to RMB 4.7 billion in 2019, despite the increase in the market size of thymalfasin during the same period. The reason behind such decrease includes the considerable decrease of the market size of thymopentin and thymosin from 2015 to 2019, as a result of the competition from generic drugs and the decrease in the respective prices. Meanwhile, even if the market size of thymalfasin displayed a growing trend, the increase in the market size of thymalfasin from 2015 to 2019 did not catch up the decrease in the market size of thymopentin and thymosin during the same period. With the gradual replacement of thymosin and thymopentin by thymalfasin in clinical application, despite some year-to-year fluctuation, the total sales revenue of thymic hormone in China is estimated to reach RMB5.2 billion in 2024, representing a CAGR of 2.1% from 2019 to 2024. The total sales revenue of such market is estimated to further reach RMB6.4 billion in 2030, representing a CAGR of 3.5% from 2024 to 2030. The following reasons drive the rebound to be expected on the thymic hormone market:

- **Improved affordability**: The average disposable income of the Chinese population is expected to continue growing in the near future, which is expected to increase the willingness and ability of patients to pay for medications, including more expensive medical treatments and medications such as thymic hormone drugs.
- **Growing public awareness of immunomodulators**: With the improvement of economic conditions and advances in diagnosis testing, public awareness regarding disease testing and management has gradually increased, particularly in respect of cancer and some severe infection, which use thymic hormone drugs for treatment. In addition, the current outbreak of COVID-19 worldwide has also increased the public awareness of the benefit of thymic hormones as immunomodulators and has enhanced the clinical adoption for treatment of COVID-19 by thymic hormones.
- **Advancement of medical research:** As medical research, especially researches on immunotherapy and immunomodulator, has achieved significant advancement in the past decade, the medical profession and pharmaceutical industry have gained deeper understanding in immunomodulation and its role in disease development, which provides

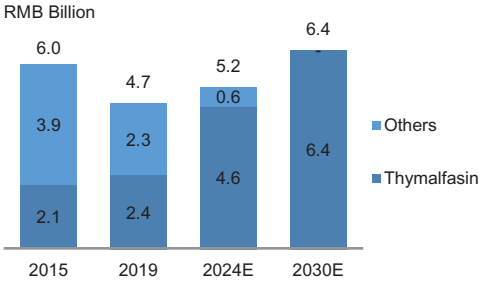
more opportunities for adoption of thymic hormone immunomodulators in more clinical applications.

In the near future, the thymic hormone market in China is expected to demonstrate the following trends:

- **Inclusion in more treatment guidelines**: With increasing clinical evidence of efficacy and safety, the thymic hormone drugs have been included into an increasing number of clinical treatment guidelines. With the further accumulation of data from ongoing clinical trials, it is expected that thymic hormone drugs will be included into more treatment regimens and guidelines.
- **Potential expansion of indications to be covered by thymic hormone drugs**: According to real-world studies and investigator-initiated trials, thymic hormone drugs have shown promising results in treating multiple cancers including pancreatic cancer, liver cancer, lung cancer and gastric cancer. Such promising clinical results, together with the inclusion of thymic hormone drugs in more treatment guidelines, may lead to an expansion of indication coverage by thymic hormone drugs.
- **Higher penetration**: With more extensive patients' education supported by governments and big pharmaceutical companies, as well as the expansion of its clinical adoption, thymic hormone drugs are expected to steadily gain deeper penetration over the cancer patient base and the hepatitis patient base, as an immune adjuvant.

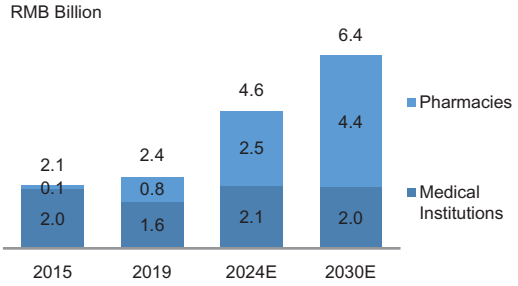
Despite the fluctuation in the overall thymic hormone market in China, the market for thymalfasin consistently grew in the past few years, resulting from the gaining of market share by thymalfasin through its competition with thymosin and thymopentin. In 2015, the market size for thymalfasin in China, in terms of revenue from pharmacies and medical institutions, was RMB2.1 billion, representing approximately 35.0% of the total thymic hormone market. In 2019, the market for thymalfasin in China, in terms of revenue from pharmacies and medical institutions, reached RMB2.4 billion, representing a CAGR of 3.5% from 2015 and accounting for 51.1% of the total thymic hormone market in 2019. The prospective growth of the total thymic hormone market in the near future, the current market share and headroom of thymalfasin within the thymic hormone market in China, together with the track record of the consistent increase of such market share, suggest considerable potential for thymalfasin to further gain market share from competing products and realize consistent and robust growth in the near future. The market for thymalfasin in China, in terms of revenue from pharmacies and medical institutions, is estimated to grow to RMB4.6 billion in 2024 and to further reach RMB6.4 billion in 2030, representing a CAGR of 13.9% from 2019 to 2024 and a CAGR of 5.8% from 2024 to 2030, in each case significantly outpacing the corresponding CAGR for the total thymic hormone market in China during the same period. Correspondingly, the market share of thymalfasin within the total thymic hormone market in China is expected to consistently increase, as thymalfasin is expected to account for 88.5% of the total thymic hormone market in China in 2024 and to ultimately take the entire thymic hormone market in China from 2026 onwards.

Breakdown of Thymic Hormone Market in China, by Product Types



Source: Frost & Sullivan

Breakdown of Thymalfasin Market in China, by Sales Channels

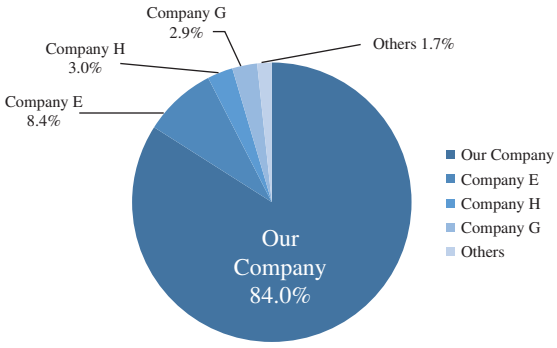


Source: Frost & Sullivan

In terms of sales channel, sales through pharmacies are expected to dominate the thymalfasin market in China in the near future. The sales of thymalfasin in China are through two major channels: medical institutions (including hospitals and primary healthcare providers) and pharmacies. While sales of thymalfasin in China have been historically dominated by the medical institutions channel, sales of thymalfasin in China through pharmacies have witnessed considerable expansion in the past few years. In 2015, sales revenue of thymalfasin in China through pharmacies were only RMB106.6 million, representing 5.1% of the total sales revenue of thymalfasin in China in 2015. In 2019, sales revenue of thymalfasin in China through pharmacies reached RMB829.7 million, representing a CAGR of 67.0% from 2015 and accounting for 34.8% of the total sales revenue of thymalfasin in China in 2019. In the near future, the pharmacy channel is expected to become the major channel for the sales of thymalfasin in China. The sales revenue of thymalfasin in China through pharmacies is estimated to increase to RMB2,474.1 million in 2024 and to further reach RMB4,363.5 million in 2030, accounting for 54.1% and 68.2% of the total thymalfasin market in China in terms of sales revenue in each respective year, and representing a CAGR of 24.4% from 2019 to 2024 and a CAGR of 9.9% from 2024 to 2030.

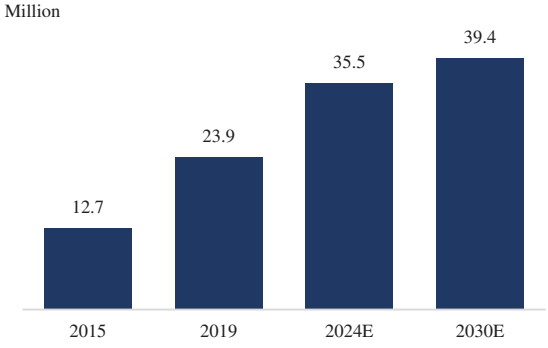
In addition, we have demonstrated significant competitive edge in terms of thymalfasin sales via pharmacies. In 2019, our sales revenue of Zadaxin via pharmacies represented a dominant market share of over 80% in the market of thymalfasin sold via pharmacies in China. According to Frost & Sullivan, sales of Zadaxin in China through pharmacies is expected to increase significantly, as it is a trend that more pharmaceutical sales in China are expected to be conducted via pharmacies in the future. Considering that the pharmacies channel is expected to become the largest channel for the sales of thymalfasin in China in the near future, our dominance in the market of thymalfasin sold via pharmacies in China provides us with strong potential for obtaining robust growth and maintaining market leadership in the future.

Breakdown of Thymalfasin Sales via Pharmacies in China by Manufacturer, 2019, in Terms of Wholesale Sales Level



Source: Frost & Sullivan

Target Addressable Patient Population of Zadaxin in China, 2015-2030E



Period	CAGR
2015-2019	17.1%
2019-2024E	8.2%
2024E-2030E	1.7%

Source: Frost & Sullivan

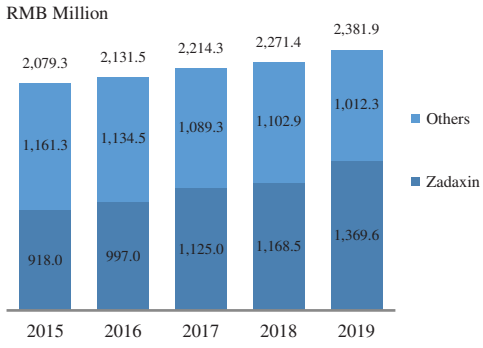
The target addressable patients of Zadaxin in China include patients with chronic hepatitis B and patients with impaired immunity. The target addressable patients of Zadaxin are assumed to be patients who are above 18 years old as stated in its drug label. For example, Zadaxin is indicated for patients with chronic hepatitis B. In the target addressable patients, no specific age segment of patients who are above 18 years old with chronic hepatitis B is targeted as Zadaxin does not discriminate for specific age segment. The number of target addressable patients of Zadaxin in China increased from 12.7 million in 2015 to 23.9 million in 2019. In 2024, the number is expected to reach 35.5 million, representing a CAGR of 8.2% from 2019 to 2024. The number is expected to reach 39.4 million by 2030 with a CAGR of 1.7% from 2024 to 2030.

Competitive Landscape

Within the thymalfasin market in China, our product Zadaxin, approved in 1996, is the first branded thymalfasin drug. Zadaxin has consistently demonstrated high product quality, as supported by academic studies including the studies conducted by Shanghai Institute for Food and Drug Control, while as of the Latest Practicable Date, only one generic drug to Zadaxin had passed the consistency evaluation for quality and efficacy. The product quality of Zadaxin is evidenced by its consistent gains in market share in recent years from competing products such as generics. From

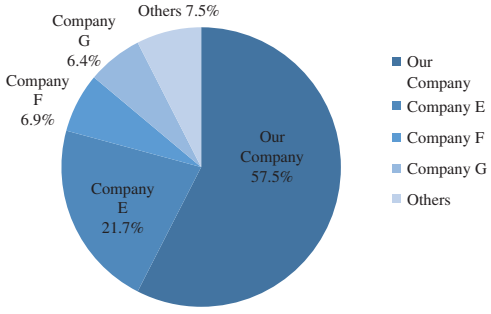
2015 to 2019, in terms of revenue, sales of Zadaxin accounted for 44.1%, 46.8%, 50.8%, 51.4% and 57.5% of the thymalfasin market in China, respectively, demonstrating an increase in market share in the thymalfasin market in China and our strong capabilities to consistently outperforming our competitors, according to Frost & Sullivan. In addition, in terms of volume, sales of Zadaxin accounted for 11.9% and 20.4% of the thymalfasin market in China in 2015 and 2019, respectively, demonstrating Zadaxin's ability to gain market shares from generic competition, as well as a significant headroom for its future growth potential.

Breakdown of Thymalfasin Market in China, by Products



Source: Frost & Sullivan

Breakdown of Thymalfasin Market in China by Company, 2019, in Terms of Wholesale Sales Level



Source: Frost & Sullivan

Drugs directly competing with Zadaxin in China include other thymalfasin drugs as shown in the table below:

Drug Name	Company	Drug Classification	Approval Time	Price[1] (RMB/1.6mg)	Annual Cost Per Patient (RMB)[1][2]	NRDL Eligibility[4]
ZADAXIN	**SciClone**	Innovative	**1996**	**474**	**24,648**	
JITAI (基泰)	ShuangCheng Pharmaceuticals	Generic	2015	84	4,368	
HERI (和日)	ZhongHe Pharmaceuticals	Generic	2015	90	4,680	
MAIPUXIN (邁普新)	DIAO Jiuhong Pharmaceutical Factory	Generic	2015	110	5,720	
Thymalfasin	Suzhou Tianji Bio-pharmaceuticals	Generic	2015	77	4,004	
Thymalfasin	SPH No. 1 Biochemical & Pharmaceutical Co.	Generic	2016	110	5,720	the work-related injury insurance catalog[4]
Thymalfasin	Harbin Pharmaceutical Group	Generic	2018	96	4,992	
Thymalfasin	ShengNuo Pharmaceuticals	Generic	2018	85	4,420	
Thymalfasin	LangTian Pharmaceuticals	Generic	2018	99	5,148	
Thymalfasin	Hanyu Phamaceuticals	Generic	2019	96	4,992	
Thymalfasin	Yangtze River Pharmaceutical Group	Generic	2019	109	5,668	
Thymalfasin	Sinopep Allsino BioPharmaceutical Co.	Generic	2019	NA[3]	NA[3]	
Thymalfasin	Haiyue Pharmaceuticals	Generic	2019	122	6,344	
Thymalfasin	CR Double-Crane Pharmaceuticals	Generic	2019	NA[3]	NA[3]	
Thymalfasin	Sailong Pharmaceuticals	Generic	2019	101	5,252	

Notes:

(1) The information on price and annual cost per patient is based on data at wholesale price level in 2019.

(2) Annual cost per patient refers to the estimated average cost incurred by the application of the drug on the patient in a year. It is calculated based on the assumption that on average each patient on the drug receives 52 shots (1.6mg per shot) annually according to the relevant drug label.

(3) These drugs were approved in late 2019 and industry information on price and annual cost per patient is not yet available for these drugs.

(4) Zadaxin was originally included in Part B of the NRDL since 1999, and was later removed based on decisions made by the regulators from Part B of the NRDL to be included in the work-related injury insurance catalog of the NRDL since February 2017. The current effective version of NRDL was promulgated on August 20, 2019 pursuant to the amendment by MHRSS and the NHSA, and became effective on January 1, 2020. On December 25, 2020, the NHSA and MOHRSS promulgated the Notice of Issuance of Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2020) (《關於印發<國家基本醫療保險、工傷保險和生育保險藥品目錄(2020年)>的通知》), which will take effect on March 1, 2021 and will simultaneously replace the current effective version of NRDL. See "Regulatory Overview — Laws and Regulations in Relation to the Coverage and Reimbursement — Medical Insurance Catalogue." As NRDL coverage is based on the type of compound, all thymalfasin drugs, including Zadaxin and the generics, are covered by the work-related injury insurance catalog of the NRDL, in both the current effective version of NRDL and the new NRDL promulgated on December 25, 2020, and the corresponding reimbursement is limited to patients eligible for employment injury insurance. In principle, the NRDL is to be updated once a year in the future.

(5) According to Frost & Sullivan, as of the Latest Practicable Date, Zadaxin and all of its generic thymalfasin drug competitors were covered by the centralized tender process, and none of them was covered by the volume-based procurement.

Source: Frost & Sullivan

Jitai (基泰), the generic thymalfasin drug manufactured by ShuangCheng Pharmaceuticals, passed the consistency evaluation in December 2020. Besides Jitai, there were four other generic thymalfasin drugs that await consistency evaluation as of the Latest Practicable Date. The competitive landscape for our product Zadaxin imposes several challenges:

- Generic drugs may continue to compete with Zadaxin, as Zadaxin may face continued competitions from a large number of generic thymalfasin drugs and other generic thymic hormone drugs.
- Zadaxin may face competitions from new innovative drugs, such as other types of hormone immunomodulators.
- Uncertainties in policies such as changes in the medical insurance system, the volume-based procurement policy, and policies regarding adjuvant therapies may create additional challenges for Zadaxin.

See "Risk Factors — We rely on the sales of a limited number of proprietary product and promotion products for business partners, especially in Mainland China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in government regulations, our operations, revenue and profitability could be adversely affected" and "Risk Factors — We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors selling competing drugs such as substitute or generic drugs and new innovative drugs, which could subject us to the pressure of price reduction and adversely affect our operations, revenue and profitability."

Despite the competition, we and Frost & Sullivan believe that Zadaxin is expected to enjoy market advantage in comparison to its generic drugs in the near future in China, even though Zadaxin is sold at a higher price compared to its generic drug competitors, due to several factors:

- Zadaxin, as the first branded thymalfasin drug in China, possesses the first-mover advantage, which allows it to take advantage of its strong brand recognition and product loyalty from doctors and target patients, the majority of whom are self-paying or covered by private medical insurance, and are therefore less sensitive to differences in prices;
- Zadaxin, as a tested and approved thymic hormone drug, has the potential to be used as a combination therapy with other emerging treatments, which enables it to capture new industry opportunities; and
- Zadaxin is able to capitalize on our successful commercialization efforts, as well as the synergies created from innovative sales channels and the GTP model.

See "Business — Products and Services — Our Proprietary Product — Zadaxin."

According to Frost & Sullivan, if thymalfasin is included in the catalogue for volume-based procurement, the Company could either participate or decline to participate in the bidding. The competing generic drug that passes the consistency evaluation may choose to participate in the bidding, and the participation of the competing generic drugs in the volume-based procurement could

result in significant price decline of the relevant drugs, and Zadaxin may experience increased pricing pressures. See "Risk Factors — We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as the volume-based procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability." and "Financial Information — Factors Affecting Our Results of Operations — The implementation and expansion of the volume-based procurement for sales of drugs to PRC public medical institutions."

PERCUTANEOUS CORONARY INTERVENTION ("PCI") ANTICOAGULANT MARKET

Overview

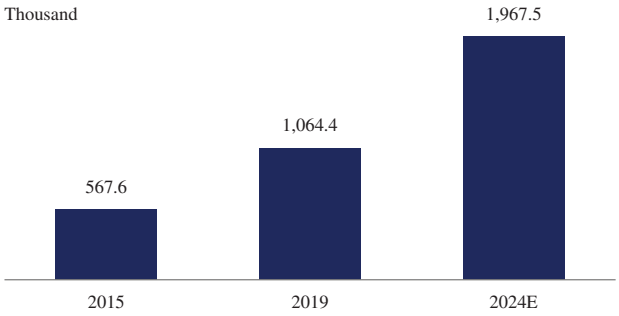
Anticoagulants are medicines that increase the time they take for blood to clot. Anticoagulants achieve their effect by suppressing the synthesis or function of various clotting factors that are normally present in the blood. Anticoagulants may be used to treat blood clots, or in conditions where the risk of blood clots is increased to reduce the risk. PCI is the most commonly performed invasive therapeutic cardiac procedure for coronary artery diseases and plays an important role in the treatment of ischemic heart disease. In the China Treatment Guideline for PCI (2016), issued by the Cardiovasculogy Society of Chinese Medical Association, four types of anticoagulants, including bivalirudin, unfractionated heparin, enoxaparin and fondaparinux, are suggested to be applied during PCIs.

Among the PCI anticoagulants, bivalirudin is a short and synthetic peptide that is used as a potent, highly specific and direct inhibitor of thrombin. It inhibits both circulating and clot bound thrombin and also inhibits thrombin medicated platelet activation and aggregation. Bivalirudin has a quick onset of action and a short half-life.

Market Size, Forecast and Growth Drivers

The markets of PCI anticoagulant in China demonstrate robust growth in the past and promising growth prospects in the future. Due to factors such as the aging population, the increase in the number of patients with coronary artery diseases, and improved accessibility to qualified healthcare institutions, the volume of PCI procedures rose rapidly at a CAGR of 17.0% from 2015 to 2019, reaching 1,064.4 thousand in 2019, and is expected to further grow at a CAGR of 13.1% and to reach 1,967.5 thousand in 2024. Corresponding to the robust growth in the volume of PCI procedures, the market PCI anticoagulant in China is also expected to further expand. The market size of PCI anticoagulants in China in 2019 was RMB4.3 billion, representing a CAGR of 26.6% from 2015, and is estimated to reach RMB8.4 billion and 12.4 billion in 2024 and 2030, respectively.

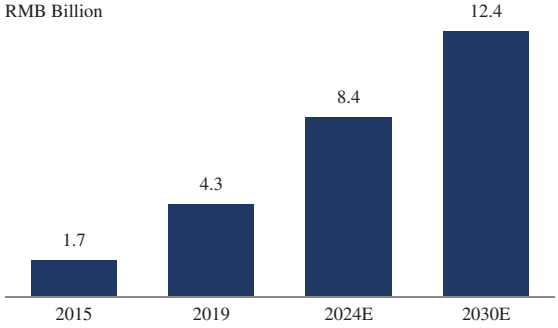
China's Volume of PCI Procedures, 2015-2024E



Period	CAGR
2015-2019	17.0%
2019-2024E	13.1%

Source: Frost & Sullivan

China's PCI Anticoagulant Market Size and Forecast, 2015-2030E



Period	CAGR
2015-2019	26.6%
2019-2024E	14.2%
2024E-2030E	6.8%

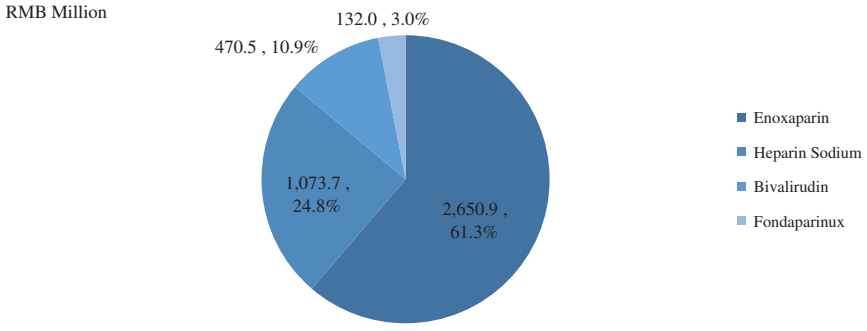
Source: Frost & Sullivan

The growth of the PCI anticoagulant market is driven by the following factors: (i) the constantly increasing number of patients with coronary artery diseases in China, due to aging of China's population as well as unhealthy lifestyle such as preference for high-fat diet and lack of exercise, (ii) the improving accessibility of PCI anticoagulants, as the continuous investment in medical resources in China is expected to make the qualified medical faculties, medical equipment and supportive therapies needed for the PCI procedures more accessible, and (iii) the improvement on personal affordability, as the continuous growing of disposable income among the Chinese population will enable patients to afford more expensive medical treatments like the PCI procedures. Driven by the factors above, the PCI anticoagulant market in China is expected to expand considerably in the near future.

Competitive Landscape

The sales revenue of bivalirudin amounted to RMB470.5 million in China in 2019, which ranked the third in China's PCI anticoagulant market, with a market share of 10.9%. Compared with the other three types of anticoagulants for PCI, bivalirudin demonstrates several advantages: (i) bivalirudin monotherapy significantly reduces major bleeding while providing similar ischemic protection and improves net clinical outcome, (ii) unlike unfractionated heparin or enoxaparin, bivalirudin does not inflict platelet activation therefore causing a reduced risk of bleeding, and (iii) bivalirudin's combination with prothrombin is reversible.

Breakdown of China's PCI Anticoagulant Market by Drug Categories, 2019, in Terms of Sales Revenue



Source: Frost & Sullivan

PROMOTION SERVICES AND DISTRIBUTION MARKET FOR PHARMACEUTICAL PRODUCTS

Promotion service providers and distributors offer pharmaceutical company partners the option to outsource their sales and marketing activities for certain products in certain markets, filling the gap for pharmaceutical companies that do not keep an in-house sales and marketing team in certain local markets. Promotion service providers and distributors also enable pharmaceutical companies to save costs as they can flexibly adjust resources allocated to sales and marketing activities. Promotion service providers and distributors possess expertise in a number of areas, such as market access, healthcare policies and regulations, and key account management on a local level. The number of promotion service providers and distributors in China has increased in recent years, and such increase is expected to continue in the near future.

In the near future, the promotion services and distribution market for pharmaceutical products is expected to demonstrate the following trends:

- **Competition in product portfolio**: The success of promotion service providers and distributors will significantly depend on the competitiveness of their product portfolio, so it is crucial for promotion service providers and distributors to implement rigorous screening process to select promising products and business partners.
- **Appropriate incentive structure**: In the future, promotion service providers and distributors may align their incentives with business partners through arrangements such as equity investment and long-term exclusive agreements.
- **Comprehensive scope of services**: To better serve their business partners, promotion service providers and distributors are expected to provide a comprehensive scope of services, including customized marketing plans, product positioning, and sales staff training.

Such trends in the promotion services and distribution market for pharmaceutical products will be driven by the following market drivers:

- **The Marketing Authorization Holder ("MAH") system**: The MAH policy provides a flexible framework for promotion service providers and distributors authorized by MAH

to engage medical representatives to conduct sales and marketing activities. In addition, the MAH system also enhances safety and compliances of services provided by promotion service providers and distributors.

- **Cost reduction for large global pharmaceutical companies**: Driven by the pressure to reduce cost, large global pharmaceutical companies may tend to reduce their spending on in-house sales and marketing team in China and may outsource some sales and marketing activities to third-party promotion service providers and distributors.
- **Challenges in market entry for overseas pharmaceutical companies**: Many overseas pharmaceutical companies face challenges in navigating China's complex pharmaceutical regulatory system, including the tender process, the hospital procurement process, and NMPA registration and renewal procedures. In addition, some small- and medium-sized overseas pharmaceutical companies may not have enough resources to establish an in-house marketing and distribution team to build an established sales and distribution network with wide geographic reach in China. Consequently, overseas pharmaceutical companies can benefit greatly from engaging promotion service providers and distributors for the sales and marketing of their products in China.
- **Service outsourcing of pharmaceutical companies**: Many domestic pharmaceutical companies in China traditionally engage in relatively limited scopes of business, such as R&D and manufacturing of pharmaceutical products, and may not have established their own in-house sales and marketing capabilities, so they may need to rely on sophisticated third-party promotion service providers and distributors for the sales and marketing of their products.

REPORT COMMISSIONED FROM FROST AND SULLIVAN

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the pharmaceutical market in the PRC for use in this prospectus. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in the prospectus is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB620,000, and is disclosed with the consent of Frost & Sullivan.

The Frost & Sullivan Report is prepared through extrapolating publicly available data, such as information provided by the government, annual reports of public companies, trade and medical journals, industry reports and other available information gathered by non-profit organizations. Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall pharmaceutical market and various segment markets in the PRC: the overall social, economic and political environment in the PRC is expected to remain stable during the forecast period; China's economic and industrial development is likely to maintain steady growth over the next decade; key industry drivers, such as accelerated aging population, growing demands from healthcare institutions, the increasing prevalence of chronic diseases, and continuous technology innovation are likely to drive the growth of China's pharmaceutical market during the forecast period; and no extreme force majeure or industry regulation will dramatically or fundamentally affect the market.

Frost & Sullivan's projection is made based on various market determinants and their coefficients assigned to a market which indicate their relative importance. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there is no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

REGULATORY REGIME IN THE PRC

We operate our business in China through our PRC subsidiaries under a legal regime consisting of the National People's Congress of the PRC (the "**NPC**"), the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**"), the State Council and several ministries and agencies under its authority including, among others, the NMPA and its local regulatory branches, the NHC and the NDRC.

According to the Institutional Reform Program of the State Council (《國務院機構改革方案》) promulgated by the NPC on March 17, 2018, the NMPA, formerly known as CFDA, was established as a regulatory authority responsible for registration and supervision of drugs, cosmetics and medical devices under the supervision of State Administration for Market Regulation (the "**SAMR**"), a newly established institution for supervising and administrating the market in China.

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

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

LAWS AND REGULATIONS IN RELATION TO DRUGS

Development of Drugs

Pursuant to the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) (the "**Drug Administration Law**") promulgated by the SCNPC, last amended on August 26, 2019 and became effective on December 1, 2019, and the Implementation Regulations of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》) promulgated by the State Council on August 4, 2002 and amended on February 6, 2016 and March 2, 2019, respectively, the PRC encourages the research and development of new drugs, and protects the legal rights and interests of citizens, legal persons and other organizations in the research and development of new drugs. The dossier on a new drug research and development, including the manufacturing method, quality specifications, results of pharmacological and toxicological tests and the related data, documents and the samples, shall, in accordance with the regulations of the NMPA be truthfully submitted to the competent authority for approval before the clinical trial is conducted. The NMPA shall, within 60 working days from the date on which the application for such clinical trial is accepted, decide whether to approve it and then notify the clinical trial applicant. In case of a failure to notify the applicant within the prescribed time limit, it shall be deemed as approved. When a new drug has gone through the clinical trial and passed the evaluation related to the drug safety, effectiveness and quality controllability provided that the applicant is competent in quality management, risk control and liability compensation, a drug registration certificate shall be issued upon approval by the NMPA.

Drug Clinical Trial

Drug Clinical Trial Registration

According to the Administrative Measures for Drug Registration (《藥品註冊管理辦法》) ("**Drug Registration Measures**") promulgated by the NMPA in July 2007 and became effective on October 1, 2007, revised on January 22, 2020 and became effective on July 1, 2020, clinical trial of drugs shall be subject to approval, and bioequivalence test shall be filed; clinical trial of drugs shall comply with the Good Clinical Practice of Drugs (《藥物臨床試驗質量管理規範》) (the "**Good Clinical Practice**") and shall be carried out by drug clinical trial organizations which has completed filing pursuant to relevant provisions and which comply with the relevant provisions. Clinical trial of drugs shall consist of Phases I, II, III and IV clinical trial as well as bioequivalence test. Based on the characteristics of drugs and research objective, the research contents shall include clinical pharmacology research, exploratory clinical trial, confirmatory clinical trial and post-marketing research clinical. On September 6, 2013, the Announcement of the CFDA on Drug Clinical Trial Registration and Information Publicity Platform (《國家食品藥品監督管理總局關於藥物臨床試驗信息平臺的公告》) provides that, in addition to the aforementioned approval from the NMPA, all clinical trials approved by the NMPA and conducted in the PRC shall complete clinical trial registration and

publish trial information through the Drug Clinical Trial Registration and Information Publicity Platform. Specifically, the applicant shall complete the trial pre-registration within one month after obtaining the approval of the IND in order to obtain the trial's unique registration number and complete the registration of certain follow-up information before the first subject's enrollment in the trial and the first submission of publicity. If the first submission of publicity is not completed within one year after the approval of the IND, the applicant shall submit an explanation, and if the first submission of publicity is not completed within three years, the approval of the IND shall automatically be annuled.

According to the Decision on Adjusting the Approval Procedures of the Administrative Approval Matters for Certain Drugs (《關於調整部分藥品行政審批事項審批程序的決定》) issued by the NMPA, which was promulgated by the NMPA on March 17, 2017 and took effect on May 1, 2017, the authority of the drug clinical trial approval decision is adjusted to the Center for Drug Evaluation (the "**CDE**") in the name of the NMPA. The Announcement on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs (《關於調整藥物臨床試驗審評審批程序的公告》) was promulgated by the NMPA on July 24, 2018, according to which, if the applicant does not receive any negative or questioning opinions from the CDE within 60 days after the application is accepted and the fees are paid, the applicant can carry out the clinical trials in accordance with the submitted trial protocol.

In accordance with the Opinions on Deepening the Reform of the Review and Approval System and Inspiring Innovation of Drugs and Medical Devices issued by the General Office of the CPC Central Committee and the General Office of the State Council (《中共中央辦公廳、國務院辦公廳關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) promulgated on and effective as from October 8, 2017, the institutions for drug clinical trials should establish an independent ethics committee and the clinical trial schemes are subject to examination, approval and signing with approval opinions by the ethics committee before implementation, in order to protect the rights and interests of human subjects in clinical trials. For a multi-center clinical trial conducted in the PRC, after ethical review by the leader unit of clinical trial, other member units should recognize the review results of the leader unit and should not conduct repeated review.

International Multi-Center Clinical Trials Regulations and Acceptance of Overseas Clinical Trial Data

According to the International Multi-Center Clinical Trial Guidelines (Trial) (《國際多中心藥物臨床試驗指南（試行）》), or the Multi-Center Clinical Trial Guidelines, promulgated by the NMPA on January 30, 2015 and effective from March 1, 2015, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicants plan to implement the International Multi-center clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Implementation Regulations for the Drug Administration Law and the Administrative Measures for Drug Registration, execute the Good Clinical Practice, make reference to universal international principles such as the ICH-GCP, and comply with the laws and regulations of the countries involved in the International Multi-Center clinical trials. Where the applicants plan to use the data derived from the International Multi-Center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Center Clinical Trial Guidelines and Drug Registration Measures and other related laws and regulations.

In October 2017, the NMPA issued the Decision on Adjustment of Matters Relating to Registration and Administration of Imported Drugs(《關於調整進口藥品註冊管理有關事項的決定》), pursuant to which, (i)for drugs subject to international multi-center clinical trial carried out in China, Phase I clinical trial shall be allowed to be carried out simultaneously, and the requirement that the clinical trial drug should be registered overseas or that the drug has entered into Phase II or Phase III clinical trial shall be removed, except for biological products for preventive purposes, (ii) following the completion of international multi-center clinical trial carried out in China, the applicant may directly apply for registration of market launch of the drugs, (iii) with respect to applications for clinical trial or market launch of imported innovative chemical drugs and therapeutic biological products, the marketing authorization in the country or region where the foreign drug manufacturer is located will not be required, and (iv) with respect to drug applications that have been accepted before the release of this Decision, if relevant requirements are met, importation permission can be granted if such applications request exemption of clinical trials for the imported drugs based on the data generated from international multi-center clinical trial.

According to the Technical Guiding Principles for the Acceptance of Overseas Clinical Trial Data of Drugs (《接受藥品境外臨床試驗數據的技術指導原則》) promulgated by the NMPA on July 6, 2018, the basic principles for accepting overseas clinical trial data include: (i) applicants shall ensure the authenticity, integrity, accuracy and traceability of overseas clinical trial data; (ii) the process of generating overseas clinical trial data shall comply with the relevant requirements of the GCP of International Council for Harmonization of Technical Requirements for Pharmaceuticals for Human Use (ICH); (iii) applicants shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system with the requirements, and the accuracy and integrity of statistical analysis of data; and (iv) to ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D in China and abroad and forthcoming clinical trials in China, the applicants may, prior to implementing key clinical trials, contact the CDE to ensure the compliance of their design with the essential technical requirements for drug registration in China.

Good Clinical Practice

The NMPA issued Good Clinical Practice which was effective on September 1, 2003, and the NMPA and the NHC promulgated the Regulations on the Administration of Drug Clinical Trial Institutions (《藥物臨床試驗機構管理規定》) on November 29, 2019 which became effective on December 1, 2019, to optimize the clinical trials and assign the responsibility of identifying the drug clinical trial institution to the NMPA and the NHC. The drug clinical trial institution should have an independent ethics committee that is responsible for the ethics review and examination of the clinical trial, and the clinical trial schemes are subject to review, examination and supervision. On April 23, 2020, NMPA and the NHC further revised the Good Clinical Practice which became effective on July 1, 2020, in order to further improve the quality of clinical trials and encourage innovation.

Registration of Drugs

According to the Drug Registration Measures, drug registration applications are divided into three different types, namely domestic new drug application, domestic generic drug application, and imported drug application. Drugs are classified as chemical drugs, biological products, traditional Chinese medicine or natural medicine. When Phases I, II and III of clinical trials have been completed, the applicant may apply to the NMPA for approval of a new drug application. A new drug application refers to an application for registration of a drug that has not yet been marketed for sale in China. In addition, the registration of drugs that change the dosage form of the marketed drugs, change the route of administration, and increase the new indications shall be reported in accordance with the application procedures for new drugs. The NMPA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE.

According to the Drug Registration Measures, drug registration is regulated according to the classification into Chinese medicine, chemical medicine and biological products. Where overseas research materials and data are used in an application to support drug registration, its source, research institutes or laboratory criteria, quality system requirements and other management criteria shall comply with the general principles of the ICH, and comply with the relevant requirements with regard to the drug registration. The NMPA shall establish a system to expedite drug registration, and support drug innovation guided by clinical value. Where an application for drug registration satisfies the criteria, the applicant may apply for breakthrough therapy drug, conditional approval, prioritized/special review and approval. Drug registration inspection for overseas-manufactured drug shall be implemented by port drug inspection agencies organized by the National Institutes for Food and Drug Control (中國食品藥品檢定研究院, the "**NIFDC**"), and for application for registration of overseas-manufactured drug, where an applicant applies for drug registration inspection prior to acceptance of the application for drug registration, it shall request for random sampling pursuant to the provisions, and deliver the samples, materials required for inspection and standard substances to the NIFDC.

The Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices (《關於改革藥品醫療器械審評審批制度的意見》)(the "**Reform Opinions**"), promulgated by the State Council on August 9, 2015, established a framework for reforming the evaluation and approval system for drugs and medical devices. The Reform Opinions indicated enhancing the standard of approval for drug registration and accelerating the evaluation and approval process for innovative drugs as well as improving the approval of drug clinical trials.

In March 2016, the NMPA issued the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》), which outlined the reclassifications of drug applications under the Drug Registration Measures and under which, Category 1 drugs refer to new drugs that have not been marketed anywhere in the world, which is eligible for special review or fast track approval by the NMPA. Category 5 drugs are drugs which have already been marketed abroad but are not yet approved in China. Category 1 drugs and Category 5 drugs can be registered through the domestic new drug application and imported drug application procedures under the Drug Registration Measures, respectively.

On December 21, 2017, the Opinions on Encouraging the Prioritized Evaluation and Approval for Drug Innovations (《關於鼓勵藥品創新實行優先審評審批的意見》) was promulgated by the NMPA and further replaced by the Announcement on the Release of Three Documents including the Procedures for the Evaluation of Breakthrough Therapeutic Drugs (Trial) (《關於發佈<突破性治療藥物審評工作程序（試行）>等三個文件的公告》) issued by the NMPA on July 7, 2020, the three documents are namely the Procedures for the Evaluation of Breakthrough Therapeutic Drugs (Trial) (《突破性治療藥物審評工作程序（試行）》), Procedures for the Evaluation and Approval of the Listing Application for Conditional Approval of Drugs (Trial) (《藥品附條件批准上市申請審評審批工作程序（試行）》) and Procedures for Prioritized Evaluation and Approval for Drug Marketing (Trial)(《藥品上市許可優先審評審批工作程序（試行）》) , among others, which allow the applicant to apply for the breakthrough therapy drug procedure during the Phase I and II clinical trials and normally no later than the commencement of Phase III clinical trials for the innovative or improved drugs which are used for the prevention and treatment of diseases that seriously endanger life or seriously affect quality of life and there is no effective means of prevention and treatment or there is sufficient evidence to show a significant clinical advantage over the existing treatments. In addition, when applying for the marketing license of a drug, for the drugs with obvious clinical value, the applicant can apply for the prioritized evaluation and approval procedure.

In order to accelerate the marketing of clinically urgent drugs with outstanding clinical value in China, the CDE promulgated the Clinical Technical Guidelines for Conditional Approval of Drugs (Tentative) (《藥品附條件批准上市技術指導原則（試行）》) on November 19, 2020 which became effective on the same day. Such guidelines apply to traditional Chinese medicine, chemical drugs and biological products that are not listed for sales in China. According to such guidelines, during the period of drug clinical trials, a drug may be applied for conditional approval if it meets the following conditions: (i) for the treatment of seriously life-threatening diseases with no existing effective treatment available, as well as medicines urgently needed for public health, whose clinical trials have shown efficacy and whose clinical value can be predicted; (ii) vaccines that are urgently needed in response to major public health emergencies or other vaccines that are identified as being urgently needed by the NHC, and whose benefits are assessed to outweigh the risks. The quality of clinical trial data to support conditional approval for marketing of the drugs shall comply with the requirements and standards of ICH and relevant domestic technical guidelines. After a drug is conditionally approved for marketing, such drug may be marketed for treatment, but its drug Marketing Authorization Holder shall complete the new or ongoing drug clinical trials within the prescribed time frame in accordance with the specific conditions attached to the drug registration certificate of such drug, and then apply to the CDE for regular approval for marketing in the form of supplementary application.

According to the Special Examination and Approval of Registration of New Drugs (《新藥註冊特殊審批管理規定》) which was promulgated and implemented on January 7, 2009 by the NMPA, the NMPA conducts special examination and approval for new drug registration applications when: (i) the effective constituent of drug extracted from plants, animals, minerals, etc. as well as the preparations thereof have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (ii) the chemical raw material medicines as well as the preparations thereof and the biological product have not been approved for marketing in China and abroad; (iii) the new drugs are for treating AIDS, malignant tumors and orphan diseases, etc., and have obvious advantages in clinic treatment; or (iv) the new drugs are for treating diseases with no effective methods of treatment. The applicant may file for special examination and approval at the clinical trial application stage if the drug candidate falls within items (i) or (ii), and can only file for special examination and approval at the stage of filing for production if the drug candidates fall within items (iii) or (iv).

The Marketing Authorization Holder System

The Reform Opinions provides a pilot plan for the marketing authorization holder system, or the MAH system. The Circular on the Matters Relating to Promotion of the Pilot Program for the

Drug Marketing Authorization Holder System (《關於推進藥品上市許可持有人制度試點工作有關事項的通知》), or the MAH Circular, promulgated by the NMPA on August 15, 2017, clarified the legal liability of the marketing authorization holder, who is responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assumes the full legal liability for non-clinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring. The Decision on Extending the Pilot Period of Authorizing the State Council to Carry out the Pilot Program for the Drug Marketing Authorization Holder System in Some Regions (《關於延長授權國務院在部分地方開展藥品上市許可持有人制度試點期限的決定》), which was promulgated by SCNPC on October 26, 2018 and became effective on November 5, 2018, extended the term of the MAH system to November 5, 2019.

According to the Drug Administration Law, the State implements a drug MAH system for drug administration. Drug marketing authorization holder (the "**MAH**") shall mean enterprises or drug research and development institutes which have obtained a drug registration certificate. The MAH may engage in drug manufacturing on their own or may entrust a drug manufacturing enterprise to manufacture, and may sell the drugs for which they have obtained a drug registration certificate on their own or entrust a drug operation enterprise to sell in accordance with relevant regulations. In addition, upon approval by the NMPA, the MAH may transfer its drug marketing authorization, and such transferee shall possess the quality management, risk control and liability compensation competence to ensure drug safety, effectiveness and quality controllability, and perform the obligations of the MAH. The MAH shall be responsible pursuant to the law for drug safety, effectiveness and quality controllability throughout the drug research and development, production, management and use process including but not limited to: (i) the MAH shall establish a drug quality assurance system and assign special personnel to independently take charge of drug quality control; (ii) the MAH shall periodically review the quality management system of the entrusted pharmaceutical manufacturing enterprise and pharmaceutical operation enterprise, if any, and supervise their continuous quality assurance and control capabilities; and (iii) the MAH shall establish and implement a drug tracking system, provide tracking information pursuant to the provisions and ensure drug traceability, etc.

Consistency Evaluation for the Quality and Efficacy of Generic Drugs

The consistency evaluation for the quality and efficacy is only applicable to generic drugs. For the generic drugs which had been market-approved, the consistency evaluation shall be conducted in accordance with relevant regulations during a specified period of time. According to the Reform Plan for Registration Category of Chemical Medicine (《化學藥品註冊分類改革工作方案》) issued by the NMPA in March 2016, generic drugs shall be approved for registration according to the principle of consistency quality and efficacy with the original drugs. Pursuant to the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the General Office of the State Council (《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》) promulgated on February 6, 2016 and the Opinions of Relevant Matters Concerning Implementing the Opinions on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs issued by the NMPA (《關於落實<國務院辦公廳關於開展仿製藥質量和療效一致性評價的意見>的有關事項的公告》) promulgated in May 2016, generic drugs approved for marketing before the implementation of the new registration classification of chemical drugs, including domestic generic drugs, imported generic drugs and the indigenous varieties of the original developed drugs, shall carry out consistency evaluation.

Pursuant to the Circular on Relevant Matters Concerning Consistency Evaluation for Quality and Curative Effect of Generic Drugs (《關於仿製藥質量和療效一致性評價有關事項的公告》) further promulgated by NMPA on December 28, 2018, for generic drugs, including essential drug varieties, approved for marketing before the implementation of the new registration classification of chemical drugs, after the first variety has passed the consistency evaluation, the same variety of other drug manufacturers should complete the consistency evaluation within three years in principle. On May 12, 2020, NMPA promulgated the Circular on Conducting the Consistency Evaluation for the Quality and Efficacy of Generic Drugs of Chemical Injections (《國家藥監局關於開展化學藥品注射劑仿製藥質量和療效一致性評價工作的公告》), according to which, for the generic drugs of chemical injections that have been marketed, consistency evaluation should be carried out for the varieties that have not been approved according to the principle of consistency quality and efficacy with the original drugs.

Importation of Drugs

Pursuant to the Administrative Measures on the Import of Drugs (《藥品進口管理辦法》) which became effective on 1 January 2004 and amended on 24 August 2012, the Imported Drug License (進口藥品註冊證) or Import Drug Approval shall be obtained prior to performing the import filing and port inspection procedures.

According to the Notice on Matters Concerning Imported Drugs' Compliance with the Chinese Pharmacopoeia (《關於進口藥品符合<中華人民共和國藥典>有關事宜的通知》) promulgated by NMPA on February 16, 2016, all drugs to be imported must meet the relevant requirements set forth in the Chinese Pharmacopoeia (《中華人民共和國藥典》). Drugs to be imported shall be inspected at ports in accordance with the relevant requirements prescribed in the Chinese Pharmacopoeia and those failing to meet the said requirements are not allowed to be imported.

The Drug Administration Law stipulates that drugs shall be imported from the ports where drug imports are approved, and the drug-importing enterprise shall file record with the local branch of the NMPA at the port. The local branch of the General Administration of Customs shall proceed with customs clearance procedures on the basis of the drug import clearance document issued by the local branch of the NMPA at the port. The ports where drug imports are approved shall be jointly proposed by the NMPA and the General Administration of Customs, and subject to approval by the State Council.

Distribution of Drugs

Drug Operation Permit

According to the Drug Administration Law, the Provisions for Supervision of Drug Distribution (《藥品流通監督管理辦法》), which was issued by the NMPA on January 31, 2007 and came into effect on May 1, 2007, detailed provisions are imposed on aspects such as the purchase, sale, transportation and storage of medicines. The engagement of a wholesale pharmaceutical distribution of a company requires the approval of the provincial medicine administrative authorities. Upon approval, the authority will grant a Drug Operation Permit (藥品經營許可證) in respect of the wholesale drugs distribution company. The grant of such permit is subject to an inspection of the operator's facilities, warehouse, hygiene environment, quality control systems, personnel (including of whether pharmacists and other professionals have the relevant qualifications) and equipment. Under the Measures on the Administration of Drug Operation Permit (《藥品經營許可證管理辦法》) promulgated on February 4, 2004 and became effective from April 1, 2004 and amended on November 17, 2017 by the NMPA, a Drug Operation Permit is valid for five years. Each holder of the Drug Operation Permit must apply for an extension of its permit six months prior to expiration, and extensions are granted only after a reexamination of the permit holder by the authority which issued the permit.

In addition, where any MAH or drug operation enterprises engage in the online drug sales, such activities shall be conducted in compliance with the relevant provisions of the Drug Administration Law. Drugs subject to the special administration by the State, such as vaccines, blood products, anesthesia and psychiatric drugs, medical use poisons, radioactive drugs, drug precursor chemicals etc., shall not be sold online.

As of the Latest Practicable Date, of all the products we sold, only Zadaxin was provided on the GTP platform, which is not subject to the special administration by the State.

As of the Latest Practicable Date, SciClone Jiangsu had obtained a Drug Operation Permit for its wholesale operation of drugs, which is currently valid till January 18, 2026. According to the Drug Administration Law and Measures on the Administration of Drug Operation Permit, SciClone Jiangsu shall apply for renewal within 6 months before the expiration of the validity term of its Drug Operation Permit, and the competent authority shall conduct reexamination in accordance with the relevant regulations, among others, including: (i) employ pharmacists or other pharmacy technicians who obtain qualifications pursuant to the laws; (ii) have business premises, equipment, warehousing facilities and hygiene environment corresponding to their drug business; and (iii) have the quality management setup or staff corresponding to their drug business. We will submit our renewal application within the required timeframe and as of the Latest Practicable Date, we did not expect any obstacles to satisfy the required conditions for the renewal of our Drug Operation Permit.

Good Supply Practices

According to the Good Supply Practice for Drugs (《藥品經營質量管理規範》) (the "**Good Supply Practice**") promulgated by NMPA on July 13, 2016, drug distributors shall strictly implement the Good Supply Practice. Enterprises shall take effective measures for quality control at such stages as procurement, storage, sales and transportation of drugs to ensure the quality of drugs and shall develop a drug traceability system as per relevant requirements of the state to realize the traceability of drugs. In addition, the NMPA revised the Guidelines for On-site Inspection of Drug Operation and Quality Management Specifications(《藥品經營質量管理規範現場檢查指導原則》) in 2016, in order to further regulate the organization of the supervision and inspection of drug distributors.

As of the Latest Practicable Date, SciClone Jiangsu had obtained a certificate of Good Supply Practice for drugs, which is currently valid till August 1, 2021. According to the Drug Administration Law, the Good Supply Practice certificate is cancelled and the drug operation enterprise shall comply with Good Supply Practice, establish and improve the pharmaceutical quality management system to ensure that the whole process of pharmaceutical business continuously satisfies the statutory requirements.

Two-invoice System

In order to further optimize the order of purchasing and selling drugs and reduce circulation steps, as required at the executive meeting of the State Council dated April 6, 2016 and under the 2016 List of Major Tasks in Furtherance of the Healthcare and Pharmaceutical Reforms (《深化醫藥衛生體制改革2016年重點工作任務》) issued by the General Office of the State Council on April 21, 2016, the "two-invoice System" will be fully implemented in the PRC. According to the Notice of Publishing Opinions on Implementing Two-invoice System in Drug Procurement Among Public Medical Institutions (For Trial Implementation)(《印發關於在公立醫療機構藥品採購中推行"兩票制"的實施意見（試行）的通知》) which was issued on December 26, 2016, the "two-invoice system" refers to the system under which the value added invoices are allowed to be issued twice aggregately in the process of the distribution, one value added invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other value added invoice to be issued from pharmaceutical distributors to medical institutions. The domestic general agent within the territory of the PRC for overseas drugs can be deemed as a pharmaceutical manufacturer under the "two-invoice system", provided that only one such general agent is permitted within the territory of the PRC. The allocation of drugs between a pharmaceutical distribution group enterprise and its wholly-owned (holding) subsidiaries or among its wholly-owned (holding) subsidiaries may not be regarded as a process in terms of which one value added invoice is to be issued, but during such process, only one value added invoice is allowed to be issued at most. The pharmaceutical manufacturers and pharmaceutical distributors that failed to comply with the requirements of the "two-invoice system", may be cancelled the qualifications for bidding, winning bids and distribution and included in the bad record of drug purchases.

Advertising of Drugs

On October 26, 2018, the SCNPC promulgated the Advertising Law of the PRC (amended in 2018) (《中華人民共和國廣告法(2018年修正)》), according to which certain contents such as statement on cure rate or efficiency shall not be included in advertisement of drugs. On December 24, 2019, the SAMR promulgated the Interim Administrative Measures for the Review of Advertisements for Drugs, Medical Devices, Health Food, and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) which came into effect on March 1, 2020, stipulates that the advertisements for drugs shall not be released without being reviewed and the contents of a drug advertisement shall be based on the contents of the registration certificate or filing certificate approved by the drug administrations, the contents of a drug advertisement shall be based on the drug instructions approved by the NMPA.

Drug Purchase by Hospitals

Centralized Tender Process

The implementation of the centralized tender process. According to the Notice on the Trial Implementation of the Centralized Tender with Respect to Drug Purchases by Medical Institutions (《關于印發醫療機構藥品集中招標采購試點工作若干規定的通知》) promulgated and effective on July 7, 2000, and the Notice on the Further Standardizing of the Centralized Tender with respect to Drug Purchases By Medical Institutions (《關於進一步做好醫療機構藥品集中招標採購工作的通知》) which

was promulgated and became effective on July 23, 2001, in principle, any drugs included in the NRDL and any drugs with relatively common clinical application and large clinical usage are required to be purchased by the public hospitals and other public medical institutions through centralized tender process. Further, pursuant to the Opinions concerning Further Regulating Purchase of Medicines by Medical Institutions through Centralized Tendering (《關於進一步規範醫療機構藥品集中採購工作的意見》) which was promulgated and took effect on January 17, 2009, and the Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》) which was promulgated and became effective on July 7, 2010, (i) any public hospitals and public medical institutions established by the government at the county level or above or state-owned enterprises (including state-holding enterprises) must participate in the centralized tender process through a centralized procurement platform, and (ii) the scope of drugs to be purchased through centralized tender process was expanded, except for (a) certain drugs under the State's special administration, and (b) the Class II psychotropic drugs and medical radiopharmaceuticals, medical toxicity drugs, raw materials, Chinese herbal medicines and Chinese herbal slices, all the drugs used by the public hospitals and public medical institutions must be included into the scope of centralized tender process. In addition, according to the Guidance Opinion of the General Office of the State Council on the Improvement of the Drug Centralized Procurement Work of Public Hospitals (《國務院辦公廳關於完善公立醫院藥品集中採購工作的指導意見》) promulgated and took effect on February 9, 2015, the centralized procurement work of public hospitals will be improved through the purchase of drugs by classification. All drugs used by public hospitals (with the exception of traditional Chinese medicine decoction pieces) should be procured through a provincial drug centralized procurement platform.

Mechanism and selection criteria for a drug to be eligible and enlisted in the centralized tender process. In general, the public hospitals should submit the procurement plan and budget to the provincial procurement agency, specific to the generic name (通用名), dosage form and specifications. The provincial procurement agency should summarize the procurement plans and budget and reasonably compile a drug procurement catalog of the hospitals within its own administration region, taking into consideration of several factors such as the principle of common clinical necessity, appropriate dosage form specifications, and convenient packaging and use. According to the Good Practice of Medical Institutions with respect to Centralized Procurement of Drugs (《醫療機構藥品集中採購工作規範》), the narcotic drugs and Class I psychotropic drugs under the State's special management are not included in the drug procurement catalog, and the Class II psychotropic drugs and medical radiopharmaceuticals, medical toxicity drugs, raw materials, Chinese herbal medicines and Chinese herbal slices may not be included in the drug procurement catalog. The drugs used by the public hospitals and public medical institutions other than those mentioned above must be included in the scope of the drug procurement catalog.

Evaluation and approval procedures for the centralized tender process. The centralized tender process is in principle conducted once every year in the relevant province or city in China. The eligible pharmaceutical enterprises may choose whether to participate in the centralized tender process. The bids are assessed by a committee consisted of pharmaceutical and medical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation, after-sale services and innovation. The drugs that have won in the centralized tender process may be purchased by public hospitals and public medical institutions funded by the governmental or state-owned enterprises (including state-controlled enterprises) in the relevant region, unless otherwise prescribed by the relevant rules and regulations.

The relationship with the NEDL and NRDL. The provincial drug procurement agency will take the NEDL and NRDL into consideration when formulating the scope of the drug procurement catalog. The provincial medical insurance departments should include the drugs covered in the NRDL in the scope of the provincial centralized tender process in due course pursuant to the Notice of Issuance of NRDL (《關於印發<國家基本醫療保險、工傷保險和生育保險藥品目錄>的通知》).

The impact of the centralized tender process. If the drug of an enterprise is selected during the centralized tender process, such drug can be sold in public hospitals and public medical institutions at the bid price, while the public hospitals and public medical institutions will not procure the drug if such drug is not selected, unless otherwise prescribed by the relevant rules and regulations. Further, the doctors at the public hospitals and public medical institutions can prescribe the drugs not selected in the centralized tender process for patients in compliance with prescription regulations and the patients may still purchase such drugs with the prescriptions obtained from the doctors in other channels, such as pharmacies.

The Volume-based Procurement in "4+7 Cities" and Wider Areas

To reform the medical and healthcare system and improve the mechanism for setting drug prices, the State carried out the volume-based procurement.

First, on November 15, 2018, the Joint Procurement Office published the Papers on Drug Centralized Procurement in "4+7 Cities" (《4+7城市藥品集中採購文件》), which launched the national pilot program for the volume-based procurement and 31 drug varieties were included in the catalog of purchased species as set forth in such paper. The pilot program will be carried out in 11 cities, including Beijing, Tianjin, Shanghai, Chongqing and Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an (the "**4+7 Cities**"). On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (《國務院辦公廳關於印發國家組織藥品集中采購和使用試點方案的通知》), which provides the detailed measures in the implementation of the volume-based procurement in the 4+7 Cities.

Second, on September 1, 2019, the Joint Procurement Office published the Document for Centralized Drug Procurement in the Alliance Area (GY-YD2019-1) (《聯盟地區藥品集中採購文件(GY-YD2019-1)》), which required relevant regions to form an alliance to carry out the volume-based procurement of cross-regional alliances and 25 drug varieties were included in the catalog of purchased species as set forth in such document. In addition to the 4+7 Cities in the alliance area, the alliance area included the provinces of Shanxi, Inner Mongolia, Liaoning, Jilin, Heilongjiang, Jiangsu, Zhejiang, Anhui, Jiangxi, Shandong, Henan, Hubei, Hunan, Guangdong, Guangxi, Hainan, Sichuan, Guizhou, Yunnan, Xizang, Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang (including Xinjiang Production and Construction Army Unit). On September 25, 2019, the Implementing Opinions on Expanding the Pilot Program for Conducting Centralized Procurement and Use of Drugs by the State to Wider Areas (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》) was promulgated, which aimed at promoting the model of volume-based procurement in the above pilot program in the 4+7 Cities to be expanded nationwide.

Third, according to the Documents on National Centralized Drug Procurement (GYYD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》) published by the Joint Procurement Office on December 29, 2019 and the subsequent Notice on the Commencement of the Second Batch of State Organized Centralized Drug Procurement and Use (《關於開展第二批國家組織藥品集中採購和使用工作的通知》) which was promulgated on January 13, 2020, the areas for the volume-based procurement expanded nationwide to launch the second batch of the volume-based procurement, and 33 drug varieties were included in the catalog of purchased species as set forth in the Documents on National Centralized Drug Procurement (GYYD2019-2) (《全國藥品集中採購文件(GY-YD2019-2)》).

Fourth, on July 29, 2020, the Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2020-1) (《全國藥品集中採購文件(GY-YD2020-1)》) to launch the third batch of the volume-based procurement, and according to which, 56 drug varieties were included in the catalog of purchased species. Fifth, on December 25, 2020, the Joint Procurement Office issued the Notice on the Collection of Information on the Fourth Batch of Drugs Related to the Volume-based Procurement (《關於開展第四批國家組織藥品集中採購相關藥品信息收集工作的通知》) to launch the fourth batch of the volume-based procurement, and according to which, 90 drug varieties with different specifications were included in the catalog of purchased species. On January 15, 2021, the Joint Procurement Office issued the Documents on National Centralized Drug Procurement (GY-YD2021-1) (《全國藥品集中採購文件 (GY-YD2021-1)》) to carry out the fourth batch of the volume-based procurement, and 45 drug varieties were included in the catalog of purchased species as set forth in the Documents on National Centralized Drug Procurement (GY-YD2021-1)(《全國藥品集中採購文件 (GY-YD2021-1)》).

Mechanism and selection criteria for a drug to be eligible and enlisted in the volume-based procurement. The drug varieties for the volume-based procurement are selected by the Joint Procurement Office from the drugs with generic names (通用名) corresponding to the generic drugs that have been evaluated for quality and efficacy consistency (including generic drugs approved according to the classification of new chemical registrations). The factors, such as clinical efficacy of the drugs, adverse reactions, the stability of drug batches, the adequacy of competition and other factors will be considered in the selection. As for the corresponding innovative drugs (原研药) under the same generic name, if they have obtained the drug registration approval and been marketed in the PRC in accordance with laws, such innovative drugs can be declared by the eligible enterprises, at their option, to participate in the volume-based procurement. As of the Latest Practicable Date, no explicit laws or regulations stipulated that there is a fixed time interval to select the drug varieties and launch the next batch of volume-based procurement.

The procedure of the volume-based procurement. The eligible enterprises prepare the declaration materials and submit to the Joint Procurement Office, and after the disclosure of declared information, the enterprises and the drugs to be selected and the supply area will be determined and announced by the Joint Procurement Office. After the results of the proposed selection are announced without objection from the public, the Joint Procurement Office will issue a notice of the successful selection.

The relationship with the centralized tender process, NEDL and NRDL. (i) As market-oriented pricing mechanisms for drugs, in the context of the volume-based procurement, the eligible pharmaceutical enterprises may choose whether to participate in the volume-based procurement, and the catalogue of candidate drugs involved in the volume-based procurement are formulated by the State. While in the context of the centralized tender process, the pharmaceutical enterprises shall take part in the centralized tender process so that they are able to sell the drugs to the public hospitals and public medical institutions unless otherwise provided by the laws, and the public hospitals and public medical institutions shall work out a procurement plan and specify the type and quantity of drugs needed and to be purchased within a specified time period, and the provincial competent authority shall summarize the procurement plan and budget reported by the public medical institutions, and reasonably formulate the drug procurement list of the public hospitals and public medical institutions within its administrative region according to the relevant laws and regulations. Further, the relevant public hospitals and public medical institutions shall give priority to the drugs selected through the volume-based procurement and ensure the completion of the agreed procurement volume, on the basis of which, for the remaining volume needed to be purchased, the relevant public hospitals and public medical institutions can procure the same variety of other drugs at a suitable price through the provincial centralized tender process pursuant to the relevant rules and regulations. (ii) According to the Notice on Several Policies and Measures to Further Deepen the Reform of the Medical and Health System by Taking the Centralized Procurement and Use of Drugs as the Breakthrough Point (《關於以藥品集中採購和使用為突破口進一步深化醫藥衛生體制改革若干政策措施的通知》) promulgated in November 2019, priority will be given to essential drugs that have passed the quality and efficacy evaluation of generic drugs to be included in the scope of volume-based procurement. (iii) Pursuant to the Interim Measures for the Administration of Drugs Covered by Basic Medical Insurance (《基本醫療保險用藥管理暫行辦法》), subject to the prior expert evaluation, eligible drugs selected for the volume-based procurement can be directly included in the NRDL.

The impact of the volume-based procurement. Under the volume-based procurement, the public hospitals and public medical institutions procure the bid-winning drugs with priority, and the doctors shall give priority to prescribe the bid-winning drugs so as to satisfy the required quantity commitment. As a result, the sales volume of the bid-winning drugs will significantly increase in the short run, which enables such drugs to gain a substantial market share despite the erosion effect of the average selling price potentially resulted from price-based competitive bidding. However, the bidding mechanism in the volume-based procurement could result in significant price decline of the bid-winning drugs. For the risks related to the volume-based procurement, please refer to the section headed "Risk Factors — We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as the volume-based procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability." in this prospectus. Further, the doctors at the public hospitals and public medical institutions can prescribe the drugs not selected in the volume-based procurement for patients in compliance with prescription regulations and the patients may still purchase such drugs with the prescriptions obtained from the doctors in other channels, such as pharmacies.

REFORM OF MEDICAL AND HEALTHCARE SYSTEM

In order to deepen the reform of the medical and healthcare systems and improve the drug pricing mechanism, the State has implemented a series of measures and schemes, such as the mechanism of the national medical insurance program which is related to the NRDL and updated from time to time, and the centralized drug procurement scheme which commenced from provincial level and expanded to a nationwide level. Further, the first batch of National Key Drug List for Monitoring and Prescription Control (Chemical and Biological Products) was newly issued in 2019 for the purpose of strengthening the overall management of the clinical application of drugs and standardizing the prescribing behavior of doctors. Meanwhile, the State implemented the Two-invoice System to further optimize the order of purchasing and selling drugs and reduce distribution steps.

Pursuant to the Opinions of the State Council on Deepening the Reform of the Medical and Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) issued on March 17, 2009, the reform of the medical and healthcare system has been orderly conducted. The medical insurance system has been gradually improved and the basic medical mechanism has been consolidated and improved. On October 25, 2016, the State Council introduced the Plan for Healthy China 2030 (《"健康中國2030" 規划綱要》), which proposes to (i) improve the system for collaborative innovation involving different aspects of policy, industry, education, research and practice, and promoting medical innovation, transformation and upgrading, (ii) research to establish an examination and approval system based on clinical effects, and raise the examination and approval standards for drugs (medical devices), and (iii) accelerate the review and approval of innovative drugs (medical devices) and new drugs (medical devices) that are urgently needed in clinical practice.

According to the Notice of the Key Task of Deepening the Reform of Medical and Healthcare System in 2019 (《國務院辦公廳關於印發深化醫藥衛生體制改革2019年重點工作任務的通知》), issued by the General Office of the State Council in May 2019, accelerating and approving the registration of anticancer drugs, strengthening the work of cancer prevention, and unblocking the temporary import channels will continue to be the focus of the reform of the medical and healthcare system.

In December 2019, the SCNPC promulgated the Law of the People's Republic of China on Promotion of Basic Medical and Health Care (《中華人民共和國基本醫療衛生與健康促進法》), which established the legal framework for the administration of basic medical and healthcare services for citizens in China, including the administration of basic medical care services, medical care institutions, medical staff, guarantee of drug supply, health promotion and guarantee of medical funds.

In February 2020, the Central Committee of the PRC Communist Party and the State Council jointly promulgated the Opinions on Deepening the Reform of the Healthcare Security System (《中共中央、國務院關於深化醫療保障制度改革的意見》), which envisages that a higher level healthcare system should be established by 2030, mainly relying on basic medical insurance, underpinned by medical aid and pursuing the common development of supplementary medical insurance, commercial health insurance, charitable donations and medial mutual assistance. To this end, such opinions map out tasks from several respects, including making the mechanism of medical insurance benefits guarantee more impartial and appropriate, improving the robust and sustainable operating mechanism for funds raised, establishing more effective and efficient healthcare payment mechanism and enhancing the supervision and administration on medical security fund, etc.

LAWS AND REGULATIONS IN RELATION TO THE COVERAGE AND REIMBURSEMENT

Coverage of the National Medical Insurance Program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《國務院關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In addition, on January 3, 2016, the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) issued by the State Council required the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents other than the persons who shall participate in the basic medical insurance for urban employees. Rural migrant workers and persons in flexible employment arrangements shall participate in the basic medical insurance for urban employees, and those who have difficulties can join the basic medical insurance for urban and rural residents in accordance with local regulations.

Medical Insurance Catalogue

Participants of the national medical insurance program and their employers, if any, are required to contribute to the payment of insurance premium on monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the NRDL which sets forth the payment standard for drugs under the basic medical insurance, work-related injury insurance and maternity insurance funds. The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Drugs for Urban Employee (《關于印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知》) issued on May 12, 1999, provides that a drug listed in the Medical Insurance Catalog (now known as NRDL) must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (i) it is listed in the Chinese Pharmacopeia (the prevailing version) of the PRC; (ii) it meets the standards promulgated by the NMPA; and (iii) if imported, it is approved by the NMPA for import.

The Ministry of Human Resources and Social Security of the PRC (the "**MOHRSS**", according to the institutional reform, the functions with respect to change the NRDL have been transferred to the National Healthcare Security Administration of the PRC, the "**NHSA**") , together with other government authorities, has the power to determine the medicines included in the NRDL, which is divided into two parts, Part A and Part B.

Mechanism and selection criteria for a drug to be eligible and enlisted in the NRDL. According to the Interim Measures for the Administration of Drugs Covered by Basic Medical Insurance(《基本醫療保險用藥管理暫行辦法》), the drugs included in the NRDL shall be chemical drugs, biological products, proprietary Chinese medicines (ethnic drugs) and Chinese herbal slices processed according to national standards that have been approved by the NMPA and have obtained the drug registration certificate, and shall meet the basic conditions of clinical necessity, safety, effectiveness and reasonable price.

Evaluation and approval procedures for a drug to be eligible and enlisted in the NRDL. The agency of NHSA organizes experts to evaluate all drugs that meet the conditions for adjustment of the NRDL for the current year and propose the alteration of the NRDL, if applicable. The agency of NHSA shall organize experts to carry out drug negotiations or access bidding in accordance with the provisions, among which, the exclusive drugs enter the negotiation stage, while non-exclusive drugs enter the bidding stage. If negotiations or access bidding are successful, the drugs shall be included in the NRDL or the limited payment scope of which will be adjusted; if the negotiations or access bidding are unsuccessful, the drugs shall not be included in or removed from the NRDL, or the limited payment scope of which shall not be adjusted. The NHSA is responsible for determining and promulgating the NRDL and announcing the results of adjustment.

Provincial governments are required to include all Part A medicines listed in the NRDL in their provincial catalogue, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Part B medicines listed in the NRDL. As a result, the contents of Part B of the provincial catalogue may differ from region to region in the PRC. However, on August 20, 2019, the MHRSS and the NHSA amended the NRDL, which became effective on January 1, 2020. It regulates that all localities shall strictly implement the drug catalogue and are not allowed to make a catalogue by themselves or add drugs in the catalogue, or adjust the limited payment scope of drugs in the catalogue. For those drugs that were already added to Part B of the provincial catalogue in accordance with the previous NRDL, the drugs shall be gradually removed within 3 years. On December 25, 2020, the NHSA and MOHRSS promulgated the Notice of Issuance of Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (2020) (《關於印發<國家基本醫療保險、工傷保險和生育保險藥品目錄(2020年)>的通知》), which will take effect on March 1, 2021 and simultaneously replace the current effective version of NRDL. According to this Notice, the new NRDL consists of 2,800 drugs in total, among which, 119 drugs were newly included into the scope of NRDL, and 29 drugs mainly with low clinical value and can be easily replaced or that its drug registration approval had been withdrawn by the NMPA were removed from the List. The Notice repeats to stress that the localities shall strictly implement the NRDL and promote the uniformity of drug use.

Patients purchasing medicines included in Part A of the NRDL are entitled to reimbursement of the entire amount of the purchase price through the basic medical insurance program. Patients purchasing medicines included in Part B of the NRDL are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price through the basic medical insurance program. The percentage of reimbursement for Part B medicines is stipulated by local authorities and in result may differs from region to region in the PRC.

The NHSA promulgated the Announcement on the Release of the Work Plan for the Adjustment of the National Medical Insurance Drug Catalogue in 2019 (《關於公佈<2019年國家醫保藥品目錄調整工作方案>的公告》) on April 17, 2019, stipulating that the exclusive patent drugs with higher price or greater influence on the medical insurance fund shall be admitted into the NRDL through negotiation. According to the Notification on the Inclusion of Drugs under Negotiation in Part B of the Drugs Catalogue for the National Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance in 2019 (《關於將2019年談判藥品納入<國家基本醫療保險、工傷保險和生育保險藥品目錄>乙類範圍的通知》) promulgated by the NHSA and the MOHRSS on November 22, 2019, the negotiation drugs are the important part of the NRDL and the provincial medical security, human resources and social security departments shall promptly include the negotiated drugs into the payment scope of provincial basic medical insurance, industrial injury insurance and maternity insurance funds in accordance with the relevant regulations, and implement such negotiated drugs in parallel with regular admitted drugs from January 1, 2020. On December 16, 2019, the NHSA and NHC issued the Notice on the Landing of Drugs in National Medical Insurance Negotiations in 2019 (《關於做好2019年國家醫保談判藥品落地工作的通知》), in order to further implement the work of online purchasing and payment of negotiated drugs and promote the negotiated drugs to be used in the designated medical institutions in a timely manner.

In general, such policies will have favorable impacts on the drugs included in the NRDL.

National Essential Drug List

On August 18, 2009, Ministry of Health and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National Essential Drug List (《國家基本藥物目錄管理辦法》) which became effective on the same day, and amended on February 13, 2015, and the Guidelines on the Implementation of the National List of Essential Drugs System (《關於建立國家基本藥物制度的實施意見》), which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the NEDL. NHC and National Administration of Traditional Chinese Medicine promulgated the National Essential Drug List(2018 Version) (《國家基本藥物目錄(2018年版)》) on September 30, 2018 which became effective on November 1, 2018. To further improve the selection, production, circulation, use, payment, monitoring and other aspects of the policy of essential drugs, the Opinions of the General Office of the State Council on Improving the National Essential Drug System (《國務院辦公廳關於完善國家基本藥物制度的意見》) (the "**Opinions**") was promulgated on September 13, 2018, in which the State insists on the dominant position of essential drugs, specifies the proportion of essential drugs used in public medical institutions on a province-by-province basis, and continuously increases the amount of essential drugs used in medical institutions.

According to these regulations, basic healthcare institutions funded by the government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in the NEDL.

Mechanism and selection criteria for a drug to be eligible and enlisted in the NEDL. The selection of national essential drugs should be in accordance with the principles of necessity for prevention and treatment, safety and effectiveness, reasonable price, easy to use and clinical preference, and in combination with the characteristics of drug use in China and with reference to international experience, to reasonably determine the variety (dosage form) and quantity and to meet the main clinical needs of common diseases, chronic diseases, emergency rescue as well as taking into account the needs of children and other special populations and public health prevention and treatment drugs. The following drugs are not included in the selection of the NEDL: (a) containing national endangered wildlife medicinal materials; (b) mainly used for tonic health effects and prone to abuse; (c) non-clinical treatment preferred; (d) due to serious adverse reactions, the NMPA clearly suspends the production, sale or use of; (e) contrary to national laws and regulations, or does not meet the ethical requirements; and (f) other cases specified by the National Working Committee on Essential Drugs (國家基本藥物工作委員會).

Evaluation and approval procedures for a drug to be eligible and enlisted in the NEDL. The National Working Committee on Essential Drugs establishes an advisory expert group and an review expert group. The advisory expert group conducts technical evaluation of the drugs included in the selection range, makes selection comments and forms an alternative catalog, and the review expert group reviews and votes on the alternative catalog to form the draft of the NEDL. After the final review by the National Working Committee on Essential Drugs, the NEDL will be issued by the NHC.

The relationship with NRDL. When adjusting the NRDL, the medical insurance department will prioritize to include the eligible therapeutic drugs listed in the NEDL into the scope of NRDL or adjust the scope of Part A and/or Part B.

In general, the policies mentioned above will have favorable impacts on the drugs included in the NEDL. As of the Latest Practicable Date, only Holoxan(和樂生), Mesna(美司鈉) and Endoxan（安道生） which we sell were listed in the NEDL.

Price Controls

Pursuant to the Notice on Issuing the Opinion on Promoting Pharmaceutical Pricing Reform (《關於印發推進藥品價格改革意見的通知》) promulgated on May 4, 2015, government price controls on drugs (other than narcotic drugs and certain psychiatric drugs) were lifted from June 1, 2015. After price controls were lifted, trading prices of drugs are mainly determined by market competition. Instead of direct government price controls which were historically used in the PRC but abolished in June 2015, the government will regulate prices mainly by establishing a centralized procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices.

The Circular of the NHSA on Issuing the Opinions on Effectively Carrying out Drug Price Administration at Present (《國家醫療保障局關於印發<關於做好當前藥品價格管理工作的意見>的通知》) was promulgated by NHSA in November 2019, which expounds on works from four aspects, including getting aligned with and improving the existing drug price policies, establishing and improving a normalized mechanism of drug price regulation, effectively carrying out price tendering and procurement related to safeguarding the supply and stabilizing the prices of drugs in short supply, as well as strengthening the organization of regulatory authorities and enhancing their administration.

The General Office of the State Council promulgated the Guidelines of the General Office of the State Council on Promoting the Reform of the Supervision System of Medical Security Fund (《國務院辦公廳關於推進醫療保障基金監管制度體系改革的指導意見》) on June 30, 2020 which became effective on the same day, according to which, the State will continue to improve the market-oriented drug price formation mechanism, and improve the linkage mechanism between medical insurance payment and bidding and procurement prices. In addition, the State will strengthen supervision and inspection of the quality of accounting information in the pharmaceutical industry, and deepen special efforts against the inflated drug prices. On August 28, 2020, the NHSA further promulgated the Guiding Opinions on Establishment of the Credit Evaluation System for Drug Prices and Procurement by Bidding (《關於建立醫藥價格和招採信用評價制度的指導意見》) which came to effect on the same day, and pursuant to which, a catalogue of dishonest matters involving drug prices and procurement by bidding (醫藥價格和招採失信事項目錄清單) is established by the NHSA and subject to dynamic adjustment.

REGULATIONS AND POLICIES IN RELATION TO THE INTERNET MEDICAL SERVICES

The State Council issued the Guiding Opinions on Vigorously Advancing the "Internet Plus" Action (《國務院關於積極推進"互聯網+"行動的指導意見》) on July 1, 2015, which, among others, encourages the internet enterprises to cooperate with medical institutions in establishing online medical information platforms, and strengthen the integration of regional healthcare service resources.

In April 2018, the General Office of the State Council promulgated the Opinions on the Promoting the "Internet Plus Health Care" Development (《關於促進"互聯網+醫療健康"發展的意見》), encouraging the medical institutions to use the internet and other information technologies to expand the space and content of medical services, and to build an integrated online and offline medical service model covering pre-treatment, in-treatment and post-treatment. On July 17, 2018, Administrative Measures on Internet Diagnosis and Treatment (Trial) (《互聯網診療管理辦法(試行)》), Administrative Measures for Internet Hospitals (Trial) (《互聯網醫院管理辦法(試行)》) and Management Standards for Promote Medical Services (Trial) (《遠程醫療服務管理規範(試行)》) were promulgated by NHC and National Administration of Traditional Chinese Medicine. According to the above measures, the development of Internet hospitals supported by the physical medical institutions and online subsequent visits for some common diseases and chronic diseases by the doctors shall be permitted. After reviewing documents of the medical records and profiles of patients, doctors shall be allowed to prescribe online for some common diseases and chronic diseases.

As of the Latest Practicable Date, we did not engage in any activities relating to Internet hospitals, Internet diagnosis and treatment, or providing any remote medical services.

LAWS AND REGULATIONS IN RELATION TO ANTI-UNFAIR COMPETITION

Since early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the Anti-Unfair Competition Law of the PRC (《中國人民共和國反不正當競爭法》) ("**Anti-Unfair Competition Law**"), which was most recently amended on April 23, 2019, operators shall abide by the principle of voluntariness, equality, impartiality, integrity, and adhere to laws and business ethics during market transactions. Operators in violation of the Anti-unfair Competition Law shall bear corresponding civil, administrative or criminal liabilities depending on the specific circumstances.

According to the Interim Provisions on the Prohibition of Commercial Bribery (《國家工商行政管理局關於禁止商業賄賂行為的暫行規定》) ("**Prohibition Commercial Bribery Provisions**"), which was promulgated by State Administration for Industry & Commerce of the PRC on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. According to the Anti-Unfair Competition Law and the Prohibition Commercial Bribery Provisions, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated.

Pursuant to the Regulations on the Establishment of Adverse Records with Respect to Commercial Briberies in the Medicine Purchase and Sales Industry (《關於建立醫藥購銷領域商業賄賂不良記錄的規定》) ("**Regulations on the Establishment of Adverse Records**") enforced on March 1, 2014 by the National Health Family Planning Commission, the enterprises manufacturing and operating drugs, medical equipment and medical supplies, and the agencies as well as individuals thereof, which bribe the employee(s) of the medical and health institutions procuring and using their drugs, medical equipment or medical supplies with property or other benefits, shall be included into the Adverse Records of Commercial Bribery if they satisfy any of the circumstances as described in the Regulations on the Establishment of Adverse Records.

LAWS AND REGULATIONS IN RELATION TO CUSTOMS

According to the Customs Law of the PRC (《中華人民共和國海關法》) which was passed by the SCNPC on January 22, 1987 and last amended on November 4, 2017, a consignee or consignor of import or export goods or a customs clearing enterprise shall be subject to registration by customs in accordance with PRC laws and regulations, prior to handling customs declaration procedures. Customs clearing personnel shall obtain the occupational qualifications for customs clearances in accordance with law.

According to the Provisions of the Administration of Registration of Customs Clearance Entities (《中華人民共和國海關報關單位註冊登記管理規定》), which was promulgated by the General Administration of Customs on March 13, 2014, became effective as of March 13, 2014 and was amended on December 20, 2017 and May 29, 2018 respectively, registration of customs clearance entities shall be divided into the registration of customs clearance enterprises and the registration of consignees or consignors of imported or exported goods. A customs clearance enterprise shall not go through the clearance procedures at the customs unless it has been approved by the relevant competent authority directly under the General Administration of Customs or the authorized affiliated customs. A consignee or consignor of imported or exported goods may directly go to the local customs for the registration.

LAWS AND REGULATIONS IN RELATION TO PRODUCT QUALITY LIABILITY

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and last amended on December 29, 2018, is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. A seller shall pay compensation if it fails to identify the manufacturer and the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th NPC, which became effective on January 1, 2021, according to which, a manufacture or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The injured shall be entitled to raise a claim for compensation against the manufacture or the commercial seller. In the case that the product defects are caused by the faults of the manufacture, after compensating the injured, the commercial seller shall be entitled to claim for compensation against the manufacture.

LAWS AND REGULATIONS IN RELATION TO INTELLECTUAL PROPERTY RIGHTS

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982 and last amended on April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks commencing from the date of registration and the registered trademarks can be renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and revised in September 1992 and August 2000, amended on December 27, 2008 and became effective on October 1, 2009 and further amended on October 17, 2020 which will be effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and last amended on January 9, 2010 and effective from February 1, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years and the protection period of a patent right for utility model patents and design patents shall be 10 years, both commencing from the filing date. According to the Patent Law of the PRC, any entity or individual that seeks to exploit a patent owned by another party shall enter into a patent license contract with the patent owner concerned and pay patent royalties to the patent owner. Pursuant to the Measures for the Filling of Patent Licensing Contracts (《專利實施許可合同備案辦法》) promulgated by the State Intellectual Property Office on June 27, 2011 and became effective on August 1, 2011, the State Intellectual Property Office shall be responsible for filing of patent licensing contracts nationwide and the parties concerned shall complete filing formalities within three months from the effective date of a patent licensing contract.

Domain Names

The Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and became effective on November 1, 2017, regulates the ".CN" and the "zhongguo (in Chinese character)" shall be China's national top level domains. Any party that engages in internet information services shall use its domain name in compliance with laws and regulations and in line with relevant provisions of the telecommunications authority, but shall not use its domain name to commit any violation.

LAWS AND REGULATIONS IN RELATION TO FOREIGN INVESTMENT IN THE PRC

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), promulgated by the NPC on March 15, 2019, has come into effect on January 1, 2020 and has replaced the previous major laws and regulations governing foreign investment in the PRC, including the Sino-foreign Equity Joint Ventures Enterprises Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Co-operative Enterprises Law(《中華人民共和國中外合作經營企業法》), the Wholly Foreign-invested Enterprise Law(《中華人民共和國外資企業法》), and together with their implementation rules and ancillary regulations. Pursuant to Foreign Investment Law, the existing foreign invested enterprises established prior to the effective of the Foreign Investment Law may keep their corporate

organization forms for five years after the effectiveness of the Foreign Investment Law before such existing foreign invested enterprises change their organization forms, organization structures, and their activities of foreign-invested enterprises in accordance with the Company Law of the PRC (《中華人民共和國公司法》), the Partnership Enterprise Law (《中華人民共和國合伙企業法》) and other applicable laws. According to the Foreign Investment Law, "foreign-invested enterprises" refers to enterprises that are wholly or partly invested by foreign investors and registered within Mainland China under the PRC laws; "foreign investment" refers to any foreign investor's direct or indirect investment in Mainland China, including: (i) establishing foreign-invested enterprises in Mainland China either individually or jointly with other investors; (ii) obtaining stock shares, stock equity, property shares, other similar interests of Chinese domestic enterprises; (iii) investing in new projects in Mainland China either individually or jointly with other investors; and (iv) making investment through other means provided by laws, administrative regulations, or provisions of the State Council.

Investments conducted by foreign investors in the PRC are subject to the Catalogue of Industries on Encouraged Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) and the Negative List which were jointly issued by the NDRC, and the MOFCOM. The Negative List currently in force was amended in 2020 and became effective on July 23, 2020, which further reduces the restrictions on foreign investment.

On December 26, 2019 the State Council issued Implementation Regulations for the Foreign Investment Law (《外商投資法實施條例》) (the " **Implementation Rules**") which came into effect on January 1, 2020. According to the Implementation Rules, in the event of any discrepancy between the Foreign Investment Law, the Implementation Rules and relevant provisions on foreign investment promulgated prior to January 1, 2020, the Foreign Investment Law and the Implementation Rules shall prevail. The Implementation Rules also sets forth that foreign investors that invest in sectors on the Negative List in which foreign investment is restricted shall comply with special management measures with respect to shareholding, senior management personnel and other matters in the Negative List.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which took effect on January 1, 2020 and has replaced the Interim Measures for the Administration of Record-filling on the Establishment and Changes in Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Foreign investors or foreign-invested enterprises shall submit investment information to the commerce administrative authorities through the Enterprise Registration System (企業登記系統) and the National Enterprise Credit Information Publicity System（國家企業信用信息公示系統）.

The CSRC, the SAFE, the MOFCOM and three other PRC governmental and regulatory agencies promulgated the M&A Rules on August 8, 2006, as later amended on June 22, 2009, governing the mergers and acquisitions of domestic enterprises by foreign investors. The M&A Rules, among other things, require that if a domestic company, domestic enterprise, or a domestic individual, through an overseas company established or controlled by it/him/her, acquires a domestic company which is affiliated with it/him/her, an approval from the MOFCOM is required. The M&A Rules further requires that a special purpose vehicle, that is controlled directly or indirectly by the PRC companies or individuals and that has been formed for overseas listing purposes through acquisitions of PRC domestic interest held by such PRC companies or individuals, shall obtain the approval of CSRC prior to overseas listing and trading of such SPV's securities on an overseas stock exchange.

LAWS AND REGULATIONS IN RELATION TO LABOR AND SOCIAL SECURITY

According to the Labor Law of PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, the Labor Contract Law of PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on September 18, 2008 by the State Council, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety

and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and came into effect on July 1, 2011, and was amended on December 29, 2018, the Provisional Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費征繳暫行條例》), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999 and came into effective on the same date, and was amended on March 24, 2002 and March 24, 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

LAWS AND REGULATIONS IN RELATION TO TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated on March 16, 2007, came into effect on January 1, 2008 and amended by the SCNPC on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the Enterprise Income Tax Law (《中華人民共和國企業所得税法實施條例》), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008, and amended by the State Council on April 23, 2019 and came into effect on the same date, a uniform income tax rate of 25% will be applied to resident enterprises and non-resident enterprises that have established production and operation facilities in China. Besides enterprises established within the PRC, enterprises established in accordance with the laws of other judicial districts whose "de facto management bodies" are within the PRC are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to or any other gains realized on the transfer of shares by non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to the Arrangement for the Avoidance of Double Taxation and Tax Evasion between Mainland of China and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》) entered into between Mainland China and the HKSAR on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which directly owns 25% or more of the equity interest pf the PRC foreign-invested enterprise which pays the dividends and interests, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws. However, according to the Notice on the Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the State Administration of Taxation (the "**SAT**") on February 20, 2009 and came into effect on the same date, if the relevant PRC tax authorities determine, in their discretion, that a company benefits unjustifiably from such reduced income tax rate due to a transaction or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), issued by the SAT on February 3, 2018 and effective on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax

The Provisional Regulations on Value-added Tax (《增值税暫行條例》), which was promulgated on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Detailed Implementing Rules of the Provisional Regulations on Value-added Tax (《增值税暫行條例實施細則》), which was promulgated on December 25, 1993 and came into effective on the same date, and was amended on December 15, 2008 and October 28, 2011, came into effect on November 1, 2011 set out that all taxpayers selling goods or providing processing, repairing or replacement services, sales of services, intangible assets and immovable assets and importing goods in China shall pay a value-added tax.

The State Council approved, and the SAT and the MOF officially launched a pilot value-added tax reform program starting from January 1, 2012, or the Pilot Program, applicable to businesses in selected industries. Businesses in the Pilot Program would pay value-added tax instead of business tax. The Pilot Program was initiated in Shanghai, then further applied to ten additional regions such as Beijing and Guangdong province. On November 19, 2017, the State Council promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and Amending the Provisional Regulations of the PRC on Value-added Tax (《關於廢止<中華人民共和國營業税暫行條例>和修改<中華人民共和國增值税暫行條例>關的決定》), according to which, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets, real property and the importation of goods within the territory of the PRC are the taxpayers of value-added tax. The value-added tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the value-added tax rate applicable to the small-scale taxpayers is 3%. According to the Notice of the MOF and the SAT on Adjusting Value added Tax Rates (《財政部、國家税務總局關於調整增值税税率的通知》) issued on April 4, 2018 and became effective on May 1, 2018, the deduction rates of 17% and 11% applicable to the taxpayers who have value added tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively. According to the Notice of the MOF, the SAT and the General Administration of Customs on Relevant Policies for Deepening Value Added Tax Reform (《關於深化增值税改革有關政策的公告》) issued on March 20, 2019 and became effective on April 1, 2019, the value added tax rate was reduced to 13% and 9%, respectively.

LAWS AND REGULATIONS IN RELATION TO FOREIGN EXCHANGE CONTROL

The Regulation on the Foreign Exchange Control of PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, sets out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the SAFE shall specify the conditions for transfer to China or overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) which was promulgated by SAFE in February 2012, PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organizations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan.

The Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Inbound Investment via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), which was promulgated by the SAFE on July 4, 2014 and came into effective on the same date, states that (i) a PRC resident, including a PRC resident natural person or a PRC legal person, shall register with the local branch of the SAFE before it contributes its assets or equity interest in domestic enterprises or offshore assets or interests into a special purpose vehicle for the purpose of investment and financing and (ii) when the special purpose vehicle undergoes change of basic information, such as change in PRC resident natural person shareholder, name or operating period, or occurrence of a material event, such as change in share capital of a PRC resident natural person, performance of merger or split, the PRC resident shall register such change with the local branch of the SAFE in a timely manner.

According to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) which was promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, banks are required to review and carry out foreign exchange registration under offshore direct investment directly. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Circular on Reforming the Management Method regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), promulgated on March 30, 2015 and last amended on December 30, 2019, allows foreign-invested enterprises to make equity investments by using RMB fund converted from foreign exchange capital. Under the Circular 19, the foreign exchange capital in the capital account of foreign-invested enterprises upon the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operation needs of the enterprises. The proportion of willingness-based foreign exchange settlement of capital for foreign-invested enterprises is temporarily set at 100%. The SAFE can adjust such proportion in due time based on the circumstances of the international balance of payments. However, Circular 19 and the Circular on Reforming and Regulating the Management Policies on the Settlement of Capital Projects (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) continues to prohibit foreign-invested enterprises from, among other things, using RMB fund converted from its foreign exchange capitals for expenditure beyond its business scope, investment and financing in securities and other investments except for bank's principal-secured products, providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use.

On October 23, 2019, the SAFE released the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the "**Circular 28**"), according to which besides foreign-invested enterprises engaged in investment business, non-investment foreign-invested enterprises are also permitted to make domestic equity investments with their capital funds provided that such investments do not violate the Negative List and the target investment projects are genuine and in compliance with laws.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, eligible enterprises are allowed to make domestic payments by using their capital funds, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

OVERVIEW

Our history can be traced back to the establishment of SciClone US by Mr. Thomas E. Moore and Mr. Nelson M. Schneider in California, the United States in May 1990, focusing on the business of acquisition and development of pharmaceuticals which it intended to market on a worldwide basis. In 1992, SPIL was established in the Cayman Islands and became the primary entity through which we operate our pharmaceuticals business.

Our predecessor and the then holding company of our business, SciClone US, was later listed on NASDAQ in March 1992 and was subsequently delisted in October 2017 pursuant to a privatization exercise. Subsequent to the delisting, we conducted a series of restructuring, whilst the principal business of our Group has still been held by SPIL.

MATERIAL DEVELOPMENT MILESTONES

The following illustrates our material development milestones:

Year	Event
1992	SciClone US was listed on NASDAQ
1993	Zadaxin approved in Italy
1996	Zadaxin approved in China market
2003	Zadaxin played an important role in anti-SARS treatment
	Zadaxin approved in over 30 countries
2011	Acquired NovaMed and assumed its business partnership with Baxter and Pfizer
	Expanded into the therapeutic area of oncology
	Expanded into sales of in-licensed products and promotion products for business partners
2013	New China management team onboard to enhance the multi-national corporation infrastructure and compliance systems
2015	Launched DC Beads, a microbead used in Transarterial Chemo-Embolization (TACE) for liver cancer treatment
2017	Privatization led by GL Capital and joined by CDH Investments, Ascendent Capital Partners, Ocean Falcon Limited and Boying Investments Limited
2018	Expanded cooperation with Baxter and granted exclusive rights to promote its designated products in hospitals in Mainland China
2019	Acquired the commercial rights of Angiomax for Mainland China
2020	Tα1 (Zadaxin) listed for the treatment of severe and critical cases of COVID-19, which was released by NHC and National Administration of Traditional Chinese Medicine, as supported by retrospective clinical case studies of COVID-19 patients accepted by peer-reviewed academic journals
	Acquired commercial rights of Zometa for Mainland China
	In-licensed RRx-001 from EpicentRX and PEN-866 from Tarveda

See “Business.”

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

As part of the Corporate Reorganization and in preparation for the Listing, our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 13, 2020 with an authorized share capital of USD50,000 divided into 1,000,000,000 Shares of a par value of USD0.00005 each. See "— Corporate Reorganization."

Listing of our Predecessor on NASDAQ and the Privatization

Our predecessor and the then holding company of our business, SciClone US, was incorporated as a limited liability company in California, the United States in May 1990. The common stock of SciClone US was later listed on the NASDAQ in March 1992 under trading symbol of SCLN.

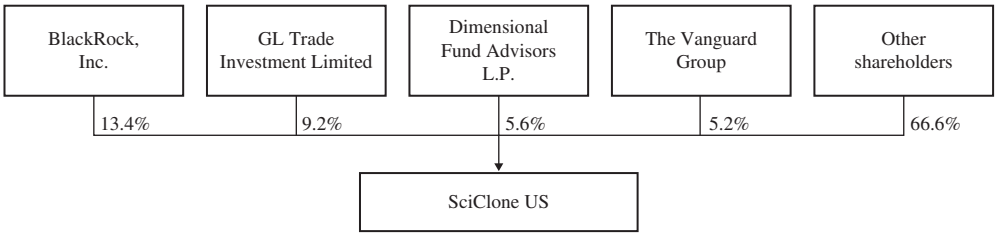
Merger

On June 7, 2017, a consortium led by GL Trade Investment L.P. and GL Glee Investment Limited which are under common control of Mr. Li Zhenfu, and consisting of entities affiliated with CDH Investments, Ascendent Capital Partners, Bank of China Group Investment Limited and Boying Investment Limited (collectively, the "**Buyer Consortium**") was formed pursuant to a consortium agreement in order to work exclusively in connection with the acquisition and privatization of SciClone US. At the time of privatization, SciClone US considered that its long-term future and strategic path forward could best be realized as part of a corporate entity based in and managed from China, and believed that the Buyer Consortium, led by GL Capital Group which is a Greater China healthcare-focused, value-driven investment management group, was best positioned to, among others, invest the necessary resources to further serve the Group's customers and provide high quality medicines to Chinese patients. On the same date, Silver Biotech Investment Limited ("**Silver Biotech**") and Silver Delaware Investment Limited ("**Merger Sub**"), which were formed by the Buyer Consortium, entered into certain merger agreement with SciClone US to acquire all of the outstanding shares of common stock of SciClone US for a cash consideration of USD11.18 for each share of SciClone US's common stock ("**Merger Consideration**"). Pursuant to the merger agreement, the Buyer Consortium would acquire all of the outstanding shares of common stock of SciClone US and the Merger Sub would be merged with and into SciClone US, with SciClone US continuing as the surviving corporation and subsidiary of Silver Biotech (the "**Merger**"). Prior to entering into the merger agreement, GL Trade Investment Limited[(1)] held approximately 9.2% of the total shares of common stock of SciClone US, and none of the other members of the Buyer Consortium held any share of SciClone US. The Merger was financed through a combination of equity financing provided by the Buyer Consortium, and debt financing arranged by the bank. The Merger Consideration of USD11.18 per share represents a premium of approximately 11% to the

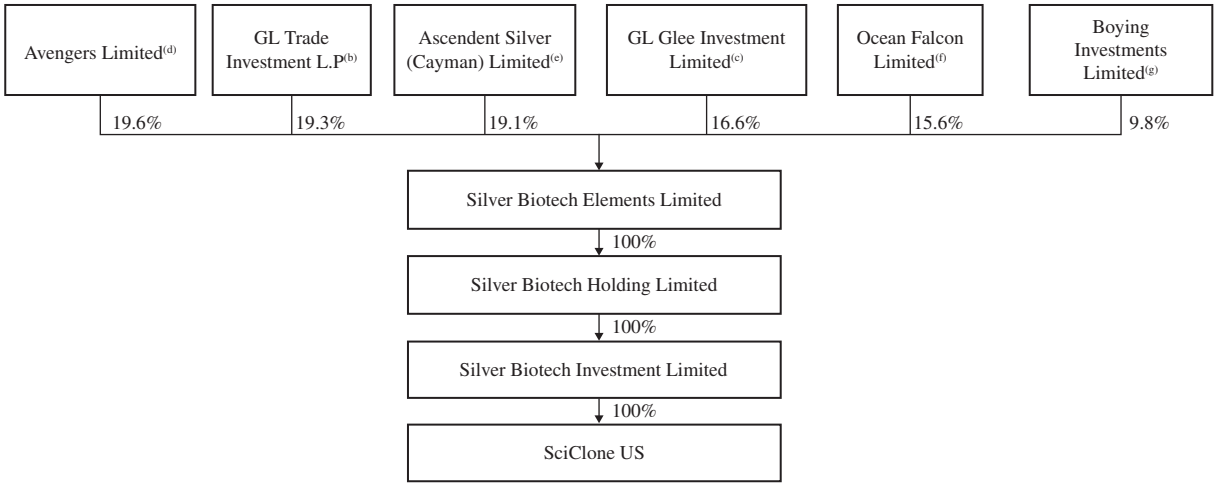
(1) GL Trade Investment Limited was wholly owned by GL China Opportunities Fund L.P., a limited partnership registered in Cayman Islands whose general partner was GL Capital Management GP L.P., a limited partnership registered in Cayman Islands, whose general partner was GL Capital Management GP Limited, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was a company incorporated in the Netherlands and was wholly owned by Assicurazioni Generali S.p.A., a company listed on the Italian Stock Exchange. GL Partners Capital Management Ltd was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu as to 70% and an independent third party as to 30%.

closing price of the common stock of SciClone US on June 7, 2017, being the last trading day prior to the public announcement of the execution of the merger agreement and a premium of approximately 16% over the ten-day volume-weighted average closing stock price of the common stock of SciClone US as of June 7, 2017. After the Merger, the primary entity through which we operate our pharmaceuticals business has still been SPIL. The then market capitalization of SciClone US, calculated with reference to the Merger Consideration, the total number of the issued and outstanding shares of common stock of SciClone US and shares of common stock of SciClone US issuable, and the stock options with the weighted average exercise price of USD7.22 per share as of July 25, 2017, was approximately USD607 million.

The chart below sets forth the shareholding structure of SciClone US immediately prior to the privatization:



The chart below sets forth the shareholding structure of SciClone US immediately upon completion of the privatization:



Notes: See "—2. Restructuring of Subsidiaries"

The estimated market capitalization of our Company based on low-end Offer Price, assuming the Over-allotment Option is not exercised, represents a premium of 147.8% to the then market capitalization of SciClone US at privatization, which is due to the growth of our corporate value demonstrated by:

- our significant growth in revenue and profit since 2017: our revenue increased from RMB1,213.0 million in 2017 to RMB1,708.1 million in 2019, representing a growth rate

of 40.8%, whilst our profit increased from RMB19.6 million in 2017 to RMB614.6 million in 2019, representing a growth rate of 3,035.7%; and

- diversified products and pipelines: we have developed a high-quality portfolio of marketed products, including proprietary product of Zadaxin, in-licensed products of Angiomax and Zometa, and promotion products for our business partners of Pfizer and Baxer, and have built a pipeline of in-licensed early- to late-stage drug candidates which includes Oravig, Vibativ, RRx-001, Naxitamab, Omburtamab, PEN-866, PT-112 and ABTL-0812. See "Business" for further information.

The principal reason of the privatization, among other reasons, was to enable stockholder of SciClone US to achieve substantial cash value and premium to SciClone US's then trading price. On October 13, 2017, the privatization was completed and SciClone US became a subsidiary of Silver Biotech and the common stock of SciClone US ceased to be listed on NASDAQ. Prior to the privatization, SciClone US was the management center for its global businesses. Subsequent to the delisting, we conducted a series of restructuring and the principal business of our Group had been held by SPIL. We intend to voluntarily wind up SciClone US upon expected completion of transfer of intellectual properties held by SciClone US to our Group around the end of the year 2021.

Having considered the existing equity market conditions of Hong Kong and the familiarity of investors in Hong Kong with the business of our Group, our Directors consider the Hong Kong Stock Exchange to be the appropriate listing venue of our business and an opportunity to leverage on the public equity market of Hong Kong to expand our business.

Our Directors confirm that, to the best of their knowledge and in respect of our Group's business:

(a) save as disclosed in the section headed "Business — Legal and Compliance — Legal Proceedings — SEC FCPA Investigation and Settlement" in this prospectus, during the period it was listed on NASDAQ, SciClone US:

  (i) did not have any non-compliance in all material respects under the applicable U.S. securities laws and regulations and NASDAQ rules and regulations;

  (ii) had not been subject to any disciplinary action by relevant U.S. regulators; and

(b) there were no matters in relation to the prior listing of NASDAQ, privatization and delisting of SciClone US that need to be brought to the attention of potential investors of our Company and the Stock Exchange.

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

We conduct our business principally through the following subsidiaries which made material contribution to our results of operations during the Track Record Period:

Name of major subsidiaries	Principal business activities	Date of establishment and commencement of business
SPIL	Sales and manufacturing of pharmaceutical products, business development activities and investment holding	November 16, 1992
SciClone Pharmaceuticals International China Holding Ltd. ("**SPIL China**")	Sales of pharmaceutical products	September 19, 2005
SciClone Pharmaceuticals (China) Co., Ltd. ("**SciClone China**")	Provision of (i) marketing and consulting services, (ii) general and administration support service, (iii) new drug registration procedures services to our Group, and (iv) R&D services to our Group	October 15, 2014
SciClone Pharmaceuticals (Jiangsu) Co., Ltd. ("**SciClone Jiangsu**")	Distribution of pharmaceutical products and provision of general and administration support service and marketing and consulting services to SciClone China	September 24, 2015

SPIL

In November 1992, SPIL was incorporated as an exempted company with limited liability and a then wholly-owned subsidiary of SciClone US. After the Corporate Reorganization, SPIL became our wholly-owned subsidiary.

SPIL China

SPIL China was incorporated as a wholly owned subsidiary of SPIL on September 19, 2005.

SciClone China

SciClone China was established as a wholly owned subsidiary of SciClone Pharmaceuticals Hong Kong Limited, an indirect wholly-owned subsidiary of our Company, on October 15, 2014.

SciClone Jiangsu

SciClone Jiangsu was established as a wholly owned subsidiary of SciClone China on September 24, 2015.

SEC INVESTIGATION AND SETTLEMENT

See "Business — Legal and Compliance — SEC FCPA Investigation and Settlement" for information regarding investigation by, and settlement with, SEC involving SciClone US.

CORPORATE REORGANIZATION

In May 2020, we commenced the Corporate Reorganization in preparation for the Listing, whereupon our Company became the holding company and the listing vehicle of our Group.

1. Establishment of New Holding Structure

After we contemplated the Listing, our Company was incorporated in the Cayman Islands as an exempted company on May 13, 2020 as an administrative step in preparation for the Listing. Upon incorporation, one Share of a par value of USD0.00005 was transferred from the incorporator to GL Glee Investment Limited for the purpose of handling Corporate Reorganization and secretarial matters.

2. Restructuring of Subsidiaries

As part of the Corporate Reorganization to transfer the business under SciClone US to our Company, our following subsidiaries are transferred from Silver New Cayman Holding Limited, SciClone US or its shareholder to our Company or SPIL:

	Name of company (Place of incorporation)	Percentage of equity interest held by us	Principal business activities	Status of the transfer as of the Latest Practicable Date
1.	Sciclone Pharmaceuticals Italy S.r.l. (Italy)	100%	License holding company	On April 6, 2020, the sole manager of SciClone US passed the resolutions, pursuant to which SciClone US transferred to SPIL the entire equity interest of Sciclone Pharmaceuticals Italy S.r.l. at cost. As of the Latest Practicable Date, the transfer of the equity interest has been completed.(1)
2.	Sciclone Pharmaceuticals Limited (Hong Kong)	100%	Supply Chain and quality assurance service	On June 18, 2020, the sole shareholder of Silver Biotech Investment Limited passed the resolutions, pursuant to which Silver Biotech Investment Limited transferred to SPIL the entire equity interest of Sciclone Pharmaceuticals Limited at nil consideration.(2) As of the Latest Practicable Date, the transfer of the equity interest has been completed.

	Name of company (Place of incorporation)	Percentage of equity interest held by us	Principal business activities	Status of the transfer as of the Latest Practicable Date
3.	SciClone Pharmaceuticals Management Limited (formerly known as SciClone Pharmaceuticals Holding Limited) (Hong Kong)	100%	Management service	On June 18, 2020, the sole shareholder of Silver Biotech Investment Limited passed the resolutions, pursuant to which Silver Biotech Investment Limited transferred to SPIL the entire equity interest of SciClone Pharmaceuticals Management Limited (formerly known as SciClone Pharmaceuticals Holding Limited) at nil consideration.(1) As of the Latest Practicable Date, the transfer of the equity interest has been completed.
4.	SPIL (Cayman)	100%	Sales and manufacturing of pharmaceutical products, business development activities and investment holding	On June 18, 2020, Silver Biotech Holding Limited, the then sole shareholder of SPIL, made a distribution in specie of the entire equity interests of SPIL in favour of Silver Biotech Elements Limited ("SBE"). On June 24, 2020, the shareholders of SBE passed resolutions, pursuant to which SBE transferred to our Company the entire equity interests of SPIL, the consideration of which would be settled by the issue by our Company of certain Shares at par value of USD0.00005 each in our Company to shareholders of Silver Biotech Elements Limited in proportion to their shareholding in Silver Biotech Elements Limited.(3) As of the Latest Practicable Date, the transfer of the equity interest and the issue of our Shares have been completed. See the section immediately follows for the allotment of Shares as consideration for the transfer of SPIL.

Notes:

(1) As of April 6, 2020, each of SciClone US and SPIL was wholly owned by Silver Biotech Holding Limited.

(2) As of June 18, 2020, each of Silver Biotech Investment Limited and SPIL was wholly owned by Silver Biotech Holding Limited.

(3) In consideration for the transfer of the entire shareholding of SPIL to our Company, our Company allotted an aggregate of 543,135,509 Shares to the following persons at par value on June 24, 2020.

Name	Number of Shares	Amount of issued share capital subscribed[a]	Approximate % of shareholding in our Company after the allotment
GL Trade Investment L.P.[b]	104,968,370	USD5,248.4185	19.33%
GL Glee Investment Limited[c]	90,135,689	USD4,506.7845	16.60%
Avengers Limited[d]	106,536,790	USD5,326.8395	19.61%
Ascendent Silver (Cayman) Limited[e]	103,497,710	USD5,174.8855	19.06%
Ocean Falcon Limited[f]	84,523,130	USD4,226.1565	15.56%
Boying Investments Limited[g]	53,473,820	USD2,673.6910	9.84%

Notes:

(a) Calculated based on the par value of our Shares times the number of Shares as subscribed by the relevant shareholders.

(b) GL Trade Investment L.P. was an exempted limited partnership registered in Canada on March 25, 2015. Its general partner was GL Capital Management GP II B.C. I Ltd., a company incorporated in Canada which was wholly owned by GL Capital Management Ltd, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was a company incorporated in Netherlands and was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. GL Partners Capital Management Ltd was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu, a non-executive director of our Company and the founder, president and chief executive officer of GL Capital Group as to 70% and an independent third party as to 30%.

(c) GL Glee Investment Limited was a limited liability company incorporated in the Cayman Islands on March 10, 2011 and was wholly owned by GL China Opportunities Fund L.P., a limited partnership registered in Cayman Islands whose general partner was GL Capital Management GP L.P., a limited partnership registered in Cayman Islands, whose general partner was GL Capital Management GP Limited, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was a company incorporated in Netherlands and was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. GL Partners Capital Management Ltd was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu as to 70% and an independent third party as to 30%.

(d) Avengers Limited was a limited liability company incorporated in the Cayman Islands and was wholly owned by CDH Fund V, L.P., a limited partnership registered in the Cayman Islands. Its general partner was CDH V Holdings Company Limited, a limited liability company incorporated in the Cayman Islands which was held by China Diamond Holdings V Limited as to 80%, a limited liability company incorporated in the Birtish Virgin Islands which in turns was wholly owned by China Diamond Holdings Company Limited, a limited liability company incorporated in Birtish Virgin Islands which was indirectly held by Mr.Wu Shangzhi as to 33.2%.

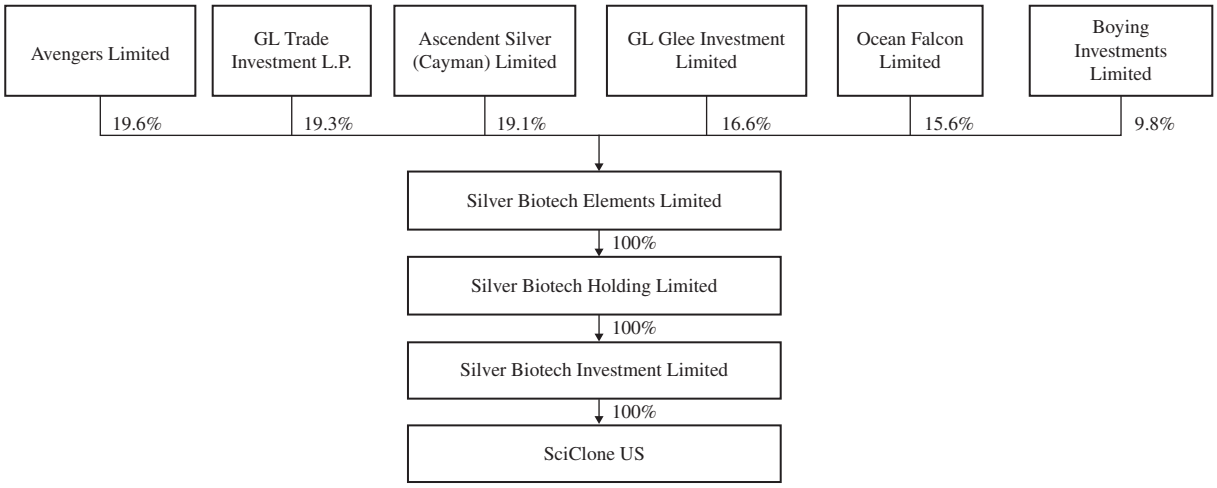
(e) Ascendent Silver (Cayman) Limited was a limited liability company incorporated in the Cayman Islands and was wholly owned by Ascendent Capital Partners II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was Ascendent Capital Partners II GP, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was Ascendent Capital Partners II GP Limited, a limited liability company incorporated in the Cayman Islands and was wholly owned by Mr. Meng Liang.

(f) Ocean Falcon Limited was a limited company incorporated in Hong Kong on March 15, 2017 and was wholly owned by Bank of China Group Investment Limited, a limited company incorporated in Hong Kong which in turn was wholly owned by Bank of China Limited, a joint stock company established in the PRC with limited liability

which in turn was held by Central Huijin Investment Ltd. as to 64.02%, a limited liability company established in the PRC which in turn was wholly owned by China Investment Corporation, a limited liability company which was wholly owned by the State Council of the People's Republic of China.

(g) Boying Investments Limited was a limited liability company incorporated in the British Virgin Islands and was wholly owned by Mr. Zhu Weihang, an Independent Third Party.

Upon completion of the restructuring above, SciClone US did not have any business operation. Set out below is a summary of the shareholding structure of Sciclone US as at the Latest Practicable Date.



3. Allotment of Shares pursuant to the Executive Investment Plan

In order to (i) aligning interests of certain management and our Company with shared risks and benefits, (ii) creating a joint endeavor to perform strategies and promote businesses of our Company, and (iii) therefore adding value to sustained development of our Company, on June 24, 2018, we have established an executive investment plan (the "Executive Investment Plan") to enable the following certain management personnel of our Group to subscribe for our Shares: (i) 19 management personnel, including Mr. Zhao Hong, our executive Director, chief executive officer and president, subscribed through Convergence International Holdings Ltd. ("**Convergence**"). Convergence was wholly owned by Beijing Convergence Management Consulting LLP (Limited Partnership) (北京諾盛衡康管理諮詢合夥企業(有限合夥) , "Beijing Convergence"), which was in turn owned by its general partner, Juli Information Consulting (Beijing) Co., Ltd. (炬力信息諮詢（北京）有限公司, "Juli Information"), as to 0.000003957%, and its limited partner, Zhoushan Kangnuo Equity Investment Partnership Enterprise (Limited Partnership) (舟山康諾股權投資合夥企業(有限合夥), "Zhoushan Kangnuo"), as to 99.999996043%. As of the Latest Practicable Date, Mr. Zhao Hong was interested in 32.44% equity interests in Juli Information and 40.96% partnership interests in Zhoushan Kangnuo, and none of other management personnel is interested in more than 10% partnership interests in Zhoushan Kangnuo. On April 3, 2020, Beijing Convergence, as subscriber, entered into an investment agreement with our Company, GL Trade Investment L.P. and GL Glee Investment Limited, pursuant to which the subscriber agreed to subscribe 11,979,690 Shares at the consideration of USD3,630,800, and our Company issued and allotted such number of Shares to Convergence on August 7, 2020; and (ii) Zang Ying Qin, who was our then management, subscribed

through her wholly-owned entity, Corto Co., Ltd. ("**Corto**"). On December 1, 2019, Zang Ying Qin, as subscriber, entered into an investment agreement with our Company, GL Trade Investment L.P. and GL Glee Investment Limited, pursuant to which the subscriber agreed to subscribe 84,600 Shares at the consideration of USD26,636 and our Company issued and allotted such number of Shares to Corto on August 7, 2020. The total consideration of USD3,657,436 was fully settled by August 7, 2020. The above subscribers shall be subject to the same lock-up period of GL Trade Investment L.P. and GL Glee Investment Limited under the Listing Rule. The subscribers were not granted any special rights under their respective investment agreements.

The stock-based compensation expenses in relation to the Executive Investment Plan with the amount of RMB5.3 million, RMB2.9 million, RMB2.9 million and nil were recorded in the consolidated financial statements of the Group during the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively.

4. Allotment of Shares pursuant to Post-IPO RSU Plan

On February 10, 2021, the Company issued and allotted an aggregate of 6,689,963 Shares to Maples Trustee Services (Cayman) Limited as trustee of a trust with the intent that such number of Shares would ultimately be held by SCLN ESOP Management Limited. On February 11, 2021, such number of Shares were directed to SCLN ESOP Management Limited for the purpose of holding Shares under the Post-IPO RSU Plan on trust for and on behalf of grantees to be determined after the Listing. As of the Latest Practicable Date, our Company had not identified any grantee under the Post-IPO RSU Plan. See "Appendix V — Statutory and General Information — D. Share Plans — 3. Post-IPO RSU Plan".

SHAREHOLDING STRUCTURE IMMEDIATELY BEFORE THE LISTING

Set out below is a summary of the shareholding structure of our Company immediately prior to the completion of the Global Offering:

Shareholders	Number of Shares held	Approximate percentage of shareholding of our Company
GL Trade Investment L.P.[(1)]	104,968,370	18.68%
GL Glee Investment Limited[(2)]	90,135,690	16.04%
Avengers Limited[(3)]	106,536,790	18.96%
Ascendent Silver (Cayman) Limited[(4)]	103,497,710	18.42%
Ocean Falcon Limited[(5)]	84,523,130	15.04%
Boying Investments Limited[(6)]	53,473,820	9.52%
Convergence International Holdings Ltd.[(7)]	11,979,690	2.13%
Corto Co., Ltd.[(8)]	84,600	0.02%
RSU Holding Entity[(9)]	6,689,963	1.19%

Notes:

As of the Latest Practicable Date,

(1) GL Trade Investment L.P. was an exempted limited partnership registered in Canada on March 25, 2015. Its general partner was GL Capital Management GP II B.C. I Ltd., a company incorporated in Canada which was wholly owned by GL Capital Management Ltd, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V.

as to 49%. Lion River I N.V. was a company incorporated in Netherlands and was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. GL Partners Capital Management Ltd, one of the holding entities within GL Capital Group, was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu, a non-executive director of our Company and the founder, president and chief executive officer of GL Capital Group as to 70% and an Independent Third Party as to 30%.

(2) GL Glee Investment Limited was a limited liability company incorporated in the Cayman Islands on March 10, 2011 and was wholly owned by GL China Opportunities Fund L.P., a limited partnership registered in Cayman Islands whose general partner was GL Capital Management GP L.P., a limited partnership registered in Cayman Islands, whose general partner was GL Capital Management GP Limited, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was a company incorporated in Netherlands and was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. GL Partners Capital Management Ltd, one of the holding entities within GL Capital Group, was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu as to 70% and an independent third party as to 30%.

(3) Avengers Limited was a limited liability company incorporated in the Cayman Islands and was wholly owned by CDH Fund V, L.P., a limited partnership registered in the Cayman Islands. Its general partner was CDH V Holdings Company Limited, a limited liability company incorporated in the Cayman Islands which was held by China Diamond Holdings V Limited as to 80%, a limited liability company incorporated in the Birtish Virgin Islands which in turns was wholly owned by China Diamond Holdings Company Limited, a limited liability company incorporated in Birtish Virgin Islands which in turns was indirectly held by Mr.Wu Shangzhi, a founder and the chairman of China Diamond Holdings Company Limited, as to 33.2% and nine Independent Third Parties as to 66.8%.

(4) Ascendent Silver (Cayman) Limited was a limited liability company incorporated in the Cayman Islands and was wholly owned by Ascendent Capital Partners II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was Ascendent Capital Partners II GP, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was Ascendent Capital Partners II GP Limited, a limited liability company incorporated in the Cayman Islands and was wholly owned by Mr. Meng Liang, the founding managing partner of Ascedent Capital Partners.

(5) Ocean Falcon Limited was a limited company incorporated in Hong Kong on March 15, 2017 and was wholly owned by Bank of China Group Investment Limited, a limited company incorporated in Hong Kong which in turn was wholly owned by Bank of China Limited, a joint stock company established in the PRC with limited liability which in turn was held by Central Huijin Investment Ltd. as to 64.02%, a limited liability company established in the PRC which in turn was wholly owned by China Investment Corporation, a limited liability company which was wholly owned by the State Council of the People's Republic of China.

(6) Boying Investments Limited was a limited liability company incorporated in the British Virgin Islands and was wholly owned by Mr. Zhu Weihang, the chairman of Guangdong Pearl Investment Holding Group Co., Ltd. (廣東珠江投資控股集團有限公司) and an Independent Third Party.

(7) Convergence was a limited liability company incorporated in the British Virgin Islands and was wholly owned by Beijing Convergence.

(8) Corto was a limited liability company incorporated in the British Virgin Islands and was wholly owned by Zang Ying Qin.

(9) SCLN ESOP Management Limited was a limited company incorporated in the British Virgin Islands on October 12, 2020, and was wholly owned by Maples Trustee Services (Cayman) Limited in its capacity as trustee of a trust upon the terms of such trust for the purpose of holding our Shares under the Post-IPO RSU Plan on trust for and on behalf of grantees to be determined after the Listing.

PUBLIC FLOAT

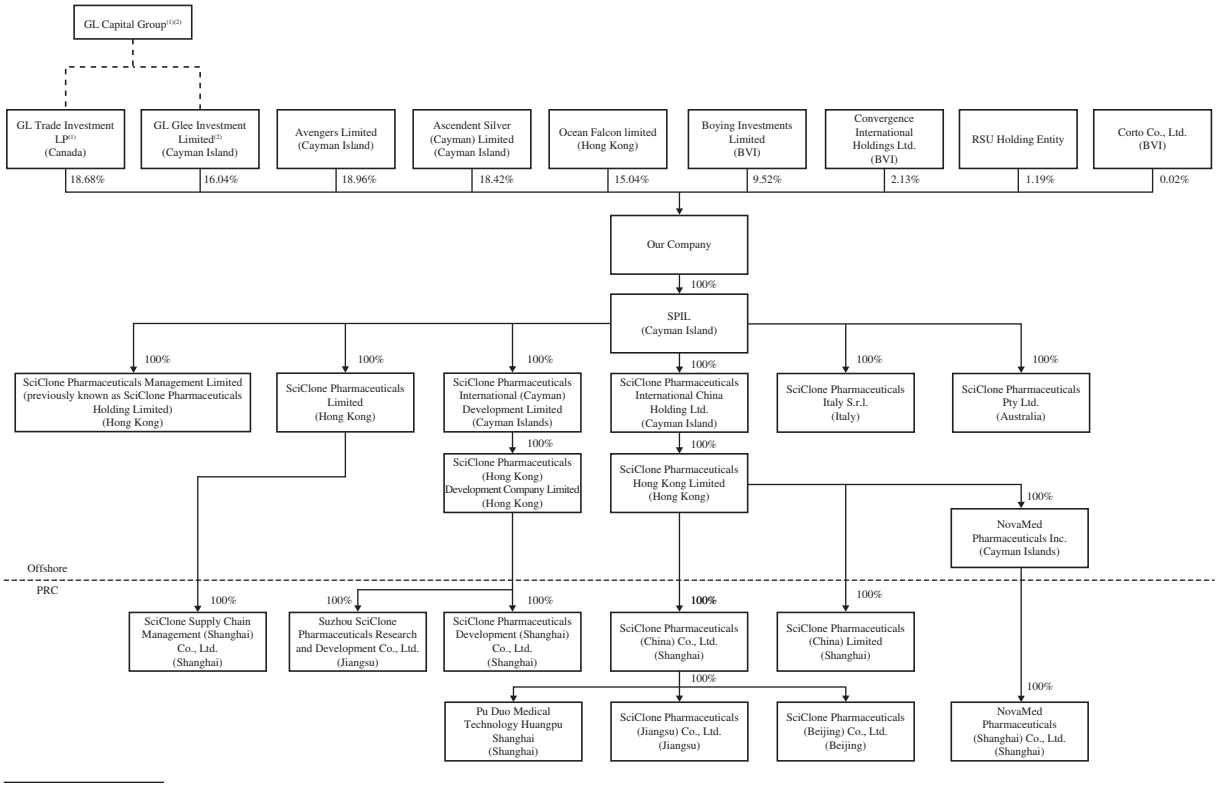
Upon the Listing, our Shares held by GL Trade Investment L.P., GL Glee Investment Limited, Ocean Falcon Limited, Avengers Limited, Ascendent Silver (Cayman) Limited, Convergence and

RSU Holding Entity will not be counted towards the public float of our Company. Save for our Shares held by such Shareholders, our Shares held by other existing Shareholders will be counted towards the public float.

Taking into account our Shares held by the existing Shareholders of our Company and our Shares to be issued to other public shareholders pursuant to the Global Offering, our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

GROUP STRUCTURE IMMEDIATELY BEFORE THE LISTING

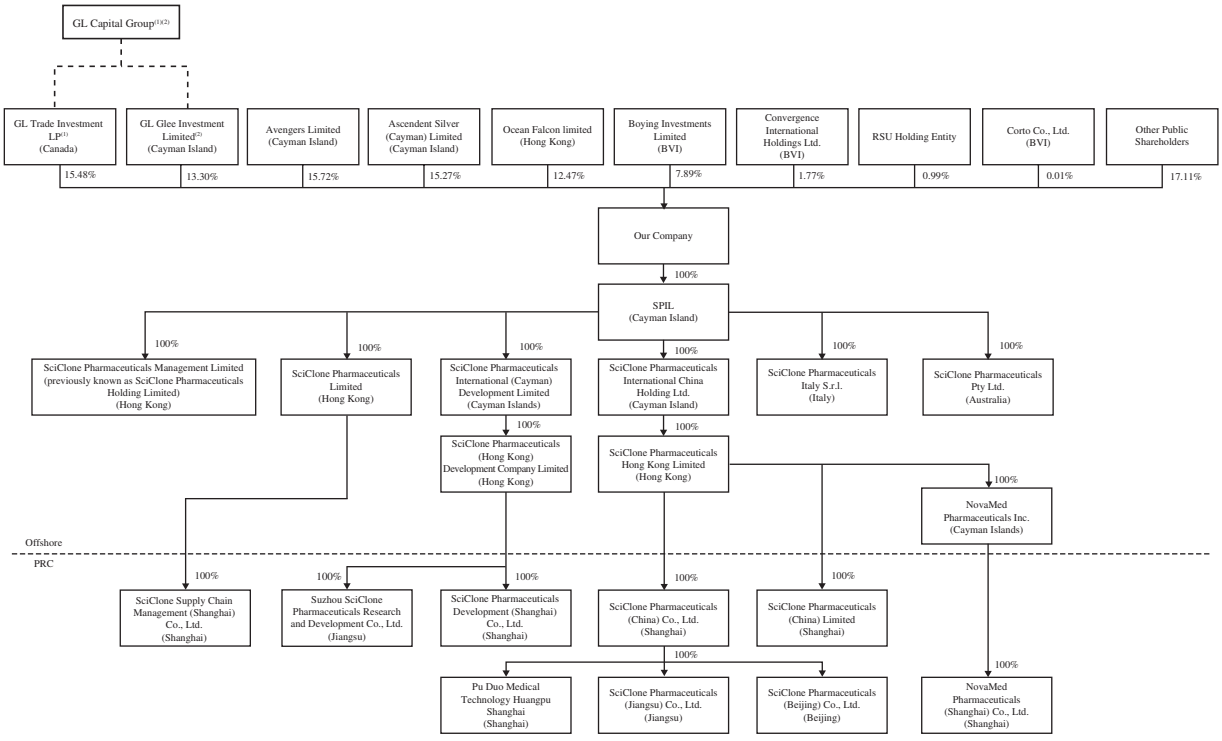
Set out below is a summary of the corporate structure of our Company immediately prior to the completion of the Global Offering:



Note: See notes on preceding page.

GROUP STRUCTURE UPON THE LISTING

The following chart sets forth our Group's corporate and shareholding structure upon completion of the Global Offering (assuming the Over-allotment Option and the options granted under the Option Incentive Plan are not exercised):



Note: See "— Group Structure immediately before the Listing."

SAFE REGISTRATION

Pursuant to the Circular 37, promulgated by SAFE and which became effective on July 14, 2014, a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing. The Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. Pursuant to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As of the Latest Practicable Date, none of the direct shareholders of our Company is a PRC resident individual or is subject to the Circular 37.

M&A RULES

Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes the increased registered capital in a domestic enterprise thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the "**Regulated Activities**"). The M&A Rules, among other things, further purport to require that an offshore special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Given that none of the incorporation of our PRC subsidiaries involved the Regulated Activities described under the M&A Rules, as advised by our PRC Legal Advisor, the Listing of our Company does not require approvals from CSRC and MOFCOM. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including CSRC, would reach the same conclusion as our PRC Legal Advisor.

OVERVIEW

We are a biopharmaceutical company with an integrated platform for product development and commercialization. We strategically focus on some of the largest and fast-growing therapeutic areas with significant unmet medical needs in China, primarily including oncology and severe infection. Leveraging our integrated platform, we strive to develop and commercialize a portfolio of high-quality marketed products, including our proprietary product, Zadaxin, and pipeline drugs in our focused therapeutic areas.

Primary therapeutic area focus:

- **Oncology**: For details of the oncology market, see "Industry Overview — Oncology Market." Amongst other clinical adoptions, our proprietary product, Zadaxin, has been listed in the treatment guidelines for the treatment of liver cancer, pancreatic cancer and lymphoma, and the incidences of such cancers are expected to constantly increase in the near future. According to Frost & Sullivan, the incidence of liver cancer in China was 410.4 thousand in 2019, and is expected to reach 462.8 thousand in 2024 and 526.0 thousand in 2030, representing a CAGR of 2.4% from 2019 to 2024 and a CAGR of 2.2% from 2024 to 2030; the incidence of pancreatic cancer in China was 108.4 thousand in 2019, and is expected to reach 127.1 thousand in 2024 and 152.2 thousand in 2030, representing a CAGR of 3.2% from 2019 to 2024 and a CAGR of 3.0% from 2024 to 2030; the incidence of lymphoma in China was 95.4 thousand in 2019, and is expected to reach 107.1 thousand in 2024 and 121.6 thousand in 2030, representing a CAGR of 2.4% from 2019 to 2024 and a CAGR of 2.1% from 2024 to 2030.
- **Severe infection**: According to Frost & Sullivan, infectious diseases are currently the second largest therapeutic area in China. Our proprietary product, Zadaxin, has been indicated for the treatment of hepatitis B, and has been listed in the treatment guidelines for the treatment of COVID-19 and sepsis. The increasingly challenging treatment of complex severe infection diseases has generated unmet medical needs, leading to promising market potentials. See "Industry Overview."

Our products and services:

We have a high-quality portfolio of marketed products, including our proprietary product, Zadaxin. Over the past decades, Zadaxin has gained recognition among doctors and patients as a trusted branded product, especially for its potential benefits in treating SARS and COVID-19 as suggested by clinical case series from retrospective studies accepted by peer-reviewed academic journals including *Cell Research, Herald of Medicine*, *Chinese Critical Care Medicine* and *Chinese Journal of Medical Imaging Technologies*. As a result, Zadaxin has been listed for the treatment of severe and critical cases of COVID-19 in the treatment guideline issued by the NHC and the State Administration of Traditional Chinese Medicine. Zadaxin has demonstrated market potential, evidenced by its sustainable revenue growth through challenges, including generic competition, changes in reimbursement policies and changes in the centralized tender processes. Our in-licensed products include Angiomax and Zometa. We also sell promotion products for our partner

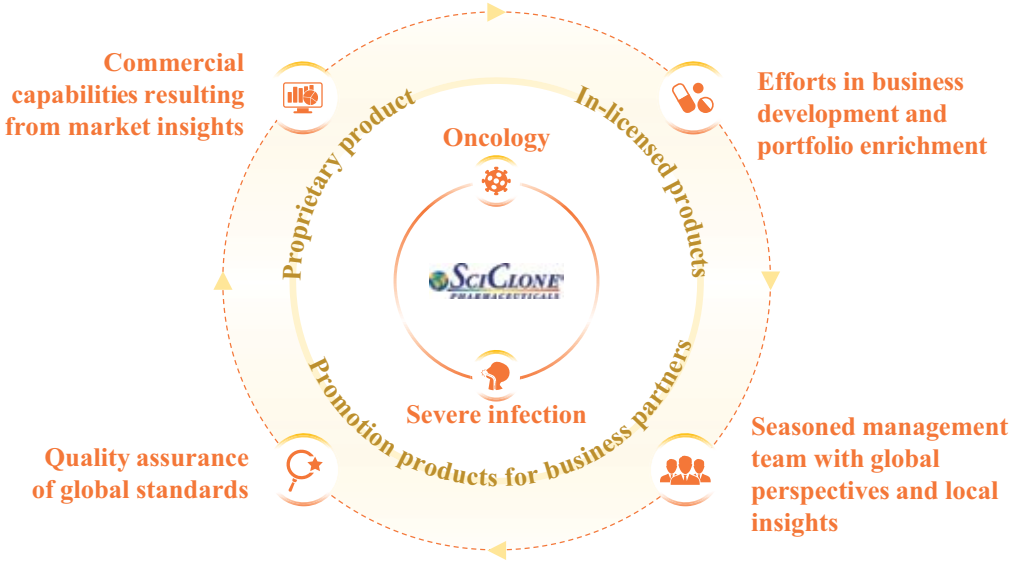
pharmaceutical companies, such as Pfizer and Baxter. In addition, we have built a pipeline of in-licensed early- to late-stage drug candidates.

Our core competencies:

Our four core competencies have strengthened our leading market position and sustained our financial success.

- **Commercial capabilities resulting from market insights**: Our commercial capabilities underpin our success. Our cohesive sales and marketing team consists of highly experienced personnel with industry knowledge, who are able to timely respond to market dynamics, improve operational efficiency and enhance customer experiences. Driven by our market insights, our commercialization initiatives enable us to capture industry and policy trends. As a result, we remain highly nimble in adopting innovative business models, including the online Go-To-Patient ("GTP") platform which has successfully extended our sales beyond hospitals into pharmacies and ensured our sustainable growth despite challenges.
- **Efforts in business development and portfolio enrichment:** Through the close collaboration across our business development, clinical development and regulatory affairs teams, and leveraging our strong relationship with leading KOLs in our commercialization network, we have benefited from our efforts in enriching our product portfolio by identifying and commercializing product candidates with market potential, thereby establishing a product pipeline of in-licensed early- to late-stage drug candidates covering high potential therapeutic areas. Our efforts in portfolio enrichment, coupled with lifecycle management, resulted in the successful expansion of the clinical adoptions of Zadaxin.
- **Quality assurance of global standards:** Our quality assurance system is commensurate with the global standards of compliance of our MNC partners. It minimizes our operational risk and safeguards our sustainable growth, making us stand out as a biopharmaceutical company with high-quality products, a go-to partner of pharmaceutical MNCs and a valued and reliable source of long-term return for investors.
- **Seasoned management team with global perspectives and local insights:** Core members of our management team have, on average, more than 20 years of experience in the pharmaceutical industry. They lead our business operations with global perspectives sharpened by extensive managerial experience in pharmaceutical MNCs, and local insights accumulated through decades of groundwork with hospitals, doctors, pharmacies and patients in China.

The chart below sets forth our primary focused therapeutic areas, the products and services we provide, and our core competencies:



Based on our core competencies, we have achieved strong financial results during the Track Record Period. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, our revenue was RMB1,213.0 million, RMB1,408.9 million, RMB1,708.1 million, RMB1,290.8 million and RMB1,584.2 million, respectively, representing a CAGR of 18.7% from 2017 to 2019, while our profit was RMB19.6 million, RMB535.1 million, RMB614.6 million, RMB487.2 million and RMB689.8 million, respectively.

Marketed Products

	Product Name	Mechanism of Action	Indication(s)	Originator / Partner	Commercial Rights
Proprietary	Zadaxin® (thymalfasin)	Immunomodulator of thymalfasin	Cancers / infectious diseases	–	Proprietary asset
License-in	Zometa® (zoledronic acid)	Osteoclast-mediated bone resorption inhibitor	Bone metastases from solid tumors	Novartis (Switzerland)	Permanent right to commercialize in Mainland China IP acquired or licensed
Promotion products for business partners	Farlutal (Medroxyprogesterone Acetate)	Gonadotropin inhibitor	Cancers	Pfizer (USA)	Promotion services and distribution through 2022 for renewal
	Methotrexate	DHFR inhibitor Nuclear estrogen receptors and DNA synthesis reducer	Acute leukemia / cancers		
	Estracyt (Estramustine Phosphate)	DNA alkylator	Hormone resistant advanced prostate cancer		
	Holoxan (Ifosfamide)	DNA and protein synthesis inhibitor	Cancers	Baxter (USA)	Promotion services and distribution through 2022 for renewal
	Mesna (Sodium-2-mercaptoethane Sulfonate)	Organosulfur compound used as an adjuvant in cancer chemotherapy to detoxify urotoxic metabolites	Urotoxicity		
	Endoxan (Cyclophosphamide)	Protein synthesis inhibitor through cross-linking of DNA and RNA	Cancers		

Abbreviations: DHFR = Dihydrofolate Reductase; DNA = Deoxyribonucleic Acid; PCI = Percutaneous Coronary Intervention; RNA = Ribonucleic Acid

Notes:

(1) As of the Latest Practicable Date, Zometa was sold through the existing distribution network by Novartis in several provinces in China, and we recognized other income from Zometa through our licensing arrangement with Novartis to receive profit transferred from Novartis for the sales of Zometa. We also started recognizing revenue from our sales of Zometa since December 2020 as we began distributing Zometa in certain provinces in China. In January 2021, we completed the transfer of IDL for Zometa, and became the MAH of Zometa in the PRC.

(2) As of the Latest Practicable Date, all of these marketed products were covered by the centralized tender process, and none of these marketed products was covered by the volume-based procurement. See "Regulatory Overview — Drug Purchase by Hospitals."

(3) As of the Latest Practicable Date, Holoxan, Mesna and Endoxan were listed in the National Essential Drug List. See "Regulatory Overview — National Essential Drug List."

Product to be Marketed

	Product Name	Mechanism of Action	Indication(s)	Originator / Partner	Commercial Rights
License-in	Angiomax® (bivalirudin)	Anticoagulant for PCI	Percutaneous transluminal coronary angioplasty Percutaneous coronary intervention	The Medicines Co. (USA)	Permanent right to commercialize in Mainland China IP licensed

Note:

(1) We entered into a Product Promotion Agreement with Huizheng on August 31, 2020, under which Huizheng was engaged for the promotion and distribution of our in-licensed product Angiomax in Mainland China. Angiomax is expected to be commercialized in the first quarter of 2021.

Pipeline Products

	Product Name	Mechanism of Action	Indication(s) / Clinical Adoptions	Partner	Date of Partnership Commencement	Commercial Rights	Our Contribution in China	Pre-Clinical / IND Filing / Phase I / Phase II / Phase III / NDA/BLA Filing / Marketed
Late-Stage	Oravig [1]	Lanosterol 14 α - demethylase inhibitor	Oropharyngeal candidiasis	Vectans Pharma (France)	June 2, 2008	10-year license from the date of first commercial sales in Mainland China, Hong Kong and Macau	Completed the phase III trial and obtained NMPA approval for commercialization	Marketed (Vectans Pharma); Commercialization expected in Q3-2021
Late-Stage	Vibativ (telavancin) [2]	Dual antibacterial activity on cell wall and cell membrane	HABP/VABP complicated skin and skin structure infections	Cumberland Pharma-ceuticals (USA)	May 21, 2015	15-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau, Taiwan and Vietnam	Obtained IND and clinical trial waiver	Marketed (Cumberland Pharmaceuticals); Clinical trial waiver obtained; NDA submission expected in Q3-2021
Late-Stage	RRx-001 [3]	Myc inhibitor and antagonist of CD47-SIRPα pathway	Small cell lung cancer Colorectal cancer	EpicentRx,Inc. (USA)	June 30, 2020	10-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau and Taiwan	Pre-IND conducted and in preparation of IND filing	US Phase III trial ongoing (Soligenix); US Phase III trial completion expected by the end of 2021 Combo with Irinotecan; US Phase II trial completed and Phase III trial launch expected in Q2-2021
Late-Stage	Naxitamab	Targeting GD2	High risk neuroblastoma	Y-mAbs Therapeutics, Inc. (USA)	December 17, 2020	license of an indefinite term from December 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase I and Phase II trials completed (Y-mAbs); Received approval fromFDAon BLA in November 2020 [6]
Late-Stage	Omburtamab	Targeting B7-H3–expressing cells	CNS/ leptomeningeal metastasis from neuroblastoma	Y-mAbs Therapeutics, Inc. (USA)	December 17, 2020	license of an indefinite term from December 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase I and Phase II trials completed (Y-mAbs); Y-mAbs plans to refile BLA for Omburtamab in early 2021 [6]
Early Stage	PEN-866 [4]	Mini-conjugate of HSP90-SN38	Solid tumors	Tarveda Therapeutics (USA)	March 17, 2020	20-year license from March 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase II basket trial ongoing (Tarveda Therapeutics); US Phase II trial completion expected in Q4-2022
Early Stage	PT-112	Platinum-containing compounds	Late stage prostate cancer Cholangiocarcinoma	Phosplatin Therapeutics (USA)	May 26, 2015	15-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau and Vietnam	Completed phase I and initiated phase II trial	US Phase II trial ongoing (Phosplatin Therapeutics); US Phase II trial completion expected in Q4-2021 Combo with Gemcitabin; Phase II trial completion expected in Q4-2022
Early Stage	ABTL-0812	Akt/mTOR inhibitor	Endometrial cancer lung cancer pancreatic cancer	Ability Pharma (Spain)	April 22, 2016	15-year license from April 22, 2016 in Mainland China, Hong Kong, Macau, Taiwan and Vietnam	Obtained IND	EU Phase II trial ongoing (Ability Pharma); EU Phase II trial ongoing

China status [5] | Partner's overseas status [5] | Intend to utilize overseas clinical data for the NDA application in China

Abbreviations: Akt = Protein Kinase B; HABP = Hospital-acquired Bacterial Pneumonia; HSP90 = Heat Shock Protein 90; mTOR= Mammalian Target of Rapamycin; SN38 = 7-ethyl-10-hydroxycamptothecin; VABP = Ventilator-associated Bacterial and Pneumonia

Notes:

1. Our partner conducted Phase III and the earlier phases of the clinical trials. We obtained clinical waiver for clinical trials in China, and intend to conduct a bridging study for approval.
2. We conducted Phase III of the clinical trials, and our partner conducted the earlier phases of the clinical trials.
3. We expect to participate in the China portion of Phase III MRCT (Multi-Regional Clinical Trials) for Small Cell Lung Cancer in 2021 with EpicentRx.
4. We intend to join China portion of Phase III MRCT with Tarveda.
5. We are responsible for the clinical trials in China. Our partners are responsible for the clinical trials overseas.
6. Naxitamab and Omburtamab, both being biological products, are required to obtain BLA approval before commercialization. For both products, a Phase II clinical trial is adequate to serve as a pivotal trial in support of a BLA approval. As a result, as of the Latest Practicable Date, no Phase III clinical trial was intended or would be carried out for Naxitamab and Omburtamab.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

A product portfolio focusing on high-potential therapeutic areas, led by marketed products with strong cash generation ability and effective lifecycle management, and fueled by pipeline products, to drive sustainable growth

We have captured the enormous opportunities in the oncology and severe infection markets in China, the two primary therapeutic areas that we strategically focused on. According to Frost & Sullivan, oncology is the fastest growing major therapeutic area in China. The oncology drug market in China grew at a CAGR of 13.5% from 2015 to 2019 and is expected to be the largest therapeutic area in China's pharmaceutical market in 2024, with an CAGR of 15.0% from 2019 to 2024. Infectious diseases are currently the second largest therapeutic area in China. In particular, severe infection demonstrates promising market potential. We selectively expand our product portfolio focusing on such therapeutic areas to outperform the market. From 2017 to 2019, our revenue grew from RMB1,213.0 million in 2017 to RMB1,708.1 million in 2019, representing a CAGR of 18.7%, while the overall China's pharmaceutical market, according to Frost & Sullivan, grew at a CAGR of 6.9% during the same period.

We have achieved sustainable revenue growth, driven by Zadaxin as a trusted branded product, which we believe will continue to succeed. With its market leadership, Zadaxin has continued to gain market share from generics. According to Frost & Sullivan, its market share grew from 44.1% of the thymalfasin market in China in terms of sales revenue in 2015 to 57.5% in 2019. Furthermore, our successful lifecycle management of Zadaxin has led to the expansion of its clinical adoptions. Zadaxin is included in the treatment guidelines issued by the NHC and several professional associations including the Chinese Medical Association and the Chinese Society of Clinical Oncology ("CSCO"), for the treatment of sepsis, pancreatic cancer, liver cancer, and COVID-19, leading to strong demand for Zadaxin. In 2017, 2018, and 2019, and the nine months ended September 30, 2019 and 2020, our revenue generated from Zadaxin was RMB1,112.6 million, RMB1,168.8 million, RMB1,349.3 million, RMB1,035.1 million, and RMB1,326.3 million, respectively. See "— Products and Services — Our Proprietary Product — Zadaxin 日达仙." Besides Zadaxin, Angiomax and Zometa are also poised to succeed. See "— Products and Services — Our In-licensed Products." Moreover, we generate substantial revenue from sales of promotion products for Pfizer and Baxter in China, constantly gaining market shares from generics. See "— Products and Services — Our Sales of Promotion Products for Business Partners." Our product lifecycle management capabilities have made us the attractive partner for pharmaceutical MNCs in China.

In addition to our marketed products, we also strive to source assets that synergize with our existing product portfolio, focusing on areas with significant unmet medical needs. As of the Latest Practicable Date, we had a pipeline of eight drug candidates, including five late-stage drug candidates, namely, Oravig, Vibativ, RRx-001, Naxitamab and Omburtamab, and three early-stage ones, namely, PEN-866, PT-112 and ABTL-0812. RRx-001 is a well-tolerated next-generation small

molecule immunotherapeutic that targets the CD47-SIRPα axis, repolarizes tumor associated macrophages and other immunosuppressive cells, and improves tumor blood flow to enhance oxygen supply and drug delivery. It has the potential to convert treatment-resistant tumors into treatment-sensitive tumors and may have wide clinical adoptions as monotherapy or in combination with chemotherapy, immunotherapy, radiation and targeted agents. PEN-866 is the first-in-class small molecule drug conjugate that preferentially binds to the activated form of HSP90 in solid tumors and is linked to the topoisomerase 1 inhibitor (SN-38), a potent anti-cancer payload. As the SN-38 payload is cleaved in the tumor over time, the sustained release of SN-38 in the tumor results in prolonged DNA damage and tumor regressions as demonstrated in multiple patient-derived and other xenograft tumor models.

Product commercialization in China driven by innovation and evidenced by a proven track record

Our strong and proven commercialization capabilities distinguish us from our competitors and drive our sustainable profitability. The capabilities are built upon our market coverage initiatives, stakeholder engagement and effective sales force.

We have adopted a "Go Deeper and Broader" strategy based on our market insights to strengthen the coverage of our products for hospitals, pharmacies and other medical institutions. We "go deeper" by adopting targeted programs to further penetrate covered hospitals and hospital departments in order to improve the accessibility of our products to patients. We "go broader" by expanding our geographic footprints to new cities, hospitals and hospital departments to reach new patients. Instead of a cover-all approach with high costs and uncertainty, we have capitalized on our market and product insights to allocate resources in an efficient manner, contributing to sustainable profitability. As of September 30, 2020, our distribution network through Sinopharm for Zadaxin had reached approximately 1,130 class III hospitals, approximately 1,250 class II hospitals, approximately 720 pharmacies and approximately 3,560 other medical institutions in China, and our distribution network for the sales of promotion products for business partners had reached approximately 1,170 class III hospitals, approximately 2,020 class II hospitals, approximately 160 pharmacies and approximately 1,610 other medical institutions in China, with a sales and marketing team of 616 members. We believe our market coverage initiatives enable us to successfully concentrate our resources on those chosen market segments with strong potential to deliver promising long-term performance.

We strive to innovate our sales models and processes through digitalization, with a view to improving our operational efficiency and patient experience through enhanced stakeholder engagement. This is exemplified by our adoption of the Go-To-Patient ("GTP") model, which potentially enhances not only communication between doctors and patients outside traditional hospitals, but also our diversity of sales channels and direct reach to patients. Collaborating with Sinopharm, in order to diversify our sales channels and promote Zadaxin's sales to patients through pharmacies, we piloted our GTP platform in 2015 which has since enhanced Zadaxin's accessibility to patients by extending its sales beyond hospitals to pharmacies. We commenced to generate sales through this platform from 2018. In 2018, 2019, and the nine months ended September 30, 2020,

sales volume through our GTP model accounted for more than 20%, more than 30% and more than 50% of our total sales volume of Zadaxin, signifying the increasing accessibility of Zadaxin to patients through pharmacies. See "—Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China — Innovative Model: Go-To-Patient (GTP) strategy and platform." With our multi-channel reach of patients, doctors and other stakeholders, we are able to timely respond to market dynamics and enhance customer experience.

We strive to recruit sales force among the most qualified candidates, seeking individuals who are experienced, committed, and well-equipped to tackle complex challenges. A majority of our senior sales managers have experiences working in MNCs, and our sales directors have on average approximately 18 years of industry experiences. Our sales force, especially for members at managerial level, has remained stable with low attrition rate, which ensures the consistency in the performance. We proactively consolidate the strengths of our different functional teams through our Area Alignment Committee to realize close cross-functional collaboration. See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China — Our Sales and Marketing Force."

Our strong commercialization capabilities are evidenced by our proven track record. For Zadaxin, we have successfully demonstrated the ability to gain market share from generics. According to Frost & Sullivan, the market share of Zadaxin increased from 44.1% in 2015 to 57.5% in 2019 in the thymalfasin market in China, in terms of sales revenue. Our successful track record in commercialization has also made us the partner of choice for pharmaceutical MNCs to commercialize their products in China. As a long-term partner for Pfizer and Baxter, we have delivered solid performance, including gaining market shares from generics for our partners' established products. For example, according to Frost & Sullivan, the market share of Methotrexate, which we sell for Pfizer, in the methotrexate injection market in China grew from 37.3% in 2015 to 81.9% in 2019, in terms of sales revenue.

Efforts in business development and portfolio enrichment to build a drug pipeline that addresses unmet medical needs

Our success is also attributable to our efforts in business development and portfolio enrichment. We not only have a focused business development and portfolio enrichment strategy, but also benefit from the insights gained from the collaboration with doctors that we connect through our commercialization network.

We have adopted a clear portfolio construction strategy and aim for a strong market position in high-value and high-growth therapeutic areas with significant unmet medical needs in China, such as oncology and severe infection. Our portfolio construction strategy emphasizes on market potential, efficacy and acceleration in the products development process. We are committed to sourcing potential best- and first-in-class products from biotech companies globally.

Our portfolio enrichment benefits from the close collaborations across our business development, clinical development, and regulatory affairs teams, and the relationships established

through our commercialization network with other stakeholders. Our business development team is able to make quick decisions in identifying potential assets that synergize with our existing product portfolio, and manage relationship with our licensing partners. The clinical development team works closely with the business development team to assess new asset opportunities. With established connections with reputable investigators, our clinical development team has a proven track record in maximizing assets' commercial potential with accelerated development plan. Our regulatory affairs team consists of seasoned professionals with extensive experiences in handling regulatory affairs and in-depth knowledge in China's pharmaceutical regulatory framework. Our business development, clinical development, and regulatory affairs teams, supported by the strong relationships with other stakeholder established by our sales force, collaborate to accelerate our product development process, maximizing the probability of our products to successfully reach the market.

Through the efficient execution of our product development strategy and the interaction between our product development teams and doctors, we are able to generate a portfolio of de-risked late-stage product candidates such as Oravig and Vibativ, and early-stage and next-generation assets, such as PEN-866, PT-112 and ABTL-0812, for further clinical development. See "— Product Development."

Strong brand image underpinned by quality assurance of global standards

Our strong brand image is underpinned by our quality assurance of global standards, which minimizes our operational risk, safeguards our sustainable growth and makes us a reliable source of long-term return for investors. Our commitment to quality assurance is exemplified by our culture of "high compliance and high performance," our infrastructure that ensures compliance, and our strict implementation of such standards in daily operations. Such vigorous pursuit has earned us reputation as a provider of top-quality products and a go-to partner of pharmaceutical MNCs.

We pride ourselves with the culture of "high compliance and high performance." As a former NASDAQ-listed company, we are well endowed with the culture of "high compliance" for public companies, and we uphold our operations to, and have benefited from, such culture after our privatization. We are trusted by patients and doctors across China and by pharmaceutical MNCs as a long-term business partner, due largely to our pursuit of "high compliance."

Our internal policies and SOPs ensure that our internal control is commensurate with the global standards of our MNC partners. See "— Internal Control and Risk Management." Our integrated quality management infrastructure ensures that our products are in full compliance with our quality control standards. See "—Production and Quality Control — Quality Management." We manage our daily operations, monitor our product quality and oversee CMO compliance based on our internal control system. We actively engage in external audits conducted by our pharmaceutical MNC partners, to ensure that our operations meet stringent quality assurance and internal control requirements. We also carefully select our business partners among reputable companies with stringent quality assurance and internal control standards.

We have demonstrated a strong track record of quality assurance. As part of our ordinary course of collaboration arrangements with our business partners, we participate in the due diligence

audits by our business partners to demonstrate our commitment to compliance and to strengthen the business relationship. Since 2016, we have successfully passed four external audits by our pharmaceutical MNC partners, including one audit by Pfizer in 2018, one audit by Baxter in 2020, and two audits by BTG plc regarding our previous DC Bead product in 2016 and 2019, respectively. Such recognition by global industry leaders is enjoyed by few of our peers. We believe our high standards have earned us esteemed reputation and trust from our customers and business partners. Our commitment to quality assurance of global standards not only distinguishes us from our competitors, but also enables us to outperform the market.

A visionary management team with a successful track record in the pharmaceutical industry

Our core management team comprises seasoned pharmaceutical industry professionals, with vision and proven execution capabilities. Members of our core management team have, on average, more than 20 years of experience in the pharmaceutical industry, a significant portion of which worked with pharmaceutical MNCs, such as Novartis, Roche, Johnson & Johnson and Bristol Myers Squibb. They have gained in-depth knowledge and extensive expertise covering all stages of pharmaceutical lifecycle management and all processes of the pharmaceutical industry value chain, encompassing clinical drug development, regulatory affairs, supply chain management, quality control, sales, marketing and commercialization. In particular, we are led by our President and CEO, Mr. ZHAO Hong, who has gained extensive leadership and managerial knowledge through over 30 years of experience working in the medical and pharmaceutical industry. Prior to joining our Company, Mr. ZHAO Hong worked as executive vice president of Simcere Pharmaceutical Group and as senior vice president of Beijing Novartis Pharmaceutical Co., Ltd. In addition, our business units, our product development teams, and our functional groups (such as finance, human resources, legal, and information technology) are all led by experienced industry professionals with respective expertise. See "Directors and Senior Management."

The valuable experience and vision of our management team is consonant with that of our employees'. Our employees represent the top talent in the industry. With our corporate structure that delivers transparency and efficiency, our decision chain from the management to execution is delayered with efficient communication and clear accountability. We grow together with our employees and aim for higher retention and lower attrition rate. Our competitive compensation schemes, including employee stock ownership plans, enhance the sense of ownership and belonging of our employees.

We are also backed by strong endorsement from our investors, such as GL Capital Group, CDH Investments, Ascendent Capital Partners, and BOC Group. Since our privatization, our investors have provided us with strategic inputs in areas such as business development, corporate governance and internal control, which have continuously benefited our operations.

OUR STRATEGIES

We intend to carry out the following key strategies:

Continue to strengthen our marketed product portfolio through effective lifecycle management

We intend to maintain our robust revenue growth and strong cash flow through effective lifecycle management of our marketed products. For Zadaxin, we are conducting clinical studies to expand its clinical adoptions in oncology, severe infection, vaccine and other therapeutic areas. Key directions of such clinical studies include:

- **Oncology**: discovering potential combination of Zadaxin with PD-1 or PD-L1 inhibitors for treatment of gastric cancer; discovering potential combination of Zadaxin with innovative anti-cancer small molecules to complement chemotherapy; and sponsoring investigators to conduct randomized controlled trials (RCT) and real-world studies (RWS) to discover Zadaxin's potential clinical adoptions for treatment of liver cancer and lung cancer;
- **Severe infection**: conducting RCT and RWS in China and filing for IND application with the FDA for clinical trials in the U.S. to discover Zadaxin's potential treatment of COVID-19; conducting studies of the effect of thymosin alpha 1 ("Tα1") on preventing COVID-19 infection of elderly renal dialysis patients and treatment of severe COVID-19 patients in the U.S.; conducting studies on the potential expansion of Zadaxin's indication to sepsis; and researching on Zadaxin's potential treatment of associated acute-on-chronic liver failure (ACLF);
- **Vaccine and other therapeutic areas**: conducting RWS in China in collaboration with local CDCs to evaluate Zadaxin's therapeutic effect as COVID-19 vaccine adjuvant; conducting international clinical research projects to discover immunomodulatory effect of Tα1 on cancers; and conducting studies with international researchers on Zadaxin's potential effect on cystic fibrosis.

We will continue to accumulate clinical evidence through RCT and RWS and to expand our participation in domestic and international clinical research projects for the expansion of Zadaxin's clinical adoptions. We closely monitor market trends related to COVID-19 and other vaccine research projects to capture the opportunity of utilizing Zadaxin as adjuvant for future vaccines.

For Zometa, we will accumulate more clinical evidence through RWS for potential clinical adoptions and build up its brand awareness to achieve wider market acceptance. In addition, we plan to expand the network coverage of Zometa to more hospitals and other medical institutions in China. We expect the sales of Zometa to account for a significant and increasing share of our revenue in the near future. For Angiomax, we cooperate with partners with strengths and focus on commercialization of cardiovascular disease products for its promotion and sales.

We will continue to focus on Mainland China, particularly on class III and class II hospitals and pharmacies through which we believe we could attract more target patients. While we further

develop and strengthen our presence in China's market, we will also explore potential opportunities to cooperate with global partners, including those in South Korea, Italy, and the U.S. We will leverage our existing approval and licensing resources to develop local partnerships in jurisdictions where we are authorized to sell our products. In addition, we intend to further expand into new markets with broad and comprehensive commercial medical insurance coverage. Our team will support and drive protocol design with KOLs in geographic areas with approved indications, such as Italy and the U.S., to further promote our brand and product awareness and acceptance in the global markets.

Optimize our pipeline with accelerated fast-to-market strategy for late-stage assets and potential first/best-in-class focus for early-stage assets

We have a clear portfolio construction strategy with strong positioning in high-value and high-growth therapeutic areas primarily including:

- **Oncology**: We actively seek to develop and commercialize products focusing on targeted therapies, immunotherapy and enhanced chemotherapy options with first/best-in-class potential. For instance, our pipeline products RRx-001 and PEN-866 have substantial potential in future market development. We also intend to bring in potential candidates that are able to enhance the current cancer treatment and chemotherapy formulation with better efficacy and safety profile; and
- **Severe infection**: We focus on products with proven efficacy on severe infection caused by resistant bacteria environment, especially those cases caused by cross-contamination in the ICU and other hospital settings. Such products have strong potential due to substantial unmet needs from the patients.

We intend to further develop potential first/best-in-class products in oncology and severe infection areas by seeking global partnership with renowned pharmaceutical MNCs and leveraging our expertise in such therapeutic areas. We focus on products with reliable efficacy and market potential. We explore collaboration on in-licensing new drug candidates which potentially complement and synergize with our existing marketed and pipeline products, such as new immuno-oncology agents, and new small molecule agents that can be combined with chemotherapy and immuno-oncology for better efficacy and safety profile. We also actively seek candidates that meet clinical trial waiver conditions based on our industry experience and market insights to accelerate the development process and save relevant costs which may be otherwise incurred in clinical trials.

Leveraging our established commercial platform, we intend to accelerate the market acceptance for our newly launched products. For Vibativ, which has potential demands from patients with severe infection, especially infection from the ICU, we intend to market through our existing hospital coverage to fast-track its recognition in the target market. For Oravig, which has more potential demand from patients through retail channels, we intend to utilize our existing retail sales channels in our target markets and provide one-stop consultation and prescription services to the patients through our GTP model. We have customized strategies for different therapeutic areas for different target patient groups, fully realizing the potential of our commercial platform and accelerating our product acceptance in the target markets.

We intend to accelerate our new product development for early-stage candidates with progressive development strategies. We identify the suitable direction for indication clinical studies of the candidates through analyzing unmet clinical needs. We seek accelerated approval opportunities for the candidates to save costs and time. We also intend to take advantage of the recent regulatory update that shortened registration timeline in China for products conducting MRCT in multiple countries by collaborating with our overseas partners. For our pipeline product RRx-001, we have collaborated with EpicentRx and plan to conduct the Phase III MRCT both in China and the United States for potential third-line therapy and beyond for small-cell lung cancers, which currently have relatively few third-line or beyond therapies available.

Continue to innovate in business model and enhance our commercialization and development capabilities

We have successfully developed our GTP model. GTP has contributed significantly to the sales growth of Zadaxin through its expansion into the retail channels. We believe we can effectively extend the GTP model to our other current and pipeline products with relatively low additional costs. We intend to prioritize the implementation of the GTP model on products with more retail patient needs, such as Oravig, and products with recurring patient prescription needs. For the nine months ended September 30, 2020, sales through our GTP model contributed to more than 50% of our total sales volume of Zadaxin, and we expect our sales from retail channels to account for an increasing portion of our total sales in the near future. We intend to further leverage our advantages established by the GTP platform to support continuous sales contribution from the retail channels, for both of our existing and future products. We also aim to build our GTP platform into an academic and patient education platform where we could engage with patients and doctors to raise awareness of the treatment of relevant diseases in an interactive setting.

In addition, we intend to further invest in our GTP platform by introducing the Internet Hospital Model through collaboration with third-party service providers, aiming to further expand patient access and allow for easier reach to prescription. Through the Internet Hospital Model, patients are able to complete the online consultation with doctors, get e-prescriptions from the doctors, get nearby pharmacies to fill the prescriptions and deliver to doors, all without the need to leave home. We are in discussion with business partners to implement the Internet Hospital Model in Suzhou, and we plan to expand such model to more cities. With introduction of this innovative model, we allow easier access to our products with safe and well-established consultation and prescription procedures in place. We anticipate further increase of retail sales brought by such efficient channel.

To facilitate our cooperation with the Internet Hospital Model, we also intend to expand our coverage of the pharmacies in China. For instance, we intend to deepen our collaboration with Sinopharm by engaging its extensive retail network for the prescription and promotion of our products in the Internet Hospital Model. The coverage of pharmacies solves the last-mile problem by arranging short-distance delivery and pick-up services benefiting both our retail partners and us.

We intend to further enhance affordability of our products by collaborating with commercial insurance companies to increase the insurance coverage of our products. We actively pursue the

opportunities for our products to be included in the coverage of commercial medical insurance products to meet the increasing demand of patients.

Our clinical development model utilizes our existing strengths in late-stage candidate development and also closely collaborates with renowned CROs for early-stage candidate development. We select our CRO partners on a project-by-project basis, and our selections are mainly based on their expertise and quality standards. By combining the development strengths of both our own in-house clinical operations team and our CRO partners, we are able to keep a lean team for study design and effective operation management, and to achieve our development goals with relatively low costs.

We will further invest in our business development team, clinical development team and regulatory affairs team which collaborate closely to ensure smooth introduction of promising candidates and timely launches of the products:

- We intend to further support our business development team to select candidates with great commercial potential in the therapeutic areas we focus on.
- We intend to further invest in our clinical operations team, building up its multi-dimensional functionality, including development strategy planning, data management and statistics to enhance its capabilities of managing large-scale local clinical trials. We target to build a well-rounded clinical operations team which could assist the business development team in assessing and reviewing new candidate development opportunities to maximize our candidates' commercial potential with accelerated development plans. We intend to strengthen our product development capabilities for late-stage candidate development by expanding our clinical operations team to manage and execute clinical trials more efficiently, and for early-stage candidate development by collaboration with clinical trial partners.
- We also intend to enhance our regulatory affairs team's capabilities in accelerating the timeline from sourcing of candidates to regulatory approval and market launch. Through in-depth knowledge of China's pharmaceutical regulations and petition for successful fast-track designations, our regulatory affairs team sets and completes accelerated registration strategies.

Commit to development of talent and enhancement of our operational infrastructure to support our future expansion

We intend to further allocate resources to recruit, train and retain high-calibre talents which we believe are crucial to the success of our business and the implementation of our strategies. We intend to establish effective incentive mechanisms, including employee stock ownership plans to attract and retain top talents. We focus on bringing in the talents that serve the different needs of our functional teams. We will invest in our training programs to help our employees develop their competency and skill sets required for carrying out their responsibilities, so that they can excel in the areas they focus on. With continuous focus on our talents, we believe we will maintain a fighting force to help us navigate through the market opportunities and challenges.

We will also further invest in our financial, IT, management and operation systems, to maximize the utilization of our internal resources and integrate the external resources. We plan to continuously upgrade our internal systems to achieve seamless internal integration, in order to monitor full and transparent sales and marketing activities to ensure compliance with relevant rules and regulations, and also to enable more effective allocation of resources and increase operational efficiency. We also intend to further invest in our GTP platform and other digital technologies to enhance our cross-functional collaboration. With our active development and investment in technologies and online platforms, we aim to achieve operational efficiency by reaching more stakeholders, customers and patients with lower costs.

OUR BUSINESS DIVISIONS

We are a biopharmaceutical company with an integrated platform for product development and commercialization, with our business operations strategically covering two divisions in the pharmaceutical industry value chain:

Sales of our proprietary and in-licensed pharmaceutical products:

We engage in the sales of our proprietary pharmaceutical product, Zadaxin, and our in-licensed pharmaceutical products, such as Angiomax and Zometa.

For our proprietary pharmaceutical product, we hold the global proprietary rights and intellectual property rights for Zadaxin. See "— Products and Services — Our Proprietary Product." We outsource the production of Zadaxin to an industry-leading and highly reputable CMO. See "— Production and Quality Control — Production through CMOs." We primarily sell Zadaxin in China due to the large number of patients in China with chronic hepatitis B, which is one of the indications of Zadaxin. In 2017, 2018 and 2019, and the nine months ended September 30, 2019 and 2020, the proportion of our Zadaxin sales in China, among our total sales of Zadaxin in terms of revenue, was 93.5%, 91.2%, 92.9%, 94.0% and 93.8%, respectively; and the proportion of our Zadaxin sales overseas, among our total sales of Zadaxin in terms of revenue, was 6.5%, 8.8%, 7.1%, 6.0% and 6.2%, respectively. We derive revenue from sales of Zadaxin to our importer, Sinopharm, which further distributes such product to hospitals and pharmacies in China. See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China" and "— Sales, Marketing and Distribution — Distribution in China — Distribution Network for our Proprietary and In-licensed Products." In overseas markets, we sell Zadaxin through our local business partners.

For our in-licensed pharmaceutical products, we are granted by our business partners the exclusive rights to commercialize such products in China and selected products in certain other countries. For Zometa, we own or are authorized to use the intellectual property rights in China; for Angiomax, we are authorized to use the intellectual property rights in China. See — Products and Services — Our In-licensed Products." We engage in product development for our in-licensed products in accordance with the commercialization arrangements with our business partners. See "—

Product Development." Our in-licensed products include not only marketed products such as Angiomax and Zometa, but also a diversified pipeline of potential drug candidates in different stages of development. See "— Product Development — Products under Development." We also outsource the production of our in-licensed pharmaceutical products to industry-leading, highly reputable CMOs. See "— Production and Quality Control — Production through CMOs." We derive revenue from sales of such products to our distributors. See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China" and "— Sales, Marketing and Distribution — Distribution in China — Distribution Network for our Proprietary and In-licensed Products."

Sales of promotion products for business partners:

We also sell promotion products in Mainland China for our business partners, Pfizer and Baxter. See "— Products and Services — Our Sales of Promotion Products for Business Partners." For our sales of promotion products for business partners, we derive revenue from the sales of such promotion products to distributors. See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China" and "— Sales, Marketing and Distribution — Distribution in China — Distribution Network for Promotion Products for Business Partners."

The table below sets forth our revenue by business divisions for the periods indicated:

	For the year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Product sales										
Zadaxin (日达仙)	1,112,610	91.7	1,168,816	83.0	1,349,309	79.0	1,035,089	80.2	1,326,337	83.7
Promotion products for our business partners	56,687	4.7	208,720	14.8	314,333	18.4	222,632	17.2	250,892	15.8
DC Bead[(1)]	15,846	1.3	28,680	2.0	44,426	2.6	33,050	2.6	6,944	0.5
Promotion service revenue	27,823	2.3	2,653	0.2	—	—	—	—	—	—
Total	**1,212,966**	**100.0**	**1,408,869**	**100.0**	**1,708,068**	**100.0**	**1,290,771**	**100.0**	**1,584,173**	**100.0**

Note: (1) We also generated revenue from the sales of our in-licensed product DC Bead during the Track Record Period, and the sales of DC Bead was discontinued on April 30, 2020.

PRODUCTS AND SERVICES

Our marketed products include our proprietary product, Zadaxin, and our in-licensed products, Angiomax and Zometa. In addition, we also sell promotion products for our business partners, Pfizer and Baxter. The chart below sets forth information relating to our marketed products as of the Latest Practicable Date:

Marketed Products

	Product Name	Mechanism of Action	Indication(s)	Originator / Partner	Commercial Rights
Proprietary	Zadaxin® (thymalfasin)	Immunomodulator of thymalfasin	Cancers / infectious diseases	–	Proprietary asset
License-in	Zometa® (zoledronic acid)	Osteoclast-mediated bone resorption inhibitor	Bone metastases from solid tumors	Novartis (Switzerland)	Permanent right to commercialize in Mainland China IP acquired or licensed
Promotion products for business partners	Farlutal (Medroxyprogesterone Acetate)	Gonadotropin inhibitor	Cancers	Pfizer (USA)	Promotion services and distribution through 2022 for renewal
	Methotrexate	DHFR inhibitor Nuclear estrogen receptors and DNA synthesis reducer	Acute leukemia / cancers		
	Estracyt (Estramustine Phosphate)	DNA alkylator	Hormone resistant advanced prostate cancer		
	Holoxan (Ifosfamide)	DNA and protein synthesis inhibitor	Cancers	Baxter (USA)	Promotion services and distribution through 2022 for renewal
	Mesna (Sodium-2-mercaptoethane Sulfonate)	Organosulfur compound used as an adjuvant in cancer chemotherapy to detoxify urotoxic metabolites	Urotoxicity		
	Endoxan (Cyclophosphamide)	Protein synthesis inhibitor through cross-linking of DNA and RNA	Cancers		

Abbreviations: DHFR = Dihydrofolate Reductase; DNA = Deoxyribonucleic Acid; PCI = Percutaneous Coronary Intervention; RNA = Ribonucleic Acid

Notes:

(1) As of the Latest Practicable Date, Zometa was sold through the existing distribution network by Novartis in several provinces in China, and we recognized other income from Zometa through our licensing arrangement with Novartis to receive profit transferred from Novartis for the sales of Zometa. We also started recognizing revenue from our sales of Zometa since December 2020 as we began distributing Zometa in certain provinces in China. In January 2021, we completed the transfer of IDL for Zometa, and became the MAH of Zometa in the PRC.

(2) As of the Latest Practicable Date, all of these marketed products were covered by the centralized tender process, and none of these marketed products was covered by the volume-based procurement. See "Regulatory Overview — Drug Purchase by Hospitals."

(3) As of the Latest Practicable Date, Holoxan, Mesna and Endoxan were listed in the National Essential Drug List. See "Regulatory Overview — National Essential Drug List."

Product to be Marketed

	Product Name	Mechanism of Action	Indication(s)	Originator / Partner	Commercial Rights
License-in	Angiomax® (bivalirudin)	Anticoagulant for PCI	Percutaneous transluminal coronary angioplasty Percutaneous coronary intervention	The Medicines Co. (USA)	Permanent right to commercialize in Mainland China IP licensed

Note:

(1) We entered into a Product Promotion Agreement with Huizheng on August 31, 2020, under which Huizheng was engaged for the promotion and distribution of our in-licensed product Angiomax in Mainland China. Angiomax is expected to be commercialized in the first quarter of 2021.

In addition, we also have a pipeline of product candidates. See "Product Development — Products under Development."

Our Proprietary Product

Zadaxin 日达仙

Zadaxin is our synthetic preparation of thymalfasin (胸腺法新), scientifically referred to as thymosin alpha 1 (胸腺肽α1) ("Tα1"), a thymic peptide which circulates in the blood naturally. Currently, Zadaxin is approved for treatment of chronic hepatitis B and vaccine enhancement in patients with impaired immunity. Besides the official indications, in the treatment guidelines issued by the NHC and professional associations including the Chinese Medical Association and the CSCO, Zadaxin is also listed for the treatments of sepsis (in 2014), pancreatic cancer (in 2019), liver cancer (in 2017, 2018 and 2019) and COVID-19 (in 2020). Based on the feedback from hospitals and doctors, through our ongoing communication with them regarding the application of and the effectiveness of Zadaxin for its indications and clinical adoptions, as well as through prescription data provided by third-party data vendors, we believe that sales of Zadaxin to patients with chronic hepatitis B and cancers, in comparison with sales to patients with other indications and clinical adoptions of Zadaxin, were relatively more important to our results of operation during the Track Record Period.

Mechanism of Action

Tα1, initially selected for its activity in restoring immune function to thymectomized mice, was the first peptide to be isolated from thymic tissue. Synthesized Tα1 is chemically identical in amino acid sequence to Tα1 isolated from thymosin fraction-5 (TF-5), an extract from the thymus gland. Tα1 is an N-terminal acetylated acidic peptide of 28 amino acids with a molecular weight of 3108 Da. Circulating Tα1 is the amino terminal proteolytic cleavage product of the chromatin-remodeling protein prothymosin and is derived from cleavage of prothymosin by the lysosomal asparaginyl endopeptidase legumain. Tα1 is a highly conserved peptide and is therefore of biological significance, because its amino acid sequence is homologous in bovine, porcine, ovine, and human species, and similar peptides have even been found in crustaceans. Endogenous Tα1 serum levels measured in healthy adults by immunoassay are in the 0.1 to 1.0 ng/mL range, although the circulating concentration tends to be lower in diseased individuals and higher during pregnancy. While the highest concentrations of Tα1 are found in the thymus, the peptide has also been found in spleen, lung, kidney, brain, blood, and a number of other tissues. A chemically synthesized version of Tα1 shows activity similar to the native peptide.

Investigation of the mechanism of action of Tα1 at the cellular level has implicated a number of intracellular cell-signaling pathways leading to stimulation of the immune system. These immunological effects can explain Tα1's effectiveness in treatment of indications where a stimulated or enhanced immune response is desirable, including acute infections, chronic viral infections such as hepatitis B and C, cancer, and enhancement of vaccines.

Tα1 has been shown to be a TLR9 agonist. The TLRs are a family of proteins that mediate innate immunity; stimulation of one or more TLRs by a TLR agonist can enhance the adaptive

immune response which is critical for fighting viral, bacterial, and fungal infections and cancers, as well as stimulation of humoral immunity for vaccine effectiveness. Tα1 affects both myeloid and plasmacytoid dendritic cells (DCs), the professional antigen-presenting cells, leading to activation and stimulation of signaling pathways and initiation of production of immune-related cytokines that fight infections. Tα1 also affects precursor T cells, leading to an increase in the number of activated T helper (Th) cells (CD4 T cells) and a shift towards the Th1 subclass. This shift leads to increased expression of Th1-type cytokines such as IL-2, and IFN-alpha. The activated DCs and Th1 cells then act in concert to kill bacterial, fungal, or viral infections or tumor cells and lead to the stimulation of differentiation of specific B cells to antibody-producing plasma cells and an improvement in response to vaccines by stimulation of antibody production. Tα1's effects on TLR9 lead to stimulation of the NFkappaB and p38 MAPK pathways, both of which play critical roles in the maturation of DCs and in the antigen presentation by DCs. Tα1 leads to increased expression of the thymopoetic cytokines IFN-α, IL-7, and IL-15.

Tα1 can reduce apoptosis of immune cells, as shown in mouse and human thymocytes, and stem cell expansion or differentiation in immunosuppressed mice. Tα1 treatment also leads to an increase in intracellular glutathione (GSH), which is important for anti-viral effects, and to direct inhibition of the *in vitro* growth of certain cancer cells.

In addition to its effects on DCs and T helper cells, Tα1 also stimulates innate immunity, including NK cells and macrophages, additionally supporting its anti-viral and anti-cancer activities. NK cell activity has been shown to be increased by Tα1 in a variety of model systems, including infections (mice with HSV or influenza), as well as cancers in mice and rats and polymorphonuclear blood cells (PMBCs) from human patients. In human monocyte-derived macrophages, Tα1 helps implement pathogen internalization and phagocytosis.

Importantly, it has also been shown that Tα1 stimulates activity of indoleamine-2,3-dioxygenase (IDO) in plasmacytoid dendritic cells.2,3,63 Stimulation of IDO leads to an increase in FoxP3+ IL-10 producing regulatory T cells, and this increase leads to feedback inhibition of cytokine production, hence dampening immune response to prevent a pro-inflammatory cytokine storm.

It is clear from the mechanism of action that Tα1 could be useful in many different clinical adoptions in which an improvement in the immune system would be beneficial.

Indications and Clinical Adoptions

I Infectious Diseases

A number of *in vivo* and *in vitro* studies have suggested that Tα1 is useful in the treatment of infectious diseases, mainly hepatitis B, COVID-19 and sepsis.

(a) Hepatitis B

Chronic infections resulting from infection with HBV, HCV and HIV are considered hallmarks of immune suppression, resulting from the myriad pathways of immune system evasion that the viruses have evolved. Although most adults are able to clear the acute infection, those individuals with impaired cellular immune mechanisms, including the young, do not effectively clear HBV-infected hepatocytes and chronic infection results, and therefore correlated with a greatly increased risk for developing cirrhosis, liver failure, and HCC. Interest in Tα1 for treatment of CHB was based on its immunomodulating effects, primarily the improved maturation of lymphocytes and augmentation of T cell function. Clinical studies with Tα1 have resulted in disease remission in 26% to 41% of the patients treated. An independent meta-analysis of 435 patients entered into randomized controlled studies of Tα1 monotherapy for CHB demonstrated a statistically significant benefit in favor of Tα1 therapy, inducing a sustained virological response. A study supported by the National Science and Technology Major Project (2013ZX10002004) showed combination therapy of entecavir with Tα-1 has a tendency to inhibit the development of HCC in HBV-related compensated cirrhosis. (See Trial 1.1 below for details.) More recently, a study completed in 2019 demonstrated Tα-1 significantly improves the 90-day survival rate due to decreasing the incidence of complications in HBV-related acute-on-chronic liver failure (ACLF) patients. (See Trial 1.2 below for details.) The ongoing study in this area to evaluate the efficacy and safety of entecavir combined with Tα-1 in the treatment of HBeAg positive patients is promising. (See Trial 1.3 below for details.)

The table below summarizes details of some of the clinical trials or studies related to Zadaxin's use in the treatment of hepatitis B:

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
1.1	Combination of entecavir with thymosin alpha-1 in HBV-related compensated cirrhosis: a prospective multi-center randomized open-label study (Registration number: NCT 01943617)	Completed	2013 - 2016	The National Science and Technology Major Project (2013ZX10002004) (sponsored by the Company)	China	During the follow-up, 35 patients in the entecavir ("ETV") group reported serious adverse events ("SAE"). 26 of them were reported with primary endpoints, and eight were in the hospital for other problems. In the combination group, 26 patients were reported with primary endpoints and one patient was reported with myeloproliferative neoplasms. No events were	The cumulative incidence of liver decompensation, HCC, or death were similar between two groups. During the Tα1 combination treatment, the HCC incidence was 1.7% in combination group and 2.1% in ETV group, without new HCC cases developed during week 39 to week 77 in combination group. The virologic response, serologic

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
						considered to be relevant to the study of drugs. Both the drugs were well-tolerated.	response, biochemical response was similar between two groups at week 104. There was no significant difference between two groups in endpoint events, while combination therapy with Tα1 has a tendency to inhibit the development of HCC.
1.2	Rescue 2017010109 (Registration number: NCT 03082885)	Completed	April 2017 - July 2019	Investigators at the Third Affiliated Hospital of Sun Yat-sen University (sponsored by the Company)	China	The incidences of new infection and hepatic encephalopathy in the Tα1 group were much lower than those in the Standard Medical Therapy ("SMT") group (25.0% vs 58.6%, P<0.001; 8.9% vs 24.1%, P= 0.029, respectively). Mortality from severe infection in the SMT group was higher than in the Tα1 group (24.1% vs 8.9%, P=0.029).	The 90-day cumulated survival rate of the Tα1 group was 75.0% (95% confidence interval 63.2–86.8%) versus 53.4% (95% confidence interval 39.7–67.1%) for the SMT group (P=0.030).
1.3	KY2015-294	Ongoing	Started in September 2017	Investigators at Hua Shan Hospital of Fudan University. (sponsored by the Company)	China	NA(1)	NA(2)

Notes:

(1) No specific clinical results directly addressing safety.

(2) No specific clinical results directly addressing efficacy.

(b) COVID-19

Zadaxin has the potential to treat COVID-19 by enhancing the immunity of the patients and protecting the immune systems of the patients from being attacked by the virus, so that the immune systems can defend the patients against the virus. Tα1 has been investigated in clinical studies for inflammatory diseases, including bone marrow transplant-related infections, chronic obstructive pulmonary disease (COPD), acute respiratory distress syndrome (ARDS), and severe acute respiratory syndrome (SARS). Many studies reported that lymphocytopenia and T cell exhaustion is notable in acute COVID-19 patients, especially in aged and severe cases. Tα1 had been used in the treatment of viral infections as an immune response modifier for many years. However, clinical benefits and mechanism of Tα1 supplement to COVID-19 are still being explored. During the COVID-19 pandemic, most COVID-19 cases displayed severe lymphocytopenia, especially in aged and severe cases. Tα1 can effectively increase T cell numbers, support the differentiation and maturation of T Cells, and reduce cell apoptosis. To enhance immunity, the medical support team members from all over the country got Tα1 injection before being deployed to Hubei Province, and no infectious cases were reported till now, suggesting Tα1 might have the potential to prevent SARS-CoV-2 infection. A retrospective study was performed to evaluate the efficacy and safety of Tα1 treatment in severe COVID-19. The study indicated Tα1 supplement significantly reduced mortality of severe COVID-19 patients. Tα1 reverses T cell exhaustion and recovers immune reconstitution through promoting thymus output during SARS-CoV-2 infection. (See Trial 2.1 below for details.) Another study showing Tα1 protected T cells from excessive activation in severe COVID-19 was accepted by *Cell Research* in August 2020. (See Trial 2.2 below for details.) Zadaxin had been used by both patients infected by COVID-19 and uninfected population as a preventative measure for COVID-19.

The table below summarizes details of some of the clinical trials or studies related to Zadaxin's use in the treatment of COVID-19:

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
2.1	Thymosin alpha 1 reduces the mortality of severe coronavirus 2019 by restoration of lymphocytopenia and reversion of exhausted T cells (published in *Clinical Infectious Diseases* in 2020[1])	Completed	December 2019 - March 2020	Investigators at the General Hospital of the Central Theatre Command and Wuhan Pulmonary Hospital	China	NA[(3)]	The study indicated Tα1 supplement significantly reduced mortality of severe COVID-19 patients. Tα1 reverses T cell exhaustion and recovers immune reconstitution through promoting thymus output during SARS-CoV-2 infection.
2.2	Dysregulated adaptive immune response contributes to severe COVID-19 (published in *Cell Research* in 2020[2])	Completed	Completed in 2020	Investigators at State Key Laboratory of Oncology in South China and Collaborative Innovation Center for Cancer Medicine of Sun Yat-sen University	China	NA[(3)]	Compared to the non-treated patients, the lymphocyte counts of the treated patients were significantly increased after one week of Tα1 treatment.

Notes:

(1) Yueping Liu, Yue Pan, Zhenhong Hu, Ming Wu, Chenhui Wang, Zeqing Feng, Congzheng Mao, Yingjun Tan, Ying Liu, Li Chen, Min Li, Gang Wang, Zilin Yuan, Bo Diao, Yuzhang Wu, Yongwen Chen, Thymosin Alpha 1 Reduces the Mortality of Severe Coronavirus 2019 by Restoration of Lymphocytopenia and Reversion of Exhausted T Cells, Clinical Infectious Diseases, ciaa630, https://doi.org/10.1093/cid/ciaa630

(2) Yu, K., He, J., Wu, Y. et al. Dysregulated adaptive immune response contributes to severe COVID-19. Cell Res 30, 814-816 (2020). https://doi.org/10.1038/s41422-020-0391-9

(3) No specific clinical results directly addressing safety.

(c) Sepsis

Tα1 has shown benefit in treatment of sepsis in several mouse models, both as a monotherapy and in combination with dexamethasone or anti-PD-1 antibodies. Tα1 has also been demonstrated to protect against a variety of specific acute infections in immuno-suppressed animals, including Serratia marcescens, Pseudomonas aeruginosa, Listeria monocytogenes, and Candida albicans. A large, prospective, multicenter, single-blind, randomized, placebo-controlled trial (ETASS) with 361 patients was conducted to further evaluate the efficacy and safety of Tα1 for the treatment of severe sepsis. The 28-day mortality from any cause was 26% in the Tα1-treated group, which was much lower than that in control group. (See Trial 3.1 below for details.) To further confirm the outcome of the ETASS study, a larger scale prospective, multicenter, double-blind, randomized, placebo-controlled trial with 1,106 patients is ongoing. (See Trial 3.2 below for details.)

The table below summarizes details of some of the clinical trials or studies related to Zadaxin's use in the treatment of sepsis:

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
3.1	ETASS trial (Registration number: NCT00711620) (published in *Critical Care* in 2013[1])	Completed	May 2008 - December 2010	Investigators at the First Affiliated Hospital of Sun Yat-sen University	China	No Tα1-related severe adverse event ("SAE") was reported and no treatment was discontinued due to intolerance or adverse events.	The 28-day mortality from any cause was 26% in the Tα1-treated group, which was lower than that in control group.
3.2	Sepsis ZDX-2015-11: multi-center, randomized, double-blind, placebo controlled study of Tα1 in ICU sepsis patients (Registration number NCT02867267)	Ongoing.	Started in August 2016	Investigators at the First Affiliated Hospital of Sun Yat-sen University (sponsored by the Company)	China	Key indicators to be used include adverse events, vital signs and laboratory indices.	Key indicators to be used include 28-day all-cause mortality.

Note:

(1) Wu, J., Zhou, L., Liu, J. et al. The efficacy of thymosin alpha 1 for severe sepsis (ETASS): a multicenter, single-blind, randomized and controlled trial. Crit Care 17, R8 (2013). https://doi.org/10.1186/cc11932

Tα1 has been listed in a series of treatment guidelines issued by professional associations for the treatment of infectious diseases, including: (i) the "Guidelines for the Treatment of Severe Sepsis/Septic Shock in China (2014 Edition)" issued by the Chinese Society of Critical Care Medicine, (ii) the "APASL Asia-Pacific Clinical Practice Guidelines: Management of Hepatitis B (2015 Updated Version)" issued by Asian Pacific Association for the Study of the Liver and the "2016 Clinical Practice Guidelines for China's Emergency Septic Shock" issued by the Chinese Medical Association of Emergency Physicians and (iii) the "Guide to Diagnosis and Treatment of Liver Failure (2018 Edition)" issued by the Chinese Society of Infectious Diseases and Chinese Society of Hepatology. In addition, Tα1, including Zadaxin as well as its generic drug competitors, has been listed for the treatment of severe and critical cases of COVID-19 in 2020, which was released by NHC and State Administration of Traditional Chinese Medicine.

II Cancers

Based on the immunostimulatory activities of thymosin, early clinical trials assessed the efficacy of Tα1 in patients with primary immunodeficiencies as well as in cancer patients. Tα1 is used in cancer patients to enhance the immune capabilities with two aims: combating the tumor more efficiently and preventing opportunistic infections. In addition, the use of Tα1 could counteract the immunosuppressive side effects associated with conventional chemotherapy and radiotherapy. Tα1 has been shown to have beneficial effects in several experimental models of cancer, improving immune parameters and increasing survival in many different model systems: DHD/K12 colon carcinoma, B-16 melanoma, non-small-cell lung cancer, Lewis lung carcinoma, and Friend erythroleukemia. Tα1 treatment has also been shown to prevent lung carcinogenesis in mice injected with a chemical carcinogen, and to decrease lung metastases in a mouse model of melanoma. In recent years, several studies have been performed on a variety of tumors (melanoma, hepatocellular carcinoma ("HCC") and non-small cell lung cancer) to assess the safety and efficacy of Tα1 in cancer therapy.

Besides its use in the prevention in chronic hepatitis B, Tα1 has also been used in therapeutic treatment of HCC. A recent report has retrospectively evaluated the use of Tα1 as adjuvant therapy in patients with primary HBV-related small HCC after liver resection. As compared to patients that received only liver resection, patients treated with Tα1 had higher overall survival and recurrence-free survival, together with a reduced neutrophil-to-lymphocyte ratio. (See Trial 4.1 below for details.) A large, prospective, multi-center, randomized controlled study to further confirm this finding had also been conducted in West China Hospital of Sichuan University. (See Trial 4.2 below for details.)

Based on these results and the reinforced notion that the combination of immunotherapy and chemotherapy may be beneficial in melanoma because of its immunogenicity, a Phase II,

multicenter, open, randomized, dose ranging study was performed to investigate the safety and efficacy of different doses of Tα1 in combination with dacarbazine and with or without IFNa in stage IV melanoma. This study confirmed that administration of Tα1 did not result in additional toxicity while increasing the efficacy of the treatment as evident from the higher clinical benefit rate and a trend toward improved overall survival (OS) and higher progression free survival (PFS) with any Tα1-containing regimen.

The mechanisms on the basis of these effects are unknown, but are likely to involve the immunomodulatory activities of Tα1. To further elucidate the benefit of treatment with Tα1, exploring monotherapy or combination treatment with anti-PD-1 antibody, a study was performed in several murine melanoma and sepsis nonclinical models. In the lung metastasis model, Tα1 treatment alone led to a 32% decrease in metastases ($p<0.05$). Additionally, combinations of Tα1 and an anti-PD-1 antibody led to significantly fewer metastases than the vehicle. This concept was substantiated by a Tα1 compassionate use program in which 31 patients with advanced-stage malignant melanoma were treated with Tα1 and dacarbazine and a clinical benefit rate of 41% was observed. The patients enrolled in the two studies were further analyzed in a long-term follow-up study and an encouraging OS was observed, indicating that a proportion of patients benefits for a long time from the treatment with Tα1. The study also analyzed possible interactions with immune checkpoint inhibitor. When the analysis was focused on patients that received ipilimumab in a second or subsequent line of therapy, the median OS was 38.4 months if Tα1 was administered before ipilimumab, compared to eight months with ipilimumab alone, irrespective of timing from last Tα1 treatment, Tα1 dosage or Tα1 cycles. These results point to a synergistic effect of a sequential Tα1 and ipilimumab regimen. (See Trial 4.3 below for details.) A more recent multicenter, randomized controlled study in China is ongoing to evaluate the efficacy and safety of Tα1 combined with PD-1 antibody and apatinib in advanced gastric cancer after second-line treatment. (See Trial 4.4 below for details.)

The table below summarizes details of some of the clinical trials or studies related to Zadaxin's use in the treatment of cancers:

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
4.1	Thymalfasin, a promising adjuvant therapy in small hepatocellular carcinoma after liver resection (published in *Medicine* in 2017[1])	Completed	February 2007 - February 2013	Investigators at West China Hospital of Sichuan University	China	NA[(3)]	As compared to patients that received only liver resection, patients treated with Tα1 had higher overall survival and recurrence free survival, together with a reduced neutrophil-tolymphocyte ratio.

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
4.2	Multi-center, randomized, controlled clinical trial to evaluate the efficacy and safety of adjuvant thymalfasin therapy in hepatitis B virus (HBV)-related hepatocellular carcinoma after curative resection (Registration number: ChiCTR1800014409)	Ongoing	Started in September 2017	Investigators at West China Hospital, Sichuan University (sponsored by the Company)	China	Key indicators to be used include adverse events, vital signs and laboratory indices.	Key indicators to be used include recurrence-free survival ("RFS") of the patient with adjuvant thymalfasin vs without adjuvant thymalfasin in hepatocellular carcinoma after curative resection.
4.3	Long-term follow up of metastatic melanoma patients treated with thymosin alpha-1: investigating immune checkpoints synergy (Registration number: NCT00911443) (published in *Expert Opinion on Biological Therapy* in 2018[2])	Completed	June 2004 - July 2017	Investigators at Center for Immuno-Oncology, University Hospital of Siena, Siena, Italy	Italy	NA[(3)]	Median OS at the data cut-off was 57.8 and 7.4 months in patients treated sequentially with anti-CTLA-4 imAbs or not, respectively. Moreover, pre-treatment with Tα1 in all (95) ipilimumab ("IPI") - evaluable patients confirmed a significant increase in long-term OS. Results obtained in long-term follow-up of 95 patients treated with IPI showed a statistically significant OS rate increase at 3, 4, and 5 years among patients receiving Tα1-IPI sequence versus patients treated with IPI and who had never received Tα1 (52.9% vs 16.9% p = 0.001), (41.2% vs 14.3% p = 0.01), and (41.2% vs 13.0% p = 0.006).

Trial No.	Clinical trial or study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
4.4	Efficacy and safety of thymosin α1 combined with PD-1 antibody and apatinib in advanced gastric cancer after second-line treatment: a multicenter, open, randomized, controlled trial (Registration number: ChiCTR1900025367)	Ongoing.	Started in May 2019	Investigators at the Shanghai East Hospital (co-sponsored by the Company)	China	Key indicators to be used include adverse events	Key indicators to be used include progression free survival and objective remission rate

Notes:

(1) He, Chao MD; Peng, Wei MD; Li, Chuan MD; Wen, Tian-Fu PhD* Thymalfasin, a promising adjuvant therapy in small hepatocellular carcinoma after liver resection, Medicine: April 2017 — Volume 96 — Issue 16 — p e6606 doi: 10.1097/MD.0000000000006606

(2) Danielli R, Cisternino F, Giannarelli D, Calabrò L, Camerini R, Savelli V, Bova G, Dragonetti R, Di Giacomo AM, Altomonte M, Maio M. Long-term follow up of metastatic melanoma patients treated with Thymosin alpha-1: investigating immune checkpoints synergy. Expert Opin Biol Ther. 2018 Jul;18(sup1):77-83. doi: 10.1080/14712598.2018.1494717.

(3) No specific clinical results directly addressing safety.

Tα1 has been listed in a series of treatment guidelines issued by professional associations for the treatment of cancer, including: (i) the "Guidelines for the Diagnosis and Treatment of Primary Liver Cancer (2017 Edition)" and the "Guidelines for the Diagnosis and Treatment of Primary Liver Cancer (2019 Edition)," both issued by the NHC, (ii) the "Guidelines for the Diagnosis and Treatment of Pancreatic Cancer (2019 Edition)" and the "Guidelines for the Diagnosis and Treatment of Primary Liver Cancer of CSCO (2018 Edition)," both issued by the CSCO, (iii) the "Chinese Lymphoma Diagnosis and Treatment Expert Consensus (2017 Edition)" issued by the Lymphoma Group of the Chinese Society of Oncology and (iv) the "Chinese Hepatocellular Carcinoma Transcatheter Arterial Chemoembolization (TACE) Clinical Practice Guidelines" issued by the Chinese College of Interventionalists.

III Vaccine Adjuvant

Tα1 has been shown to improve immune response to vaccines in several animal models, increasing the antibody response in old mice close to levels seen in young mice. The most recent study evaluated the addition of Tα1 as an enhancer of the immunogenicity of the 2009 H1N1 monovalent vaccine (Focetria®, Novartis) in adults with End-Stage Rental Disease on chronic dialysis. The results showed that patients who were treated with either dose of Tα1 achieved a marked and significant increase in their antibody titers compared to placebo. (See Trial 5.1 below for details.)

The table below summarizes details of a clinical study related to Zadaxin's use as vaccine adjuvant:

Trial No.	Clinical study conducted	Current status	Start and complete time	Responsible party	Geography	Safety: indicators and clinical data	Efficacy: indicators and clinical data
5.1	Thymosin alpha 1 enhances the immunogenicity of an adjuvated pandemic H1N1 influenza vaccine (FocetriaTM) in hemodialyzed patients (Registration number: NCT01031966) (published in *Vaccine* in 2012[1])	Completed	November 2009 - May 2010	Investigator at Padua Hospital	Italy	Key indicators used include adverse event recording, laboratory assays (hematology and chemistry), electrocardiogram, and assessment of vital signs.	The co-primary immunogenicity endpoints were the proportion of subjects with HI antibody titers of 1:40 or more, the proportion of subjects with either seroconversion or a significant increase in antibody titer, and the factor increase in geometric mean titer ("GMT") both in per-protocol and intention-to-treat populations.

Note:

(1) Carraro G, Naso A, Montomoli E, Gasparini R, Camerini R, Panatto D, Tineo MC, De Giorgi L, Piccirella S, Khadang B, Ceracchi M, De Rosa A. Thymosin-alpha 1 (Zadaxin) enhances the immunogenicity of an adjuvated pandemic H1N1v influenza vaccine (Focetria) in hemodialyzed patients: a pilot study. Vaccine. 2012 Feb 1;30(6):1170-80. doi: 10.1016/j.vaccine.2011.12.014.

Approvals and Intellectual Property

Zadaxin is approved in multiple jurisdictions, primarily in China but also in countries such as South Korea, Thailand, Argentina, Italy, Cambodia, Singapore and Indonesia. Zadaxin's approvals are principally for the treatment of Hepatitis B and as an immune system enhancer, with additional approvals in certain countries for the treatment of Hepatitis C, or as a chemotherapy immune enhancer for cancer patients with weakened immune systems. We developed Zadaxin in the early 1990s, and Zadaxin was approved by the NMPA for sales in China in 1996. Zadaxin was originally included in Part B of the NRDL since 1999, and was later removed based on decisions made by the regulators from Part B of the NRDL to be included in the work-related injury insurance catalog of the NRDL since February 2017. We continuously look for opportunities to expand the clinical adoptions of Zadaxin based on the ongoing double-blind randomized controlled studies in sepsis and real-world studies in oncology.

We are granted the rights to use five patents of Zadaxin in China by SciClone US, with expiry dates ranging from 2021 to 2030, covering areas such as method of reducing side effects of

chemotherapy in cancer patients, α thymosin peptides as cancer vaccine adjuvants, and α thymosin peptides as vaccine enhancers. We also hold 34 patents of Zadaxin in jurisdictions outside China, such as the United States, Italy, the United Kingdom, Japan, Germany and France.

Financial Performance, Market Potential and Effective Lifecycle Management

Zadaxin has consistently demonstrated proven market potential. In 2017, 2018 and 2019, our worldwide revenue from Zadaxin was RMB1,112.6 million, RMB1,168.8 million, and RMB1,349.3 million, respectively, representing a CAGR of 10.1% from 2017 to 2019. Such robust growth in revenue is sustained by both the fast growth of the thymalfasin market in China and Zadaxin's ability to continuously gain market share from the generic competition in recent years. According to Frost & Sullivan, the sales revenue of thymalfasin in China was approximately RMB2.4 billion in 2019, growing at a CAGR of 3.5% from 2015 to 2019; the sales revenue of thymalfasin in China is expected to further grow to approximately RMB4.6 billion in 2024, representing a CAGR of 13.9% from 2019 to 2024. According to Frost & Sullivan, in terms of sales revenue, Zadaxin accounted for 44.1% of market share in the thymalfasin market in China in 2015, and 57.5% of market share in the thymalfasin market in China in 2019. According to Frost & Sullivan, as the first and branded thymalfasin drug in China, Zadaxin has competitive edge over other thymalfasin drugs as it has strong brand recognition and product loyalty, based on its first-mover advantage.

Zadaxin's robust demand and our proven lifecycle management capabilities maintained stable growth of our revenue despite external market challenges, including changes in reimbursement policies, changes in provincial and municipal centralized tender processes, fluctuation in prices and concerns over adjuvant therapies. Such challenges may be attributable to different factors. For example, when determining the pharmaceutical products covered by the reimbursement policies, the PRC regulators may consider factors including pricing, national and local economy conditions, and prominent public demands for treatment of certain diseases, and some of these factors may be beyond our control. In addition, Zadaxin has faced, and will continue to face, competition from generic thymalfasin and other generic thymic hormone drugs in Mainland China, a market we expect to continue to focus on. See "Risk Factors — Risks Relating to Our Business and Industry — We rely on the sales of a limited number of proprietary product and promotion products for business partners, especially in Mainland China, which account for a substantial portion of our total revenue. If we are unable to maintain the sales volume, pricing levels and profit margins of such products due to factors such as competition or change in government regulations, our operations, revenue and profitability could be adversely affected" and "Risk Factors — Risks Relating to Our Business and Industry — We operate in a highly competitive environment, and we may not be able to compete effectively against current and future competitors selling competing drugs such as substitute or generic drugs and new innovative drugs, which could subject us to the pressure of price reduction and adversely affect our operations, revenue and profitability."

Nevertheless, we are able to effectively extend Zadaxin's lifecycle by expanding into new clinical adoptions based on additional clinical evidence. Our lifecycle management efforts for Zadaxin resulted in its inclusion in additional treatment guidelines. For example, since the outbreak of COVID-19, Zadaxin had been listed for the treatment of severe and critical cases of COVID-19

according to the treatment guideline issued by the NHC and National Administration of Traditional Chinese Medicine, which evidences our success in effectively expanding the use of Zadaxin into new clinical adoptions. We also expand our field force to cover additional hospitals and areas and upgrade our digital marketing efforts and innovative patient-oriented programs to establish new business models. Based on the pre-clinical and clinical studies, we expect to expand new clinical indications in the next 3 to 5 years. We plan to gradually develop the application of Zadaxin in the treatment of acute pancreatitis, rheumatic immune diseases, bone marrow transplantation and tumor immunotherapy combination with immune checkpoint inhibitors especially with PD-1/PD-L1. In particular, as of the Latest Practicable Date, we had undertaken a broad range of clinical studies to expand Zadaxin's clinical adoptions in oncology, severe infection, vaccine adjuvant and other therapeutic areas. For details, please see "— Our Strategies — Continue to strengthen our marketed product portfolio through effective lifecycle management". As a result, notwithstanding the above-mentioned challenges, we believe that our continued efforts in expanding the clinical adoptions of Zadaxin place us in a better position to benefit from growing public awareness of Zadaxin's mechanism and benefits. We also intend to implement effective sales, marketing and commercialization strategies to ensure that our lifecycle management efforts on Zadaxin are transformed into solid financial returns. See — "Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China."

Our In-licensed Products

Our in-licensed products include Angiomax and Zometa. Angiomax is indicated for use as an anticoagulant for use in patients undergoing percutaneous coronary intervention including patients with heparin-induced thrombocytopenia and thrombosis syndrome. Zometa is indicated for the treatment of patients with multiple myeloma and patients with documented bone metastases from solid tumors, and hypercalcemia of malignancy.

Zometa 择泰

Zometa (generic name: zoledronic acid, 4mg/5ml concentrate for solution) is indicated for the treatment of patients with multiple myeloma and patients with documented bone metastases from solid tumors, and hypercalcemia of malignancy. Zometa can be incorporated into bones and selectively inhibit osteoclast-mediated bone resorption, which inhibits increased osteoclastic activity and skeletal calcium release induced by tumors. Thus Zometa decreases serum calcium and phosphorus and increases urinary calcium and phosphorus excretion in patients with hypercalcemia of malignancy.

In China, Zometa was approved in 2004 and promoted by Novartis until early 2020. Zometa was included in the NRDL since 2009.

Before the completion of the IDL transfer, Novartis remained as the MAH of Zometa in the PRC, and we recognized the profit transferred from Novartis during the IDL transfer period as other income. We also started recognizing revenue from our sales of Zometa since December 2020 as we began distributing Zometa in certain provinces in China. In January 2021, we completed the transfer of IDL for Zometa, and became the MAH of Zometa in the PRC.

According to Frost & Sullivan, the market of bone metastases drugs in China, in terms of sales revenue, amounted to RMB1.3 billion in 2019, representing a CAGR of 2.4% from 2015 to 2019. The market is estimated to grow at a CAGR of 19.1% from 2019 to 2024 and to reach RMB3.1 billion in 2024, and is estimated to further grow at a CAGR of 20.5% from 2024 to 2030 and to reach RMB9.5 billion in 2030. The sales revenue of Zometa in China in 2019 was RMB205.7 million, ranked third in China's bone metastases market, with a market share of 15.9%. According to Frost & Sullivan, as a third-generation bisphosphonate, zoledronic acid (Zometa) has the highest relative potency compared to the first- and second-generation bisphosphonate drug, with more selectivity for inhibition of bone resorption.

Under the Asset Purchase Agreement, the License Agreement, the Supply Agreement, the Trademark Transfer Agreement and the Domain Name Assignment Agreement, each between us and Novartis signed in February 2020, Novartis transfers to us certain marketing authorization, domain name, trademark, other intellectual properties and third-party agreements related to Zometa. Salient terms of such agreements are listed below:

- **Nature of Rights**: Novartis transfers to us certain marketing authorizations, intellectual properties and third party agreements related to Zometa product, and grants us exclusive, perpetual, irrevocable, royalty-free, fully paid-up license to market, sell, use and commercialize Zometa in Mainland China and to manufacture Zometa in any country of the world for use in Mainland China.
- **Non-Compete**: For a period of three years, Novartis shall not commercialize a competing product in Mainland China or grant any third party rights to commercialize competing products in Mainland China.
- **IP Arrangements**: Novartis transfers to us certain rights in relation to trademarks and domain names.
- **Other Rights and Obligations**: We grant Novartis a non-exclusive, royalty-free, fully paid-up, perpetual license, and a right to use and reference the market authorizations to exercise Novartis' rights and to perform its obligations under the agreement, and to comply with relevant laws.
- **Supply**: Initially, Novartis shall manufacture, supply, distribute and/or commercialize Zometa in Mainland China. We shall obtain approvals necessary from the regulatory authorities to manufacture Zometa independent from Novartis, and shall subsequently, under the assistance of Novartis, establish manufacturing and supply relationship with the CMO for Zometa.
- **Payment**: We shall pay Novartis a non-refundable, non-creditable upfront payment in the low eight figures in US dollars, and milestone payments in the low to mid seven figures in US dollars conditional on achievement of certain milestone events. We shall also pay Novartis a royalty fee as a percentage of low double digits on the net sales of Zometa.

Angiomax 安其思

Angiomax (bivalirudin) is indicated for use as anticoagulant for use in patients undergoing percutaneous coronary intervention ("PCI") including patients with heparin-induced

thrombocytopenia and thrombosis syndrome. Angiomax directly inhibits thrombin by specifically binding both to the catalytic site and to the anion-binding exosite of circulating and clot-bound thrombin. Thrombin is a serine proteinase that plays a central role in the thrombotic process, acting to cleave fibrinogen into fibrin monomers and to activate Factor XIII to Factor XIIIa, allowing fibrin to develop a covalently cross-linked framework which stabilizes the thrombus; thrombin can also activate Factors V and VIII, promoting further thrombin generation, and activate platelets, stimulating aggregation and granule release. The binding of Angiomax to thrombin is reversible as thrombin slowly cleaves the bivalirudin-Arg3-Pro4 bond, resulting in recovery of thrombin active site functions.

In China, Angiomax was approved by the NMPA for sales in China in 2019. Since its approval, we have been working on its IDL transfer from The Medicines Company as well as the distributor engagement before its commercialization. As of the Latest Practicable Date, Angiomax was not included in the NRDL. Our Group is currently the MAH of Angiomax in the PRC.

We entered into a Product Promotion Agreement with Huizheng on August 31, 2020, under which Huizheng was engaged for the promotion and distribution of our in-licensed product Angiomax in Mainland China. Since our own sales and distribution network under SciClone Jiangsu currently does not have specialized distribution capacity for pharmaceutical products treating cardiovascular diseases, we engage Huizheng for the distribution of Angiomax as it can provide a broad distribution coverage for pharmaceutical products treating cardiovascular diseases. According to Frost & Sullivan, due to factors such as aging population, increasing number of patients with coronary disease, and improving accessibility to qualified healthcare institutions, the PCI procedure volume increased rapidly from approximately 567,600 in 2015 to approximately 1,064,000 in 2019, representing a CAGR of 17.0%, and is expected to further grow to approximately 1,967,500 in 2024, representing a CAGR of 13.1%. According to Frost & Sullivan, the expected further growth momentum of PCI anticoagulant is well proven by the large gap of PCI procedure volume in China and other developed countries, indicating significant growth potential for Angiomax.

Moreover, according to Frost & Sullivan, compared with other three types of anticoagulants for PCI, bivalirudin demonstrates several advantages: First, bivalirudin monotherapy significantly reduces major bleeding while providing similar ischemic protection and improves net clinical outcome; second, unlike unfractionated heparin or enoxaparin, bivalirudin does not inflict platelet activation; moreover, bivalirudin's combination with prothrombin is reversible.

Under the License Agreement between us and The Medicines Company signed in December 2014, as amended in November 2015, July 2019, and April 2020, with an indefinite term, we own IDL transferred from The Medicines Company and have the exclusive right to commercialize Angiomax in Mainland China. Salient terms of such agreements are listed below:

- **Nature of Rights**: The Medicines Company assigns us all right, title and interest in, to and under the IDL assets, the exclusive right in Mainland China, to develop and commercialize Angiomax, including but not limited to activities concerning using, importing, marketing, promoting, storing, handling, distributing, seeking hospital listing or selling of Angiomax.

- **Non-Compete**: We shall not develop, manufacture or commercialize any directly competing product in Mainland China, during the term of the agreement and within five years following the termination of the agreement.
- **IP Arrangements**: The Medicines Company grants us an exclusive, non-sublicensable license (except otherwise permitted by the agreement) to sell, import, distribute and commercialize the product under The Medicines Company's IP rights and trademark in Mainland China, and a non-exclusive, fully-paid-up, royalty-free, non-sublicensable worldwide license to make and manufacture Angiomax.
- **Other Rights and Obligations**: We shall exercise commercially reasonable efforts to commercialize the products, including obtaining regulatory approvals. We may appoint third party distributors for the commercialization of the product. We shall be the applicant and registrant for the IDL and shall use commercially reasonable efforts to maintain such IDL.
- **Supply**: We shall procure the supply of the product in Mainland China, with reasonable assistance from The Medicines Company to enter definitive agreements with CMOs for the manufacturing and supply of the product API, and the manufacturing and supply of the finished product. Before we enter into such definitive agreement, The Medicines Company shall supply Angiomax to us.
- **Payment**: We shall pay The Medicines Company a one-time, non-refundable, non-creditable upfront payment in the low eight figures in US dollars, and milestone payments in the mid seven figures in US dollars conditional on achievement of certain milestone events.

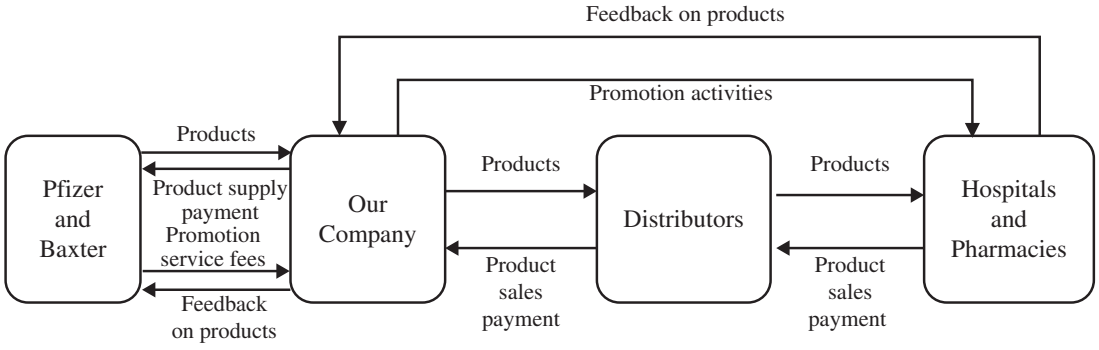
Our Sales of Promotion Products for Business Partners

We also engage in the sales of promotion drug products in China for our business partners, such as Pfizer and Baxter. For the promotion products we sell for our business partners, our business partners supply us with such promotion products, which are imported and distributed through SciClone Jiangsu. We engage in marketing and promotion activities for such promotion products and sell such promotion products to our distributors through the distribution network we manage. Currently, we have been granted rights to promote and sell six products in China. As a long-term and preferred partner for Pfizer and Baxter, we have delivered sustainable performance and gained market share from generic competition.

For the promotion products we sell for our business partners, we actively engage in sales and marketing activities to strengthen the products' recognition among doctors through academic marketing and promotional activities. Our marketing and promotional activities include participation in and sponsorship for academic events (such as health industry conferences, medical symposia, and educational seminars), discussion with doctors through teleconferences, demonstration of publicity videos and organization for promotional events for the products. To enhance the results, we typically provide at the marketing activities printed publicity documents, academic journal articles, drug samples, and other materials provided by our partners. See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China." Our distribution

services are conducted through SciClone Jiangsu together with a nationwide distribution network. See "— Sales, Marketing and Distribution — Distribution — Distribution Network for Promotion Products for Business Partners." For our sales of promotion products for business partners, we derive revenue from sales of such promoted products to distributors.

The following diagram illustrates the key parties and processes involved in our sales of promotion products for business partners:



The six products we current promote and distribute for Pfizer and Baxter are primarily used for the treatment of cancer. According to Frost & Sullivan, driven by multiple factors, the number of new cancer cases in China increased from 4.0 million in 2015 to 4.4 million in 2019, and is expected to further increase to 5.7 million in 2030. According to Frost & Sullivan, China's oncology drug market reached RMB110.2 billion in 2015 and RMB182.7 billion in 2019, accounted for 9.0% and 11.2% of China's pharmaceutical market, respectively, and representing a CAGR of 13.5% from 2015 to 2019; in 2030, China's oncology drug market is expected to reach RMB659.8 billion, accounting for 19.7% of China's pharmaceutical market and representing an expected CAGR of 12.4% from 2019 to 2030. Such robust growth in oncology drug market in China's indicates the market potential for the products we promote and sell.

During the Track Record Period, we generated revenue from sales of promotion products for our business partners of RMB84.5 million, RMB211.4 million, RMB314.3 million, RMB222.6 million and RMB250.9 million, in 2017, 2018, 2019, and the first nine months in September 2019 and 2020, respectively, accounting for 7.0%, 15.0%, 18.4%, 17.2% and 15.8% of our revenue in 2017, 2018, 2019 and the first nine months in 2019 and 2020, respectively.

Our Sales of Pfizer Products

Under the Import and Service Agreement between Pfizer and Novamed, signed in July 2014, assumed by us pursuant to our acquisition of Novamed, and further supplemented in the Supplementary Agreements in May 2018 and April 2019, for a term until June 30, 2022, Pfizer appoints us as the exclusive importer, distributor and promotor for the products, Farlutal,

Methotrexate and Estracyt within Mainland China. The agreements can be renewed based on mutual agreement of both parties upon expiry. Salient terms of such agreements are listed below:

- **Nature of Rights**: Pfizer appoints us as its exclusive importer, distributor and promotor for the designated products in Mainland China.
- **Exclusivity**: Pfizer may not appoint any party other than us to import, distribute and promote the designated products in Mainland China. We may not sell the designated products outside Mainland China.
- **Pfizer's Obligations**: Pfizer's obligations include registration, product supply and other necessary supports.
- **Our Obligations**: Our obligations include import matters and related expenses, distributors and distribution channel management, bidding, hospital listing and product promotion.
- **Trademarks**: Pfizer grants us an exclusive, non-transferable license, to use the trademarks. Pfizer retains the ownership of such trademarks.
- **Inventory**: We are responsible for maintaining our inventory of the promotion products at a reasonable level as specified in the agreement.
- **Payment**: We pay Pfizer for ordered goods under agreed payment term and Pfizer pays us service fee calculated as we agreed upon.
- **Product Return**: Pfizer generally does not accept any return of goods supplied, unless there are quality issues identified by us and confirmed by the NMPA and/or other accredited drug quality inspection institutes.

Farlutal 法禄达

Farlutal is indicated for the treatment of breast cancer, carcinoma of the endometrium, prostate cancer and renal cancer. Farlutal is administered orally or parenterally in the recommended doses to women with adequate endogenous estrogen and transforms proliferative into secretory endometrium. Androgenic and anabolic effects have been noted, but the drug is apparently devoid of significant estrogenic activity. While parenterally administered Farlutal inhibits gonadotropin production, which in turn prevents follicular maturation and ovulation, available data indicate that this does not occur when the usually recommended oral dosage is given as single daily doses. Pfizer is currently the MAH of Farlutal in the PRC. Farlutal was included in the NRDL since 2004.

Methotrexate 甲氨蝶呤注射液

Methotrexate is indicated for the treatment of acute leukemia, osteosarcoma and breast cancer. Methotrexate inhibits dihydrofolic acid reductase. Dihydrofolates must be reduced to tetrahydrofolates by this enzyme before they can be utilized as carriers of one-carbon groups in the synthesis of purine nucleotides and thymidylate. Therefore, methotrexate interferes with DNA synthesis, repair, and cellular replication. Actively proliferating tissues such as malignant cells, bone marrow, fetal cells, buccal and intestinal mucosa, and cells of the urinary bladder are in general more sensitive to this effect of Methotrexate. Methotrexate is currently registered under Pfizer pursuant to the NMPA in the PRC. Methotrexate was included in the NRDL since 2004.

Estracyt 艾去适

Estracyt is indicated for the treatment of hormone-resistant advanced prostate cancer. Estracyt taken orally is readily dephosphorylated during absorption, and the major metabolites in plasma are estramustine. Estramustine is metabolized into estrone and estradiol after absorption from the gastrointestinal tract, which is able to selectively penetrate into cells of the prostate and prostate tumor metastases. Besides, estramustine not only mainly inhibits microtubule function by binding to both tubulin and microtubule-associated proteins, but also depolymerizes cytoplasmic microtubules, leading to an inhibition of mitosis and induces cell apoptosis by disrupting the nuclear matrix. The metabolic urinary patterns of the estradiol moiety of Estracyt and estradiol itself are very similar, although the metabolites derived from Estracyt are excreted at a slower rate. Pfizer is currently the MAH of Estracyt in the PRC. Estracyt was included in the NRDL since 2009.

Our Sales of Baxter Products

Under the Product Promotion Agreement between us and Baxter, signed in January 2018 and valid until December 31, 2022, and the Drug Import and Distribution Agreement between us and Baxter (which we renew on an annual basis), signed in January 2020 and valid until December 31, 2020 (which, as of the Latest Practicable Date, was temporarily renewed to March 31, 2021 and was in the process of being formally renewed for another year starting from January 2021), we were granted by Baxter the exclusive right to promote the designated products, including Holoxan, Mesna and Endoxan, in hospitals in Mainland China, and the right to import and distribute the designated products in Mainland China. The agreements can be renewed based on mutual agreement of both parties upon expiry. Salient terms of such agreements are listed below:

- **Nature of Rights**: Baxter appoints us as its importer, distributor and exclusive promotor for the designated products in Mainland China.
- **Exclusivity**: Without our prior consent, Baxter may not appoint any party other than us to promote and sell the designated products in Mainland China. We shall not promote or sell competing products in Mainland China.
- **Baxter's Obligation**: Baxter shall be responsible for the regulatory registration of the designated products to be promoted by us with relevant regulatory authorities.
- **Our Obligation**: (i) As Baxter's designated importer and distributor in Mainland China, we are responsible for the import and distribution activities (such as bidding, delivery and revenue collection, and the engagement and management of sub-distributors) for the designated products in Mainland China. We shall not sell products outside Mainland China and shall not procure the designated products from parties other than Baxter for distribution in Mainland China. (ii) As Baxter's designated exclusive promotor in Mainland China, we are obligated to diligently promote the demand and sales of the designated products in Mainland China, including making relevant sales and marketing plans and informing Baxter regarding market conditions.
- **Intellectual Properties**: Baxter retains the ownership related to such agreements and grants us the right to use relevant intellectual property in order to fulfill our obligations under such agreements.

- **Product Supply and Storage**: Baxter shall be responsible for supply the designated products pursuant to relevant distribution agreements with us, and we shall be responsible for examining the supplied products upon receipt. We shall be responsible for providing services related to the import procedure, including obtaining relevant permits necessary for importing the designated products, the examination and custom clearance of the designated products, and we shall bear the relevant costs incurred. We shall be responsible for the storage of the designated products.
- **Inventory**: We are responsible for maintaining our inventory of the promotion products at a reasonable level as specified in the agreement.
- **Sales Target**: The annual sales target is set pursuant to negotiation between us and Baxter and shall be adjusted based on external regulatory and market fluctuation.
- **Payment**: Baxter shall pay us promotion fee in consideration for the promotional service we provide, on a per box basis and increased conditional on our successful completion of the sales target. We shall pay Baxter product supply price, as specified in the agreements and adjustable based on regulatory and market fluctuations, within 40 days of the supply of the designated products.
- **Product Recall**: Upon receipt of complaint of the designated products, we shall promptly evaluate the situation and notify Baxter for further rectification procedures, including possible product recall.
- **Product Return**: We shall conduct quality inspection of the products after custom clearance, and for products identified with quality issues, we have the right to demand product return or replacement from Baxter.

Holoxan 和乐生

Holoxan is indicated for bone and soft tumors, lymphoma, lung cancer, cervical cancer, ovarian cancer, testicular cancer and child solid tumors, bladder cancer, head and neck cancer and breast cancer. Holoxan is a prodrug that requires metabolic activation by hepatic cytochrome P450 isoenzymes to exert its cytotoxic activity. The exact mechanism of action of Holoxan has not been determined, but its cytotoxic action is primarily through DNA crosslinks caused by alkylation by the isophosphoramide mustard at guanine N-7 positions. The formation of inter- and intra-strand cross-links in the DNA results in cell death. Baxter is currently the MAH of Holoxan in the PRC. Holoxan was included in the NRDL since 2004.

Mesna 美司钠

Mesna is an organosulfur compound used as an adjuvant in cancer chemotherapy to detoxify urotoxic metabolites. Mesna reacts chemically with the urotoxic ifosfamide metabolites, acrolein and 4-hydroxy-ifosfamide, resulting in their detoxification. The first step in the detoxification process is the binding of Mesna to 4-hydroxy-ifosfamide forming a non-urotoxic 4-sulfoethylthioifosfamide. Mesna also binds to the double bonds of acrolein and to other urotoxic metabolites and inhibits their effects on the bladder. Baxter is currently the MAH of Mesna in the PRC. Mesna was included in the NRDL since 2004.

Endoxan 安道生

Endoxan is indicated for the treatment of breast cancer, lymphoma, ovarian cancer, small cell lung cancer and sarcoma. Endoxan is a widely used anticancer drug, immunosuppressant, and mobilizer of hematopoietic progenitor cells. Endoxan, as a prodrug, requires activation by CYP-catalyzed 4-hydroxylation, yielding cytotoxic phosphoramide mustard capable of reacting with DNA molecules to form crosslinks and lead to cell apoptosis and/or necrosis. Baxter is currently the MAH of Endoxan in the PRC. Endoxan was included in the NRDL since 2004.

PRODUCT DEVELOPMENT

For our proprietary and in-licensed pharmaceutical products, we actively engage in the development of such products. We focus on building up a drug portfolio with strong positioning in high-value and high-growth sectors. For the promotion products we sell for our business partners, we currently do not engage in any further product development activities.

We focus on clinical-need-based and market-oriented product development, which targets and identifies pharmaceuticals that have the potential for gaining widespread market acceptance within China's fastest growing, large and underserved therapeutic areas. As an integrated pharmaceutical company, we strive to build a portfolio of high-quality, differentiated products in established therapeutic areas that represent diseases and conditions that are most prevalent in China.

As of the Latest Practicable Date, we had launched one proprietary and two in-licensed drugs. In addition, we had a pipeline of eight candidates, five of which are drugs that have entered into pivotal clinical trials or more advanced stages.

In November 2020, the CDE promulgated the Clinical Technical Guideline for Conditional Approval of Drugs (Tentative) (《藥品附條件批准上市技術指導原則(試行)》). See "Regulatory Overview — Laws and Regulations in Relation to Drugs — Registration of Drugs". Under such guideline, pipeline drugs treating seriously life-threatening diseases with no existing effective treatments available may apply for conditional approval if its clinical trials have shown efficacy and if its clinical value can be predicted. As our pipeline products primarily focus on therapeutic areas such as oncology and severe infection with significant unmet medical needs in China, we believe, and the Industry Consultant, Frost & Sullivan, is of the view that such guideline may expedite our product development process.

In 2017, 2018, 2019, and the first nine months in 2019 and 2020, our total research and development expenses amounted to RMB82.7 million, RMB77.5 million, RMB87.7 million, RMB59.4 million and RMB48.7 million, respectively, representing 6.8%, 5.5%, 5.1%, 4.6% and 3.1% of our total revenue for the respective periods. See "Financial Information — Description of Major Components of Our Results of Operations — Research and Development Expenses" for further details of accounting policies relating to R&D costs.

Products Under Development

Our efforts in product development have yielded a pipeline of potential drug candidates in different stages of development spanning our key therapeutic areas. As of the Latest Practicable Date, we had a pipeline of eight drug candidates, five of which are late-stage drug products that have entered into pivotal clinical trial or more advanced stages, and three of which are early-stage drug products that have entered into Phase II clinical trial.

Pipeline Products

	Product Name	Mechanism of Action	Indication(s) / Clinical Adoptions	Partner	Date of Partnership Commencement	Commercial Rights	Our Contribution in China	Pre-Clinical / IND Filing / Phase I / Phase II / Phase III / NDA/BLA Filing / Marketed
Late-Stage	Oravig [1]	Lanosterol 14 α - demethylase inhibitor	Oropharyngeal candidiasis	Vectans Pharma (France)	June 2, 2008	10-year license from the date of first commercial sales in Mainland China, Hong Kong and Macau	Completed the phase III trial and obtained NMPA approval for commercialization	Marketed (Vectans Pharma); Commercialization expected in Q3-2021
Late-Stage	Vibativ (telavancin) [2]	Dual antibacterial activity on cell wall and cell membrane	HABP/VABP complicated skin and skin structure infections	Cumberland Pharma-ceuticals (USA)	May 21, 2015	15-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau, Taiwan and Vietnam	Obtained IND and clinical trial waiver	Marketed (Cumberland Pharmaceuticals); Clinical trial waiver obtained; NDA submission expected in Q3-2021
Late-Stage	RRx-001 [3]	Myc inhibitor and antagonist of CD47-SIRPα pathway	Small cell lung cancer	EpicentRx,Inc. (USA)	June 30, 2020	10-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau and Taiwan	Pre-IND conducted and in preparation of IND filing	US Phase III trial ongoing (Soligenix); US Phase III trial completion expected by the end of 2021
			Colorectal cancer					Combo with Irinotecan; US Phase II trial completed and Phase III trial launch expected in Q2-2021
Late-Stage	Naxitamab	Targeting GD2	High risk neuroblastoma	Y-mAbs Therapeutics, Inc. (USA)	December 17, 2020	license of an indefinite term from December 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase I and Phase II trials completed (Y-mAbs); Received approval fromFDAon BLA in November 2020[6]
Late-Stage	Omburtamab	Targeting B7-H3–expressing cells	CNS/ leptomeningeal metastasis from neuroblastoma	Y-mAbs Therapeutics, Inc. (USA)	December 17, 2020	license of an indefinite term from December 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase I and Phase II trials completed (Y-mAbs); Y-mAbs plans to refile BLA for Omburtamab in early 2021[6]
Early Stage	PEN-866 [4]	Mini-conjugate of HSP90-SN38	Solid tumors	Tarveda Therapeutics (USA)	March 17, 2020	20-year license from March 17, 2020 in Mainland China, Hong Kong, Macau and Taiwan	-	US Phase II basket trial ongoing (Tarveda Therapeutics); US Phase II trial completion expected in Q4-2022
Early Stage	PT-112	Platinum-containing compounds	Late stage prostate cancer	Phosplatin Therapeutics (USA)	May 26, 2015	15-year license from the date of first commercial sales in Mainland China, Hong Kong, Macau and Vietnam	Completed phase I and initiated phase II trial	US Phase II trial ongoing (Phosplatin Therapeutics); US Phase II trial completion expected in Q4-2021
			Cholangiocarcinoma					Combo with Gemcitabin; Phase II trial completion expected in Q4-2022
Early Stage	ABTL-0812	Akt/mTOR inhibitor	Endometrial cancer lung cancer pancreatic cancer	Ability Pharma (Spain)	April 22, 2016	15-year license from April 22, 2016 in Mainland China, Hong Kong, Macau, Taiwan and Vietnam	Obtained IND	EU Phase II trial ongoing (Ability Pharma); EU Phase II trial ongoing

China status [5] Partner's overseas status [5] Intend to utilize overseas clinical data for the NDA application in China

Abbreviations: Akt = Protein Kinase B; HABP = Hospital-acquired Bacterial Pneumonia; HSP90 = Heat Shock Protein 90; mTOR= Mammalian Target of Rapamycin; SN38 = 7-ethyl-10-hydroxycamptothecin; VABP = Ventilator-associated Bacterial and Pneumonia

Notes:

1. Our partner conducted Phase III and the earlier phases of the clinical trials. We obtained clinical waiver for clinical trials in China, and intend to conduct a bridging study for approval.
2. We conducted Phase III of the clinical trials, and our partner conducted the earlier phases of the clinical trials.
3. We expect to participate in the China portion of Phase III MRCT (Multi-Regional Clinical Trials) for Small Cell Lung Cancer in 2021 with EpicentRx.
4. We intend to join China portion of Phase III MRCT with Tarveda.
5. We are responsible for the clinical trials in China. Our partners are responsible for the clinical trials overseas.
6. Naxitamab and Omburtamab, both being biological products, are required to obtain BLA approval before commercialization. For both products, a Phase II clinical trial is adequate to serve as a pivotal trial in support of a BLA approval. As a result, as of the Latest Practicable Date, no Phase III clinical trial was intended or would be carried out for Naxitamab and Omburtamab.

Below is a description of our key drug candidates:

Products under Development — Late Stage

Oravig 诺弥可

We are developing a miconazole buccal tablet (MBT), Oravig, used to treat oropharyngeal candidiasis (OPC). Oravig has a broad-spectrum antifungal activity against the most frequent Candida observed in OPC, including *C. glabrata*, *C. krusei*, and *C. tropicalis*. It works at the cell membrane level by limiting ergosterol synthesis through inhibiting the cytochrome P450 14α-demethylase enzyme. Oravig also affects the synthesis of triglycerides and fatty acids and inhibits oxidative and peroxidative enzymes. MBT could provide the high and sustained levels of salivary miconazole concentrations, which would enhance its role as a local therapeutic alternative for OPC.

We have completed the registration trial and passed the data verification of the sampling test base by the NMPA in September 2019. We submitted the requested additional data for relevant technical review in June 2020 and received approval for the license in December 2020. In January 2021, we obtained the approval for the commercialization of Oravig in China from the NMPA.

According to Frost & Sullivan, the market of anti-fungal drugs in China, in terms of sales revenue, amounted to RMB25.5 billion in 2019 and represented a CAGR of 6.5% from 2015. The market is expected to grow at a CAGR of 3.3% from 2019 to 2024 and to reach RMB30.0 billion in 2024, and is expected to further grow at a CAGR of 4.1% from 2024 to 2030 and to reach RMB38.0 billion in 2030. As an imidazole anti-fungal drug, Oravig's market is expected to experience continuous growth in the future. According to Frost & Sullivan, Oravig has several advantageous features which would lead to its continuous long-term growth. First, Oravig can offer protection for wounded mucosa, which can reduce pain for the patients. Second, Oravig's small size, thickness and flexibility make it easier to be adopted by patients. Third, Oravig causes few drug interactions and resistance, which allows it to be applied in a broader patient base.

Under the License Agreement between BioAlliance and Novamed dated June 20, 2008, the Assignment and Assumption Agreement between Novamed and us dated June 10, 2016, the Assignment between Vectans Pharma and Onxeo S.A. dated May 12, 2017, and the Amendment to License Agreement we signed with Vectans Pharma on December 15, 2020 to affirm the foregoing assignments, pursuant to the contemplated transaction for a duration of 10 years of commercial sales, which is potentially renewable upon mutual agreement of the parties, Vectan grants us an exclusive, royalty-bearing license to promote, market, use, sell, offer for sale, and import Oravig in Mainland China, Hong Kong and Macau. Salient terms of such License Agreement are listed below:

- **Nature of Rights**: Vectans grants us an exclusive, royalty-bearing license to promote, market, use, sell, offer for sale, and import Oravig, and the right to use Oravig's related trademarks in Mainland China, Hong Kong and Macau.
- **Exclusivity**: Vectans shall not contract with any third party, or by itself, to develop, import, market, sell or distribute the product in the Mainland China, Hong Kong and Macau. Neither party shall contract with any third party to develop, manufacture, import, market, sell or distribute competing product.
- **Trademark Arrangement**: Vectans shall retain the ownership of the entire ownership interest in the trademark, and shall, at its own cost and expense, file and endeavors in good faith to obtain the registration of trademark in the Mainland China, Hong Kong and Macau.
- **Other Obligations**: We shall use reasonable efforts to assist Vectans locally in all aspects of regulatory approval and shall use reasonable efforts to commercialized the product for its approved indication following regulatory approval.
- **Quality Control**: The nature and quality of Oravig advised or sold by us on which it's related trademark appears shall conform to its product specification for packaging.
- **Supply**: Vectans shall be the exclusive supplier to us of Oravig during the term of the agreements. Vectans shall manufacture and supply to us such quantity of Oravig, in

finished form, as requested by us to cover the total market needs for Oravig. Vectans shall use commercially reasonable efforts to avoid shortfalls in supply of the products, and in the event that such shortfall cannot be avoided, shall promptly notify us and remedy the shortfall as soon as practicable.

- **Payment**: We shall pay Vectans (i) a non-refundable, non-creditable upfront fee in the low seven figures in US dollars, (ii) a regulatory milestone payment in the low seven figures in US dollars based on the obtention of the Market Authorization in Mainland China, (iii) a non-refundable, non-creditable payment based on sales performance and (iv) a percentage-wise royalty fee of low double digits based on net sales of product. As of the Latest Practicable Date, we have completed payment for the non-refundable and non-creditable upfront fee.

Vibativ

We are developing a rapidly bactericidal lipoglycopeptide antibiotic, Vibativ (telavancin), that is active against a range of clinically relevant Gram-positive pathogens. Vibativ is approved in the United States and Canada for the treatment of adult patients with hospital-acquired and ventilator-associated bacterial pneumonia (HABP/VABP) caused by susceptible isolates of *S. aureus*. Vibativ is a bactericidal, once-daily, injectable lipoglycopeptide antibiotic with a dual mechanism of action whereby Vibativ both inhibits bacterial cell wall synthesis and disrupts bacterial cell membrane function. It has been shown to be effective against most isolates of *S. aureus* (including methicillin-resistant strains, or MRSA), *Streptococcus pyogenes*, *S. agalactiae*, *S. anginosus* group, *E. faecalis* (vancomycin-susceptible strains only). We obtained CDE drug clinical trial approval in August 2018. Moving forward, we need to first establish/define the local pathogens resistant/susceptible breakpoint, and then decide according to the test result whether it is necessary to conduct a small sample bridge test.

According to Frost & Sullivan, the market size of anti-MRSA infection antibacterial drug in China in 2019 was RMB4.1 billion, representing a CAGR of 10.2% from 2015. This market size is estimated to continuously increase at a CAGR of 10.4% from 2019 to 2024, and is estimated to reach RMB6.8 billion in 2024. It is estimated to further grow at a CAGR of 7.4% from 2024 to 2030 and to reach RMB10.4 billion in 2030.

Under the Development and Commercialization Agreement between Cumberland, as successor-in-interest to Theravance, and us dated May 21, 2015 and the Assignment Letter between Cumberland, Theravance, and us dated November 6, 2018, for a term of 15 years following the first commercial sales, which is renewable upon mutual agreement of the parties, Theravance grants us exclusive, sublicensable, transferable licenses under Theravance's patents, know-hows, and inventions in Mainland China, Hong Kong, Macau, Taiwan and Vietnam to develop, commercialize and manufacture Vibativ, and to use relevant trademarks to commercialize such product. Salient terms of such Development and Commercialization Agreement are listed below:

- **Nature of Rights**: Theravance grants us exclusive, sublicensable, transferable licenses in Mainland China, Hong Kong, Macau, Taiwan and Vietnam, to develop, commercialize and manufacture Vibativ, and to use relevant trademarks to commercialize such products.

- **Exclusivity and Competing Products**: We shall not make, develop, import, export, market, promote, distribute, offer for sale or sell a directly competing product during the term.
- **Patents and Trademarks**: Theravance (and as assumed by Cumberland) shall have the exclusive right and the obligation to prepare file, prosecute, maintain and extend relevant patents and trademarks, and shall own, and be responsible to precure, file and maintain trademark registration and bear relevant cost.
- **Other Obligations**: We shall use diligence efforts to develop and commercialize the product, and to seek applicable market authorization and approvals required to commercialize the product.
- **Supply**: Theravance (and as assumed by Cumberland) shall supply to us all of its requirement for formulated and vialed product for us to develop the product the licensed product in Mainland China, Hong Kong, Macau, Taiwan and Vietnam.
- **Payment**: We shall pay Theravance (and as assumed by Cumberland) (i) a one-time, non-refundable, non-creditable, upfront licensing fee in the low seven figures in US dollars, (ii) further milestone payments in the low seven figures in US dollars subject to obtaining marketing authorization approval in Mainland China, Hong Kong, Macau and Taiwan and (iii) additional transfer price as a percentage in the low double digits for the supply of products ordered by us for sales. As of the Latest Practicable Date, we have completed payment for the one-time, non-refundable and non-creditable upfront licensing fee.

RRx-001

We are developing a potential drug candidate, RRx-001, to treat various solid tumors. RRx-001 is a well-tolerated next generation small molecule immunotherapeutic that targets the CD47 — SIRPα axis and repolarizes tumor associated macrophages (TAMs) and other immunosuppressive cells in the tumor microenvironment to an immunostimulatory phenotype as well as improves tumor blood flow to enhance oxygen supply and drug delivery. It also has a pan-epigenetic activity which inhibits both DNA methyltransferases and DNA deacetylators, potentially resulting in expression of epigenetically silenced genes such as p53 through genomic DNA hypomethylation and reversal of chemoresistance. The preliminary results from a Phase II clinical trial (Quadruple Threat RRx001-211-01) of the sequential combination of RRx-001 and carboplatin or cisplatin plus another chemotherapy agent in patients with platinum-doublet refractory or resistant SCLC, $EGFR^+$ NSCLC, resistant/refractory epithelial ovarian cancer (EOC) and high-grade neuroendocrine tumors suggest "episensitization" or resensitization by epigenetic means to these chemotherapies. As an immunotherapeutic with a non-overlapping mechanism of action, which means that it can be used simultaneously with other therapies such as chemotherapy or immunotherapy, and the potential to convert treatment-resistant tumors into treatment sensitive tumors, RRx-001 may be used as monotherapy or in combination with chemotherapy, immunotherapy, radiation and targeted agents.

The data of SCLC in the third and further treatment population with the Quadruple Threat Phase II Study have been published in the British Journal of Cancer (BJC) in June 2019, which have

shown RRx-001 followed by the re-challenge with platinum plus etoposide chemotherapy is feasible and associated with promising results:

- **Efficacy**: Between December 2016 and March 2018, 26 patients were enrolled and received at least one dose of RRx-001. The median number of prior lines of therapy was two and 19 (73.1%) patients had platinum-resistant disease. In the intention-to-treat population, one (3.8%) patient achieved a partial response (PR) and seven (26.9%) patients had stable disease (SD) during treatment with RRx-001, whereas one (3.8%) patient had a complete response and six (23.1%) patients had a partial response on platinum plus etoposide. The estimated median and 12-month OS from enrollment were 8.6 months and 44.1%, respectively. The median PFS from the first dose of RRx-001 to trial discontinuation due to clinical or radiologic-based progressive disease on platinum plus etoposide or death was 7.5 months (95% CI: 5.8–NR), whereas the median PFS from platinum plus etoposide (PFS2) was 6.2 months (95% CI: 3.7–NR). In comparison, Nivolumab in second or third line SCLC treatment has been recently approved by the FDA with median OS as 4.4 months and median PFS as 1.4 months.
- **Safety**: The most common treatment-emergent adverse events from RRx-001 were mild discomfort at the infusion site (23%), decreased appetite (15.3%) and headache (11.5%), although none were considered related to RRx-001. There were four grade 3 or 4 toxicities, including decreased appetite, hypomagnesemia, hyperglycemia and musculoskeletal pain. Four patients (15.3%) developed suspected tumor pseudoprogression during RRx-001 treatment, associated with pain and tumor size increase by scans, which were followed by improvement in symptoms and either tumor stabilization or reduction with continued RRx-001 therapy.

Based on these initial results done by our partner, a randomized Phase III trial named REPLATINUM comparing RRx-001 followed by platinum plus etoposide to standard-of-care chemotherapy in treatment of third line or beyond SCLC patients has been initiated. We have decided to participate in this Phase III MRCT. We are currently preparing a pre-NDA meeting with CDE for regulatory approval in China, and we may engage in follow-up recruitment of patients for additional trials regarding cancers other than lung cancer.

Under the Exclusive License Agreement between us and EpicentRx, dated June 30, 2020, before the royalty term expires (on a product-by-product and region-by-region basis) and for a term of 10 years after first commercial sales, which is potentially renewable upon mutual agreement of the parties, EpicentRx grants us an exclusive, royalty-bearing license to develop, use, import, export (to any region within Mainland China, Hong Kong, Macau and Taiwan (for the purpose of the agreement including Mainland China, Hong Kong, Macau and Taiwan), sell, offer for sale, promote, market, distribute and commercialize the products in Mainland China, Hong Kong, Macau and Taiwan. Salient terms of such Exclusive License Agreement are listed below:

- **Nature of Rights**: EpicentRx grants us an exclusive, royalty-bearing license, solely to develop, use, import, export (to any region within the Mainland China, Hong Kong, Macau and Taiwan), sell, offer for sale, promote, market, distribute and commercialize the products for the Mainland China, Hong Kong, Macau and Taiwan.

- **Rights to Sub-license within Mainland China, Hong Kong, Macau and Taiwan**: We shall have the right to grant sub-licenses under the license to (i) an affiliate of us, or (ii) with EpicentRx's prior written consent, a third party (which sub-licenses shall not permit the further grant of sub-license) with whom we or our affiliate has a binding written agreement to collaborate on the development and commercialization of the RRx-001 products in the Mainland China, Hong Kong, Macau and Taiwan.
- **Supply**:
  - **Clinical Supply:** We shall purchase from EpicentRx our requirements of the applicable RRx-001 product for clinical use in the Mainland China, Hong Kong, Macau and Taiwan, at EpicentRx's manufacturing cost plus an agreed-upon premium, under a separate agreement to be entered into between the parties.
  - **Commercial Supply:** We shall discuss with EpicentRx in good faith the continued supply of the RRx-001 product by EpicentRx for our requirements of the applicable RRx-001 product for commercial use in the Mainland China, Hong Kong, Macau and Taiwan or the transition of such manufacturing responsibility to us.
- **Payment**: We have paid EpicentRx an undisclosed upfront payment and conditionally agree to invest in EpicentRx in 2020. EpicentRx is eligible to receive an aggregate amount of up to USD120 million upon achieving certain development, approval, and commercial milestones. In addition, EpicentRx is eligible to receive royalties within the range of 10% to 20% of sales of RRx-001 in Mainland China, Hong Kong, Macau and Taiwan.

Naxitamab

We have in-licensed an anti-GD2 antibody, Naxitamab, used to treat high risk neuroblastoma. In the U.S., Naxitamab is indicated in combination with granulocyte-macrophage colony-stimulating factor ("GM-CSF"), for the treatment of pediatric patients one year of age and older and adult patients with relapsed or refractory high-risk neuroblastoma in the bone or bone marrow who have demonstrated a partial response, minor response, or stable disease to prior therapy. Naxitamab works through targeting GD2, a tumor antigen on the cell surface of neuroblastoma. Naxitamab prevails other GD2 targeting antibody-based therapies with its modest toxicity, shorter infusion time and ability to be administered in outpatient setting. Naxitamab has completed Phase I and Phase II trials in the U.S. and received approval from FDA on Biologics License Application ("BLA") in November 2020. We plan to utilize overseas clinical data for the NDA application in China for Naxitamab.

Under the License Agreement between us and Y-mAbs Therapeutics, Inc. ("Y-mAbs"), dated December 17, 2020, Y-mAbs grants us an exclusive, royalty-bearing, non-transferable, sublicensable license under Y-mAbs patent rights and know-how, to develop, research, use, make, have made, import, export, sell, offer for sale, promote, market, distribute and commercialize Naxitamab in Mainland China, Hong Kong, Macau and Taiwan. Salient terms of such License Agreement are listed below:

- **Nature of Rights**: Y-mAbs grants us an exclusive, royalty-bearing, non-transferable, sublicensable license in Mainland China, Hong Kong, Macau and Taiwan, to develop, research, use, make, have made, import, export, sell, offer for sale, promote, market, distribute and commercialize Naxitamab.

- **Patents and Trademarks**: Y-mAbs shall have the sole right, but not the obligation, at its own expense, to control the preparation, filing, prosecution and maintenance of the Y-mAbs patents and trademarks.
- **Other Obligations**: We (ourselves and through our affiliates and our respective sublicensees) shall be responsible for the development of, and shall exercise commercially reasonable efforts to develop the products in Mainland China, Hong Kong, Macau and Taiwan.
- **Quality Control**: The products delivered to us shall conform to the relevant product specifications and shall be manufactured, tested, stored, labeled, packaged and sold in accordance with the terms of the License Agreement and the applicable laws.
- **Supply**: Y-mAbs shall supply to us Naxitamab in finished product form, fully packaged and with labelling in accordance with the product specifications.
- **Payment**: We shall pay Y-mAbs (i) an upfront fee in the low eight figures in US dollars, (ii) separate regulatory milestone payments in the low eight figures in US dollars for obtaining regulatory approval and the BLA approval in Mainland China, (iii) commercial milestone payments in the mid seven figures or low eight figures in US dollars, based on our cumulative total net sales and (iv) a percentage-wise royalty fee of low double digits based on net sales of Naxitamab on a region-by-region basis.

Omburtamab

We plan to develop an anti-B7-H3 antibody, Omburtamab, used to treat CNS/ leptomeningeal metastasis from neuroblastoma. Omburtamab targets B7-H3–expressing cells in human solid tumors, including embryonal tumors, carcinomas, sarcomas, and brain tumors, and binds to an FG loop-dependent conformation on the B7-H3 molecule, a domain critical for its biologic function. Omburtamab has completed Phase I and Phase II trials in the U.S. and Y-mAbs plans to refile BLA for Omburtamab in early 2021. We plan to utilize overseas clinical data for the NDA application in China for Omburtamab.

Under the License Agreement between us and Y-mAbs, dated December 17, 2020, Y-mAbs grants us an exclusive, royalty-bearing, non-transferable, sublicensable license under Y-mAbs patent rights and know-how, to develop, research, use, make, have made, import, export, sell, offer for sale, promote, market, distribute and commercialize Omburtamab in Mainland China, Hong Kong, Macau and Taiwan. Salient terms of such License Agreement are listed below:

- **Nature of Rights**: Y-mAbs grants us an exclusive, royalty-bearing, non-transferable, sublicensable license in Mainland China, Hong Kong, Macau and Taiwan, to develop, research, use, make, have made, import, export, sell, offer for sale, promote, market, distribute and commercialize Omburtamab.
- **Patents and Trademarks**: Y-mAbs shall have the sole right, but not the obligation, at its own expense, to control the preparation, filing, prosecution and maintenance of the Y-mAbs patents and trademarks.
- **Other Obligations**: We (ourselves and through our affiliates and our respective sublicensees) shall be responsible for the development of, and shall exercise commercially reasonable efforts to develop the products in Mainland China, Hong Kong, Macau and Taiwan.

- **Quality Control**: The products delivered to us shall conform to the relevant product specifications and shall be manufactured, tested, stored, labeled, packaged and sold in accordance with the terms of the License Agreement and the applicable laws.
- **Supply**: Y-mAbs shall supply to us Omburtamab as an interim drug product (unlabeled antibody). We shall be responsible for the radio-labeling of Omburtamab in Mainland China, Hong Kong, Macau and Taiwan.
- **Payment**: We shall pay Y-mAbs (i) an upfront fee in the mid seven figures in US dollars, (ii) separate regulatory milestone payments in the mid seven figures in US dollars for obtaining the BLA approval in the first and second indication for Omburtamab in Mainland China, (iii) commercial milestone payments in the mid seven figures or low eight figures in US dollars, based on our cumulative total net sales and (iv) a percentage-wise royalty fee of low double digits based on net sales of Omburtamab on a region-by-region basis.

Products under Development — Early Stage

PEN-866

We are developing a potential drug candidate, PEN-866, to treat solid tumors. It is a new class of selective precision oncology medicines — penetrating solid tumors while minimizing damage to healthy tissue. PEN-866 is a small molecule drug conjugate that preferentially binds to the activated form of HSP90 in solid tumors and is linked to the topoisomerase 1 inhibitor (SN-38), a potent anti-cancer payload. PEN-866 is designed to accumulate and be retained in tumors. As the SN-38 payload is cleaved in the tumor over time, the sustained release of SN-38 in the tumor results in prolonged DNA damage and tumor regressions as demonstrated in multiple patient-derived and other xenograft tumor models. Based on its mechanism of inhibiting DNA synthesis and causing frequent DNA single-strand breaks, a combination treatment strategy would be feasible: such as PARP Inhibitor (to block DNA repair) with PEN-866 (to induce DNA damage). PEN-866 is the first-in-class small molecule drug conjugate from Tarveda's HSP90 binding drug conjugate platform.

Data from multiple pre-clinical patient-derived and xenograft tumor models clarified a specific biomarker to monitor the SN-38 driven DNA damage and also indicated a potential opportunity to combine with PARP inhibitors with greater efficacy than single agent. Phase I data with heavily treated/advanced stage patients showed early clinical benefit with a range of solid tumor and reasonable tolerance: Among the 17 evaluable patients, one achieved partial response (Squamous Cell Carcinoma of the Anus), four had stable disease. Most common AEs are GI related symptoms, fatigue and alopecia. Both autopsy and PK match with pre-clinical findings which demonstrated tumor uptake and retention of PEN-866 and intratumoral release of SN-38. The quick clearing from serum within 24 hours enables schedules of PEN-866 in combination therapy that avoids overlapping toxicity.

Based on these findings, further clinical development strategy includes a Phase II basket trial, rPh 2/3 single agent trials against current standard of care with SCLC, and Phase Ib/2I combination trials where PEN-866 containing regimen as a new standard of care.

For PEN-866, our partner, Tarveda Therapeutics, Inc. ("Tarveda") has initiated several Phase Ib-IIa clinical trials overseas, and we plan to participate in international multi-centered registration trials after the successful completion of Phase II trials conducted by Tarveda.

As a Small Molecule Drug Conjugates ("SMDCs") product, PEN-866 currently demonstrates strong potential, as currently the competitive landscape for the SMDCs market in China is largely undeveloped. According to Frost & Sullivan, as of September 30, 2020, there had been no approved SMDCs or ongoing clinical trials in China.

Under the Collaboration and License Agreement between us and Tarveda, dated March 17, 2020, for a term of 20 years, which is potentially renewable upon mutual agreement of the parties, Tarveda grants us an exclusive license to research, develop, use, offer for sale, import, export, and otherwise commercialize the PEN-866 product in Mainland China, Hong Kong, Macau and Taiwan. Salient terms of such Collaboration and License Agreement are listed below:

- **Nature of Rights**: Tarveda grants us an exclusive license to research, develop, use, offer for sale, import, export, and otherwise commercialize the PEN-866 product in Mainland China, Hong Kong, Macau and Taiwan.
- **Exclusivity and Competing Products**: We shall not, directly or indirectly, develop, manufacture, or commercialize competing product in Mainland China, Hong Kong, Macau and Taiwan.
- **Other Rights and Obligations**: We shall prepare development plan containing strategy, activities, study designs, timeline, study material needs and budget for the development of the compound and product under the agreement in Mainland China, Hong Kong, Macau and Taiwan. We shall have the right to conduct scientifically relevant pre-clinical studies to generate and obtain data that are reasonably useful for the development of licensed product in Mainland China, Hong Kong, Macau and Taiwan and have the right to control all aspects of the commercialization of the product. We are responsible, at our cost, for conducting all regulatory activities as required to obtain and maintain regulatory approval of licensed product in Mainland China, Hong Kong, Macau and Taiwan.
- **Supply**: Tarveda supplies our requirements of PEN-866 products for clinical use in Mainland China, Hong Kong, Macau and Taiwan, at Tarveda's manufacturing cost plus a percentage-wise administrative fee upon execution of a clinical supply agreement. Tarveda continues to supply or transition manufacturing responsibility to us, upon good faith negotiation with us, the PEN-866 products for commercial use.
- **Payment**: We shall pay Tarveda a one-time, non-refundable, non-creditable upfront fee in cash and shall have an upfront one-time right to invest in Tarveda in an equity financing. Subsequently, we shall pay Tarveda the one-time non-refundable, non-creditable payments subject to completion of project milestones. We shall also pay Tarveda non-creditable, non-refundable royalties on net sales and one-time non-refundable, non-creditable payments on achieving certain commercial milestone events. As of the Latest Practicable Date, we have completed payment for the one-time, non-refundable, non-creditable upfront fee and have completed our participation in Tarveda's equity financing.

PT-112

We are developing a potential drug candidate, PT-112, to treat solid tumors. Platinum-based chemotherapeutics such as cisplatin, carboplatin and oxaliplatin have been widely used for cancer treatment. However, platinum derivatives are associated with considerable toxicity and a high incidence of acquired resistance. PT-112 (phosphaplatin compounds) was developed with the specific aim of altering the cellular mechanisms of action of the drug to improve its efficacy while limiting its toxicity. PT-112 has improved pharmacokinetic and pharmacodynamic properties, including a considerable tendency to accumulate in the lung, liver and bones. PT-112 activates apoptosis signaling pathways with no nuclear DNA-binding and makes tumor cells apoptosis. The compounds are effective in both sensitive and drug resistant tumors. In addition, PT-112 induces the immunogenic death of cancer cells and hence stands out as a promising combinatorial partner of immune checkpoint blockers, especially for the treatment of immunologically cold tumors.

PT-112 is currently being evaluated in the U.S. by our licensor, Phosplatin, in three dose-finding, dose-confirmation and pharmacokinetic (PK) studies as (i) a monotherapy in patients with advanced solid tumors, under protocol PT-112-101, (ii) a monotherapy in patients with relapsed or refractory multiple myeloma, under protocol PT-112-102 and (iii) a combination with PD-LI inhibitor avelumab, supplied jointly from Merck Serono/Pfizer in patients with advanced solid tumors under protocol PT-112-103-PAVE-1. Clinical evidence of efficacy, together with safety data in those trials, showed good tolerance to treatment, justifying a positive benefit-risk balance and supporting initiation of Phase II studies to explore efficacy in specific indications or continued dose escalation to allow determination of the RP2D. In China, the enrollment of a Phase I/II study sponsored by us on PT-112 monotherapy in Chinese patients with solid tumors (Study SCI-PT112-ONC-PT-002) has been completed and the CSR became available in the third quarter of 2020. Meanwhile, another Phase I/II study of combination therapy with PT-112 and Gemcitabine is being conducted by us in China.

According to Frost & Sullivan, the sales revenue of platinum-based chemotherapeutics market in China was approximately RMB4.0 billion in 2019 and grew at a CAGR of 9.9% from 2015 to 2019; the sales revenue of platinum-based chemotherapeutics in China is expected to further grow to approximately RMB5.9 billion in 2024, representing a CAGR of 8.0% from 2019 to 2024, indicating considerable market potential for PT-112.

Under the Collaboration and Option Agreement between us and Phosplatin, dated May 26, 2015, for a term of 15 years after first commercial sales, which is potentially renewable upon mutual agreement of the parties, Phosplatin grants us an exclusive, royalty-bearing, nontransferable, sublicensable license under the Phosplatin technology, to research, develop, finish, use, sell, offer for sale, distribute and otherwise commercialize the PT-112 product in Mainland China, Hong Kong, Macau and Vietnam, with a potential option to extend such rights into South Korea and Taiwan. Salient terms of such Collaboration and License Agreement are listed below:

- **Nature of Rights**: Phosplatin grants us an exclusive, royalty-bearing, nontransferable, sublicensable license, to research, develop, finish, use, sell, offer for sale, distribute and otherwise commercialize the PT-112 product in Mainland China, Hong Kong, Macau and Vietnam.

- **Other Rights and Obligations**: Phosplatin grants us a non-exclusive, nontransferable, sublicensable license to perform clinical studies using the PT-112 product in oncology therapeutics and diagnostics, in Taiwan, South Korea, Australia and any other regions mutually-agreed in writing. We are also granted a non-exclusive license to manufacture the PT-112 product in Mainland China, Hong Kong, Macau for sale. We shall use diligent efforts to perform the development activities described in the development plan and shall have the sole right to implement commercialization activities in accordance with the commercialization plan. We shall own all regulatory filings and regulatory approvals for the product in Mainland China, Hong Kong, Macau and Vietnam, and be solely responsible for preparing regulatory filings for the product.
- **Supply**: Phosplatin shall manufacture the PT-112 product in finished form in unlabeled container in a final dosage form approved by the applicable regulatory authority in accordance with applicable specifications for the product. Phosplatin shall supply to us our requirements of the product for development activities and, if appropriate, for commercial activities under a separate Drug Supply Agreement to be negotiated.
- **Payment**: We shall pay Phosplatin (i) a one-time, non-refundable, non-credible upfront payment in the low seven figures in US dollars, (ii) several one-time, non-refundable non-creditable milestone payments in the low seven figures in US dollars following the completion of certain milestone events and (iii) royalty payments as a percentage of mid- to high-single digit on the net sales of the product in each country based on certain royalty rates. As of the Latest Practicable Date, we have completed payment for the one-time, non-refundable, non-creditable upfront fee and one of the several milestone payments.

ABTL-0812

We are developing a potential drug candidate, ABTL-0812, a first-in-class small molecule with anti-cancer activity through a unique mechanism of action. ABTL-0812 inhibits the PI3K/Akt/mTOR (PAM) pathway by binding to the nuclear receptors PPARα and γ, which induces TRIB3, a pseudo kinase that binds to Akt and impedes its activation, leading to mTOR inhibition and consequently to autophagy-dependent cancer cell death. The PAM pathway is responsible for the tumorigenesis of many cancers, including pancreatic cancer, as well as for the development of resistance to different treatments, such as chemotherapy.

For ABTL-0812, based on its safety and efficacy in pre-clinical models administered alone or in combination with chemotherapy, together with its excellent safety profile and signs of efficacy observed in a Phase I/Ib clinical trial, our partner, Ability is conducting Phase II clinical trial on endometrial cancer and pancreatic cancer overseas, and we plan to participate in international multi-centered registration trial on pancreatic cancer after the successful completion of Phase II trial conducted by Ability.

Under the Exclusive License Agreement between us and Ability, dated April 22, 2016, for a term of 15 years, which is potentially renewable upon mutual agreement of the parties, Ability grants us an exclusive license under Ability's patent rights and knowhows, to develop, use, offer for sale,

sell, import, export and commercialize the ABTL-0812 product, in Mainland China, Hong Kong, Macau, Taiwan and Vietnam. Salient terms of such Exclusive License Agreement are listed below:

- **Nature of Rights**: an exclusive license under Ability's patent rights and knowhows, to develop, use, offer for sale, sell, import, export and commercialize the ABTL-0812 product, in Mainland China, Hong Kong, Macau, Taiwan and Vietnam.
- **Other Rights and Obligations**: Ability grants us a co-exclusive license to manufacture the products in Mainland China, Hong Kong, Macau, Taiwan and Vietnam solely for development and commercialization of the products. Ability also grants us a sublicensable, fully-paid-up, royalty-free, co-exclusive license to use any and all trademarks related to the product.
- **Exclusivity and Competing Products**: Ability shall not grant any rights to any third parties to offer to sell, sell, import, export, or commercialize any ABTL-0812 product in Mainland China, Hong Kong, Macau, Taiwan and Vietnam. Neither party shall sell or distribute in Mainland China, Hong Kong, Macau, Taiwan and Vietnam directly competing products.
- **Payment**: We shall pay Ability (i) a one-time, non-refundable, non-creditable upfront payment, (ii) other one-time, non-refundable, non-creditable payments in consideration for research and development expenses to be incurred by Ability, (iii) milestone payments upon completion of certain milestone events, (iv) sub-license revenue if we sub-license to an unaffiliated third party and (v) royalty payment based on sales. As of the Latest Practicable Date, we have completed payment for the one-time, non-refundable, non-creditable upfront fee, and two of the milestone payments.

Our Product Development Focus

Our business has significantly benefited from our strong track record in product development. Our product development efforts primarily focus on the following therapeutic areas:

- **Oncology:** We actively seek to develop and commercialize products focusing on targeted therapies, immunotherapy and enhanced chemotherapy options with first-in-class or best-in-class potential.
- **Severe infection:** We focus on products with proven efficacy on severe infection caused by resistant bacteria environment, especially those cases caused by cross-contamination in the ICU and other hospital settings.

We carefully select product development programs based on market analysis and our scientific expertise. We strive to build up our product portfolio based on the strategy of strong positioning in high-value and high-growth sectors. We generally focus our product development efforts on therapeutic areas with significant unmet medical needs. Our product development activities are conducted both in-house and through collaborations with external CRO partners. See "— Collaboration with Outside Partners and Outsourced Product Development Activities."

Our Product Development Process

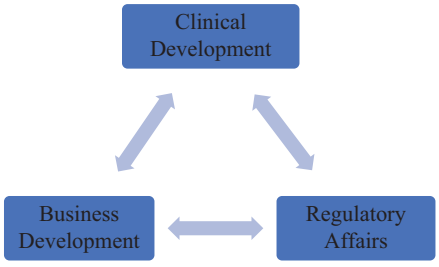
For our in-licensed products, we acquire licenses and are involved in the product development process for stages ranging from IND filing for some of our early-stage pipeline products to pivotal clinical trials for some of our late-stage pipeline products in China. Based on the joint development strategies of the products, we share responsibility for product research and development with our licensing partners in various kinds of arrangements.

Prior to the internal approval of each product development project, the project is first reviewed by our internal vetting team based on metrics related to its commercialization potential, such as clinical data, commercial data, correspondence with the regulators and the project development plan. Subsequently, our business development team prepares a business plan covering information such as potential indications, market size and valuation models. Our CEO office reviews the business plan and the valuation model, and our technical experts then conduct further due diligence as needed. Finally, our Board of Directors formally approves the contractual arrangement for such project, signifying the establishment of the in-licensing arrangement with our business partners and leading to our subsequent product development process.

After internal approval, our product development process typically involves following milestone stages:

- **Pre-clinical**: In the pre-clinical stage, our pre-clinical team evaluates the pre-clinical data of the products, provides professional opinions, and cooperates with partners to examine for long-term toxicology of drugs, to conduct biomarker and pharmacokinetics studies, and to implement relevant production processes based on project needs.
- **Investigational New Drugs** ("**IND**"): The IND declaration is prepared through the collaboration across our clinical development and regulatory affairs teams, and our regulatory affairs team is responsible for the submission of the IND application.
- **Phase I — III clinical trials**: The Phase I — III clinical trials are mainly coordinated by our clinical development team, who works closely with professional CRO teams. Our clinical development team has a well-developed SOP system and project management system to ensure that each of our clinical trials can be efficiently conducted and high-quality clinical trial data can be produced.
- **NDA and Launch**: After the completion of clinical Phase III development, our clinical development team coordinates with our regulatory affairs team to prepare for the application of NDA and cooperates with the marketing department to develop drug marketing strategies.

Our product development processes are carried out through the joint efforts and close collaboration across three teams within our Company:



- **Business Development Team**: Our business development team is headed by Ms. YU Zhongwen, who has over 15 years of experience in various positions including strategic planning and business development in the pharmaceutical industry. Our business development team proactively screens a broad scope of overseas assets and strives to identify valuable assets that can create high-value synergy with our existing product portfolio. The business development team also actively manages relationships with existing partners to accelerate product development strategies.
- **Clinical Development Team**: Our clinical development team is headed by Dr. GUO Xiaoning. See "Directors and Senior Management — Senior Management." Our clinical development team consists of our in-house clinical operating practitioners, who establish connections and collaborations with highly regarded local investigators for joint clinical trials and other development processes. Within the clinical development team, different smaller groups perform their respective functions, including pre-clical, medical affairs, clinical operations, site management, quality and product development and overseas study management, and these smaller groups coordinate together to perform our clinical development function. The ability of our clinical development team is evidenced by its proven track records of successfully completing registration trials in China.
- **Regulatory Affairs Team**: Our regulatory affairs team is headed by Mr. WU Lianzong. See "Directors and Senior Management — Senior Management." Working closely with our business development and clinical development teams, our regulatory affairs team implements effective registration strategies to minimize approval timeline and facilitate the approval process for the product candidates. Our regulatory affairs team possesses in-depth knowledge in the regulation system in China, as well as strong determination to accelerate product registration by actively seeking opportunities under regulation framework, both proven by their successful track record, including multiple fast-track designations and two clinical trial waivers granted since 2018.

Our In-house Product Development Teams and Capacity

As of September 30, 2020, our in-house product development teams consisted of more than 70 dedicated employees, and almost all of the management members of the product development teams held master's or higher degrees. We constantly recruit new talents from the market to our

product development team, and the composition of our product development team changes over the years. As of September 30, 2020, the management members of our product development teams on average had over 14 years of industry experience. The majority of our product development teams' members have experience working in multi-national pharmaceutical companies. In particular, Dr. GUO Xiaoning, vice president, the head of research and development department and the chief medical office of our Company, had 15 years of R&D experience in pharmaceutical MNCs, local pharmaceutical companies and renowned CROs. See "Directors and Senior Management – Senior Management."

Our product development teams strive to build the center of excellent operations, with additional functions in development strategies, medical monitoring, pharmacovigilance, and quality assurance to have the full in-house capabilities of managing large-scale local trials. Meanwhile, our product development teams also work closely to assist our business development team to assess and review new asset opportunities, and maximize asset commercial potential with accelerated development plan.

Collaboration with Outside Partners and Outsourced Product Development Activities

We collaborate closely with pharmaceutical companies, research institutions and universities to jointly carry out development of new pharmaceutical products, as well as to enhance our own product development capabilities. We have outsourced certain functions within our product development process, such as statistics and data management, to outside service providers. We select CRO vendors based on their expertise and quality of delivery as well as pricing comparison. We sign fee-for-service contracts with them and pay them by milestones of their professional deliverables. Our product development process is driven by the close cooperation between our in-house clinical operation team and our external CRO partners, based on a comprehensive, well-developed SOP system for clinical operations and a solid management system for clinical trial projects to ensure the efficient operation of the clinical studies. We are able to efficiently capitalize on the professional experience and knowledge skills of our CRO partners, in areas such as statistical analysis, data management, and laboratory testing, to ensure the high quality of clinical data obtained while keeping the costs under control.

SALES, MARKETING AND DISTRIBUTION

For our proprietary and in-licensed products, we derive demand primarily from hospitals and pharmacies through our sales and marketing activities. We sell our proprietary and in-licensed pharmaceutical products through distributors to hospitals and pharmacies.

For our sales of promotion products for business partners, we develop and maintain our collaboration with pharmaceutical companies such as our current partners Pfizer and Baxter, and we derive demand for the promotion products from hospitals and pharmacies through our sales and marketing activities. Our revenue from our sales of promotion products for business partners is derived from selling the promotion products through distributors to hospitals and pharmacies.

Sales and Marketing Activities and Commercialization Capabilities in China

Marketing Strategies and Commercialization Activities

Our marketing strategies focus on the combination of accumulating research evidence and the establishment of therapeutic guidelines. Our commercialization platform enables us to develop and market products, engage with customers and explore market opportunities.

We engage in a combination of offline and online marketing and promotional activities to explore and capture market opportunities. For our proprietary and in-licensed products, as well as the promotion products we sell for our business partners, we engage in offline marketing and promotional activities through our regular organization of and participation in marketing activities including academic conferences, expert meetings and consultation sessions, workshops and information sessions, national and local brand forums, and training sessions, which continuously enhance brand recognition for the products.

For sales and marketing efforts, we engage in the close alignment through functional teams to work together through the Area Alignment Committee ("AAC") to provide our customers and patients with integrated solutions at regional level. We have one AAC at each geographic region where we operate (including East China, Central China, North China and South China). See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China — Our Sales and Marketing Force." Our AAC at each geographic region generally consists of business units heads and functional team heads of the region, and makes decisions based on discussion and consensus among its members. With our innovative multi-channel marketing efforts, we push for innovative digital models to enhance stakeholder engagement, and improve operational efficiency and patient experience.

Our Sales and Marketing Force

For our proprietary product, in-licensed products and the promotion products we sell for business partners, our marketing strategies are implemented by our in-house sales and marketing team and are aligned across different therapeutic areas and geographic regions. Our in-house sales and marketing team generates market demand for the products among medical professionals primarily through its promotion efforts to enhance medical professionals' knowledge and understanding of the indications, clinical effects and advantages of our products.

As of September 30, 2020, our sales and marketing team included 616 employees deployed to cover approximately 2,170 hospitals in approximately 320 cities in China. We systematically deploy and manage our sales force to capture the latest market dynamics effectively. For example, we review the overall deployment of our sales force on a quarterly basis and track the planning and assignment of our medical representatives on a monthly basis. The following table illustrates the

number of our sales and marketing personnel, and the number of hospitals covered by geographic region in China as of September 30, 2020:

	Sales and Marketing Personnel					
Geographic Region	Business Unit — Immunology	Business Unit — Oncology	Total	Hospitals Covered	Number of Hospitals in Each Region[1]	Percentage of Hospitals Covered
East China (Office: Shanghai)	115	38	153	619	6,171	10.0%
Central China (Office: Hangzhou)	107	37	144	521	7,481	7.0%
North China (Office: Beijing)	115	47	162	501	12,012	4.2%
South China (Office: Guangzhou)	103	39	142	534	8,534	6.3%
Marketing Team	11	4	15	—	—	—
Total	451	165	616	2,175	34,198	6.4%

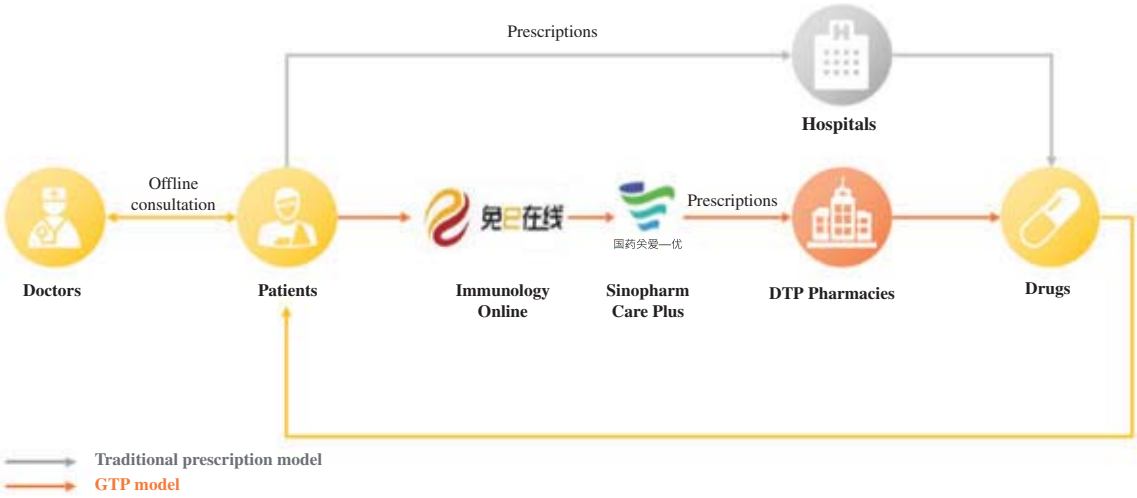
Note: (1) According to Frost & Sullivan, the number of hospitals in each region refers to the total number of comprehensive hospitals, hospitals of traditional Chinese medicine, hospitals of integrated traditional Chinese medicine and western medicine, minority hospitals, specialty hospitals, and nursing homes. The number of hospitals in each region is calculated by adding up the number of hospitals in each province within such region.

Our sales and marketing team consists of highly experienced personnel. Our sales and marketing team members are customer-focused and possess strong business acumen. We recruit our sales and marketing team members from the competitive talent market, with an emphasis on professional ethics and integrity, strong commitment and performance-driven mindset. The vast majority of them has a college degree or above with at least two years of industry experience. The majority of our senior sales managers had experience working in multi-national pharmaceutical companies. As of September 30, 2020, our sales directors, regional managers, district managers and medical representatives had on average approximately 18, 17, 14 and 10 years of industry experience, respectively.

We regularly provide in-house and external trainings to enhance the industry knowledge and marketing skills of our sales and marketing team. See "— Employees." We have also put in place measures and policies for our employees involved in sales and marketing activities. See "— Internal Control and Risk management."

Innovative Model: Go-To-Patient (GTP) strategy and platform

Collaborating with Sinopharm, in order to diversify our sales channels and promote Zadaxin's sales to patients through pharmacies, we piloted our GTP platform in 2015 which had since enhanced Zadaxin's accessibility to patients by extending the sales of Zadaxin beyond hospitals into pharmacies. We commenced to generate sales through this platform in 2018. In 2018, 2019, and the nine months ended September 30, 2020, sales volume through our GTP model contributed to more than 20%, more than 30% and more than 50% of our total sales volume of Zadaxin, signifying the increasing accessibility of Zadaxin to patients through pharmacies. The difference between the traditional prescription model and the GTP model in collaboration with Sinopharm is illustrated in the chart below:



In the traditional prescription model, patients go to hospitals to consult doctors, procure the prescriptions from hospitals, and purchase Zadaxin at hospitals based on their prescriptions. In contrast, in GTP model, after offline consultation with doctors and registration on our Immunology Online portal, patients can choose between:

(i) **Online Order and Delivery**:

Step 1: uploading their prescriptions obtained during doctor consultation to the Immunology Online portal;

Step 2: ordering Zadaxin online on the Sinopharm Care Plus platform, which coordinates with the DTP pharmacies to arrange for verification of patient information, payment and delivery of Zadaxin;

Step 3: having the DTP pharmacies deliver Zadaxin to them;

(ii) **Offline Purchase and Pickup:** patients can also purchase and pick up Zadaxin from DTP pharmacies based on their prescriptions obtained during doctor consultation.

As of December 31, 2017, 2018, 2019 and September 30, 2020, the number of DTP pharmacies supporting our sales of Zadaxin in China under the GTP model was 60, 65, 210 and 598, respectively.

The GTP model provides benefits for patients, doctors, hospitals, pharmacies and us. For patients, the GTP model offers them flexible means to purchase Zadaxin, enhancing the accessibility of Zadaxin. For doctors and hospitals, the GTP model separates healthcare services and drug sales,

thus enabling doctors to focus on the diagnosis and treatment of patients' diseases. For pharmacies, the GTP model enables an increase in drug sales revenue. For us, the GTP model successfully extends our sales beyond hospitals into pharmacies to diversify our sales channels and maximize patient reach.

Benefiting from the success of the GTP strategy for our sales of Zadaxin, we believe we are able to leverage the GTP model for the sales of other products in our portfolio and to capture future business opportunities.

Distribution in China

For our proprietary product, our in-licensed products, and the promotion products we sell for our business partners, we sell these products through distributors to hospitals and pharmacies. We select the distribution model that is the most suitable for the nature of our business and the products to be distributed, and we either engage third-party distributors, such as Sinopharm for the distribution of Zadaxin or Huizheng for the distribution of Angiomax, or use our own distribution network under SciClone Jiangsu for the distribution of promotion products for business partners, depending on factors such as geographic coverage, logistic facilities, and history of cooperations. For example, we engage Sinopharm for the distribution of Zadaxin as it can provide a broad geographic coverage and the cold chain logistic facilities needed for the distribution of Zadaxin, and we have been maintaining a track record of good collaborative relationship with Sinopharm for approximately 10 years; since our own sales and distribution network under SciClone Jiangsu currently does not have specialized distribution capacity for pharmaceutical products treating cardiovascular diseases, we engage Huizheng for the distribution of Angiomax as it can provide a broad distribution coverage for pharmaceutical products treating cardiovascular diseases. We believe our engagement of distributors and our current distribution model helps extend our geographic coverage in a cost-efficient manner while retaining proper control over our distribution network and marketing and promotion process.

Distribution Network for our Proprietary and In-licensed Products

For Zadaxin, we generate revenue through sales of products to Sinopharm. Sinopharm is one of the largest distributors of, and a leading provider of supply chain services for pharmaceutical and healthcare products and operates one of the largest pharmaceutical distribution networks in China. Sinopharm acts as our importer and distributor for Zadaxin in China, and we made such selection based on Sinopharm's scale, the scope of Sinopharm's national network coverage, and the quality of logistic services Sinopharm provides. Sinopharm sends purchase orders to us to purchase products from us, without any right of return except for replacement of products in the events of damaged products or quality control issues. As we bear the risk of loss during transit, revenue is not recognized until the shipment reaches its destination. In compliance with the "two-invoice system", after our sales of Zadaxin to Sinopharm, Sinopharm clears the products through customs of China as an imported drug and distributes further to hospitals and pharmacies.

We sell Zadaxin through Sinopharm to 31 provinces, municipalities and autonomous regions in China as of September 30, 2020. The distribution network through Sinopharm for Zadaxin had

reached approximately 1,130 class III hospitals, approximately 1,250 class II hospitals, approximately 720 pharmacies and approximately 3,560 other medical institutions in China as of September 30, 2020.

For Zadaxin, we entered into an import and distribution agreement with Sinopharm, which provides for annual automatic renewal and had been renewed annually during the Track Record Period. As of the Latest Practicable Date, we had renewed our import and distribution agreement with Sinopharm for the year ending December 31, 2021. Such import and distribution agreement provides distribution arrangements, such as the appointment of Sinopharm as the exclusive importer, specification of the territory for distribution, supply and delivery of the product, annual budget specifying the purchase amounts, credit terms and payment arrangements, Sinopharm's sales incentive payment, and other rights and obligations of both parties. Product price under the import and distribution agreement is set with reference to the end-point sales price at which the products are sold to hospitals or pharmacies, and is subject to future adjustments if such end-point sales price fluctuates to ensure the reasonable margin for Sinopharm. We are generally required to ship the products and issue invoice within 30 days upon receipt of purchase orders from Sinopharm. We grant Sinopharm a credit term of 90 days. In addition to Sinopharm's margin, we pay Sinopharm a fixed percentage amount as its importer sales incentive based on the scope of distribution services Sinopharm provides, and such importer sales incentive is evaluated on regular basis. Sinopharm is not allowed to import, distribute or sell in China any competing product of Zadaxin, including other products containing thymalfasin. We have the right, upon reasonable notice and during normal business hours, to inspect Sinopharm's business and records, and all facilities in which the products are being stored by Sinopharm. Damaged or non-conforming products, once detected by Sinopharm, can be either returned to us or destroyed. Either party has the right to terminate the agreement if the other party materially breaches the agreement or becomes insolvent.

We believe that we have been maintaining good collaboration with Sinopharm, and our relationship has been long-term, stable and mutually beneficial. We started engaging Sinopharm as our distributor for Zadaxin in 2011. During the Track Record Period, and since our start of collaboration with Sinopharm, there had been no instances in which we could not renew our import and distribution agreement with Sinopharm. Considering Zadaxin's market share in China, the margin of distribution and the fixed percentage importer sales incentive paid by us, the distribution of Zadaxin generates revenue for Sinopharm, which provides strong incentives for Sinopharm to maintain and enhance good business relationship with us, and to continue engaging in the distribution of Zadaxin. Consequently, we believe that it is unlikely that our relationship with Sinopharm will materially adversely change or terminate. To mitigate our reliance on Sinopharm, we have been diversifying our product portfolio and engage, or plan to engage, alternative distributors for distribution of other marketed products. Frost & Sullivan is of the view that alternative pharmaceutical distribution companies have similar distribution network coverage and comparable distribution costs to Sinopharm. However, for the distribution of Zadaxin in China, we do not expect to diversify our distribution arrangement by engaging with other distributors, since under the two-invoice system, we are only allowed to engage one importer for the import of Zadaxin into China, and our current arrangement with Sinopharm as our only distributor for Zadaxin makes it easy for us to manage and coordinate our distribution network of Zadaxin.

We do not have any direct contractual relationship with any distributors engaged by Sinopharm. In addition, according to our agreement with Sinopharm, we have access to the identity of distributors engaged by Sinopharm for Zadaxin. Sinopharm may consult us in administering the list of distributors. According to our arrangement with Sinopharm, Sinopharm is responsible for managing its distribution network to minimize cannibalization risk through means such as geographical exclusivity. We do not allow product return unless there is a product quality issue, which helps us to minimize channel stuffing risk. We monitor the inventory levels in the distribution network and we have the right to request Sinopharm to provide us with a detailed, accurate and complete written report of the current inventory level at the distributors engaged by Sinopharm. We review the performance of Sinopharm on a regular basis. Based on the results of our review, we may elect to continue, adjust or choose not to renew our distribution relationship with Sinopharm. As of December 31, 2017, 2018 and 2019 and September 30, 2020, Sinopharm's distribution network for Zadaxin comprised 97, 95, 101 and 104 distributors.

In 2017, 2018, 2019 and the nine months ended September 30, 2020, sales to our largest customer, in which Sinopharm owned more than 50% of the equity interest as of the Latest Practicable Date, accounted for 87.5%, 77.9%, 71.6% and 79.8% of our total sales, respectively. We have reliable business relationship with Sinopharm. None of our Directors, their respective associates or any person who, to the knowledge of our Directors, own 5% or more of the issued share capital of our Company have any interest in Sinopharm.

For Angiomax, on August 31, 2020, we entered into a Product Promotion Agreement with Huizheng, with a term of 10 years from August 31, 2020. Since our own sales and distribution network under SciClone Jiangsu currently does not have specialized distribution capacity for pharmaceutical products treating cardiovascular diseases, we engage Huizheng for the distribution of Angiomax as it can provide a broad distribution coverage for pharmaceutical products treating cardiovascular diseases. Under the agreement, Huizheng will promote and distribute Angiomax in Mainland China. Salient terms of the Product Promotion Agreement are set forth below:

- **Nature of Rights:** We appoint Huizheng as the exclusive importer, distributor and promoter for Angiomax in Mainland China. We pay Huizheng a service fee for the import, distribution and promotion service provided.
- **Minimum Sales Target:** Huizheng is required to meet the minimum sales target specified in the agreement to receive bonuses or avoid penalties.
- **Terms and Renewal:** 10 years, unless (i) terminated earlier pursuant to the terms of the agreement; or (ii) automatically extended for five more years, if volume-based procurement in Mainland China is expanded nationwide and covers bivalirudin before the end of the initial ten-year term. See "— Regulatory Regimes Affecting Prices of Pharmaceutical Products — Volume-based Procurement."
- **Termination Conditions:** The agreement can be terminated if mutually agreed between both parties, or by one party if the other party materially breaches the agreement.

In January 2021, we completed the transfer of IDL for Zometa, and became the MAH of Zometa in the PRC. Before December 2020, Zometa was sold through the existing distribution network by Novartis. Starting from December 2020, we began distributing Zometa in certain provinces in China through our distribution network under SciClone Jiangsu, and we expect to

complete the transition of the distribution of Zometa from the existing distribution network by Novartis to our distribution network under SciClone Jiangsu by the second or third quarter of 2021.

Distribution Network for Promotion Products for Business Partners

For the promotion products we sell for business partners, we import and distribute through SciClone Jiangsu. As of September 30, 2020, we had a nationwide distribution network for the promotion products we sell for business partners across 31 provinces, municipalities and autonomous regions in China. Our distribution network for the sales of promotion products for business partners had reached approximately 1,170 class III hospitals, approximately 2,020 class II hospitals, approximately 160 pharmacies and approximately 1,610 other medical institutions in China as of September 30, 2020.

For the promotion products we sell for our business partners, we are responsible for the overall management of our distributors, which includes screening, selecting, reviewing and risk management with respect to our distributors. We screen and select our distributors based on criteria including their industry track record, reputation, hospital coverage and other medical institution coverage, delivery capabilities, regional influence, infrastructure, financial condition, creditworthiness, and internal management.

We enter into a distribution agreement with each of our distributors, which provides for general terms for our distribution arrangement, such as the designated geographical area, amount for distribution, place and methods for delivery, inventory level management, credit terms, payment, and other rights and obligations. Product price under the distribution agreement is subject to adjustment, at our discretion, based on changes in the prevailing pricing arrangement resulted from the local competitive tender process. We are generally required to ship the products and issue invoice upon receipt of a distributor's order. We generally grant a distributor credit terms of 45 days. For each of our distributors, we hold 2% of its total sales value and pay back such amount quarterly if it pays for each order on time. Defect products, once detected, are deducted from the next shipment to such distributor. The agreement automatically renews for one year upon expiry, and we have the right to terminate the renewal of the agreement upon 30 days' advance notice.

Distributor Movement and Management

In order to optimize our product delivery and market coverage, we actively monitor the number of our distributors.

For the distribution of our proprietary product, Zadaxin, Sinopharm remains to be our only distributor in Mainland China with whom we have direct contractual relationship with.

For the promotion products we sell for our business partners and sales of DC Bead (which was discontinued on April 30, 2020), the following table sets forth the total number of our distributors as

of December 31, 2017, 2018 and 2019, and September 30, 2020, respectively, as well as the number of new distributors and the number of distributors whose distributorship was terminated during the periods indicated. The distributors we cooperate with are pharmaceutical distributors we select based on various factors including, among others, business qualification, management level, geographical coverage, business scale, and financial ability. In 2017, 2018 and 2019, the number of our distributors steadily increased, which was in line with the growth of our sales and our own business operations. The increase in the termination of distributors in 2019 was mainly due to termination of some of the distributors for DC Bead as part of the Company's efforts in optimizing its distribution network to improve efficiency; the increase in the termination of distributors in the nine months ended September 30, 2020 was mainly due to the termination of our sales of DC Bead.

	Year ended Dec. 31,			Nine months ended Sept. 30,
	2017	2018	2019	2020
As of the beginning of the period	2	62	146	166
Addition of new distributors	60	85	40	12
Number of distributors terminated during the period	0	1	20	32
Net increase in distributors	60	84	20	-20
As of the end of the period	62	146	166	146

According to our arrangement with distributors for our promotion products for business partners, each of such distributors is required to distribute within its designated areas. Therefore, such arrangement minimizes cannibalization risk. We do not allow product return unless there is a product quality issue, and such policy helps us to minimize channel stuffing risk. We monitor the inventory levels of such distributors through the inventory data they provide to us.

We review the performance of our distributors on a regular basis based on criteria including, among other things, their annual purchase amount, credit history, distribution capabilities, geographic location, length of business relationship with us and financial conditions. Based on the results of our review, we may elect to continue or enhance the existing distribution relationship, adjust the assigned distribution regions, and elect to continue, adjust or choose not to renew the contracts with those distributors who fail to meet our performance criteria.

To our best knowledge, during the Track Record Period, all of our distributors are Independent Third Parties.

International Marketing, Promotion, Sales and Distribution

Outside China, our proprietary product, Zadaxin, has been approved and is currently sold in countries such as South Korea, Thailand, Argentina, Italy, Cambodia, Singapore and Indonesia. We do not maintain an in-house team for overseas marketing, promotion, sales and distribution activities, and we primarily rely on our overseas business partners to handle the international marketing, promotion, sales and distribution of Zadaxin.

PRICING FOR PRODUCTS AND SERVICES

We sell our proprietary and in-licensed pharmaceutical products, as well as the promotion products we sell for business partners, to both public hospitals and public medical institutions, and alternative channels such as pharmacies, private hospitals and private medical institutions. Prices of pharmaceutical products sold to public hospitals and public medical institutions are affected by a series of regulatory regimes, such as the centralized tender process and volume-based procurement, while prices of pharmaceutical products sold to pharmacies, private hospitals and private medical institutions may not be subject to many of such regimes.

Regulatory Regimes Affecting Prices of Pharmaceutical Products

Centralized Tender Process

The Mechanism, Selection Criteria, Evaluation and Approval Procedures of the Centralized Tender Process

Prices of most pharmaceutical products in China, including all of our marketed products, sold to public hospitals and public medical institutions are determined through a competitive centralized tender process at the provincial or municipal level. The centralized tender process is held in different regions across China with varying terms and procedures. In the centralized tender process, we submit bids to supply our products to public hospitals and other public medical institutions at specified prices. Our bids are assessed by a committee consisted of pharmaceutical and medical experts, based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation, after-sale services and innovation. Generally, our products can be sold to public hospitals and public medical institutions in the relevant regions only if we have won the bids in the centralized tender process in the relevant regions. For details of the mechanism, selection criteria, evaluation and approval procedures of the centralized tender process, see "Regulatory Overview — Drug Purchase by Hospitals — Centralized Tender Process."

Participation in the Centralized Tender Process

Participation in the centralized tender process is voluntary. A pharmaceutical company can freely choose, for each of its products, to participate or not to participate in the centralized tender process depending on its business strategies, taking into consideration of various factors including the trade-off between price level and sales volume.

As of the Latest Practicable Date, our proprietary and in-licensed products, as well as the promotion products had generally participated in the centralized tender process. Specifically, for our proprietary product, Zadaxin, we selectively choose to participate in the centralized tender process in some provinces, while choose not to participate in the centralized tender process in other provinces, depending on our strategies in balancing price and sales volume based on the specific market conditions in each of the provinces.

Impact of the Centralized Tender Process on the Company

For each of our products, if we participate in the centralized tender process and win the bids, such products will be allowed to be sold to the public hospitals and other public medical institutions at the bid prices. In this case, we may need to adjust our prices accordingly in order to win the bids, while at the same time, we can enjoy the market opportunities in public hospitals and other public medical institutions, which will expand our sales volume.

If we do not participate or fail to win the bids in a centralized tender process in one or more regions, we will be unable to sell the relevant products to the public hospitals and other public medical institutions in those regions. As a result, our market share and revenue from public hospitals and public medical institutions could be adversely affected. See "Risk Factors — If we are unable to win bids to sell our proprietary product or in-licensed products to PRC public medical institutions through the centralized tender process, we will lose market share and our operations, revenue and profitability could be adversely affected." However, we may still sell our products in such regions through alternative channels such as pharmacies, private hospitals and private medical institutions. In such case, we may have more flexibility in maintaining a higher price of our products.

For our proprietary product, Zadaxin, we have made the decision whether to participate in the centralized tender process in each province depending on our strategies in balancing price and sales volume based on the specific market conditions in each of the provinces. Our commercial capabilities in selling through pharmacies, supported by our GTP model, has reduced our reliance on the traditional public hospital and public medical institution sales channels and allowed us to continuously drive sales growth without participating in the centralized tender process. See "— Sales, Marketing and Distribution — Sales and Marketing Activities and Commercialization Capabilities in China — Innovative Model: Go-To-Patient (GTP) strategy and platform." As a result, for provinces that we choose not to participate in or fail to win the bids in the centralized tender process, we believe we are able to endure short term decrease in revenue and maintain mid-to-long-term growth driven by the sales to pharmacies. For example, in Fujian Province, where we failed to win the bids for Zadaxin in the centralized tender process in 2016, the sales volume of Zadaxin to pharmacies, hospitals and other medical institutions decreased by approximately 12.1% in 2016 in comparison to 2015. However, such short-term decrease was followed by a strong recovery in the next three years driven by the sales to pharmacies. In 2017, 2018 and 2019, the total sales volume of Zadaxin to pharmacies, hospitals and other medical institutions in Fujian Province increased by approximately 24.0%, 35.4% and 17.6% in comparison to the preceeding years, respectively, and in such three years, the sales volume of Zadaxin through pharmacies accounted for approximately 60%, 68% and 71% of the total sales volume of Zadaxin in Fujian Province, respectively.

Since the participation in the centralized tender process is voluntary, our PRC Legal Advisor is of the view that the Company has the flexibility in adjusting its participation in the centralized tender process based on its strategies and business needs. Based on such flexibility of the Company in adjusting its participation and strategy, and the track record of the Company in successfully making such adjustments to optimize its results of operations and financial conditions, the Industry Consultant, Frost & Sullivan, is of the view that the centralized tender process is not expected to have a material adverse impact on the business, results of operations and financial conditions of the Company.

Volume-based Procurement

The Mechanism, Selection Criteria, Evaluation and Approval Procedures of Volume-based Procurement

In recent years, prices of certain pharmaceutical products in China sold to public hospitals and public medical institutions are affected by the volume-based procurement. Under the volume-based procurement, the Joint Procurement Office led by the National Healthcare Security Administration has issued a catalog containing varieties of compounds (drug generic names) to be covered by each batch of volume-based procurement. Selection of compounds to be included in such catalog is based on factors such as price level and NRDL coverage, as compounds with more in-depth NRDL coverage are prioritized to be included in the volume-based procurement to reduce the expense reimbursement pressure on national public medical insurance funds. Also, according to Frost & Sullivan, to ensure adequate competition, in practice the Joint Procurement Office would generally select a compound for which one innovative drug and at least two corresponding generic drugs that have passed the consistency evaluation are eligible to participate in the bid into the catalog.

For each compound that is included in such catalog, the domestic drug manufacturers and the domestic general agents for imported drugs in China are invited to bid to supply drugs under such compound to public hospitals and public medical institutions. Innovative drugs as well as generic drugs that have passed the consistency evaluation are allowed to participate in the bid for the volume-based procurement. The bids will be evaluated based on price as well as factors such as clinical efficacy, adverse reactions, and stability. Drugs that have won the bids in the volume-based procurement will be given priority in sales to public hospital and public medical institutions and are granted an agreed minimum procurement quantity, so they can gain greater sales volume at a usually lower price. In contrast, drugs that have failed to win the bids, or drugs that choose not to participate in the volume-based procurement may only be sold to public hospitals and public medical institutions at a suitable price through the centralized tender process pursuant to the relevant rules and regulations to capture the remaining market share of approximately 30%, which is the purchase volume beyond the agreed minimum procurement quantity for the bid-winning drugs allowed for other unselected products, as well as to pharmacies, private hospitals and private medical institutions. For details of the mechanism, selection criteria, evaluation and approval procedures of the volume-based procurement, see "Regulatory Overview — Drug Purchase by Hospitals — The Volume-based Procurement in "4+7 Cities" and Wider Areas."

Participation in Volume-based Procurement

Whether the compound for a specific drug is included in the volume-based procurement catalog and the frequency for updating the volume-based procurement catalog is determined by the Joint Procurement Office led by the National Healthcare Security Administration, and is beyond the control of pharmaceutical companies. However, for each drug under the compound included in the volume-based procurement catalog, participation in the volume-based procurement is voluntary.

Other than bivalirudin, the compound for our product Angiomax, as of the Latest Practicable Date, none of the compounds of our marketed products were included in the volume-based

procurement catalog, and therefore none of our marketed products were eligible to participate in the volume-based procurement. In the future, if any of the compounds of our marketed products is included in the volume-based procurement catalog, we may choose to participate or not to participate in the volume-based procurement based on our business strategy and our balancing of the trade-off between price and sales volume.

Impact of the Volume-based Procument on the Company

On December 25, 2020, the catalogs for four batches of volume-based procurement was released. Bivalirudin, the compound for our product Angiomax, was listed in the catalog for the fourth batch of volume-based procurement. We participated in the fourth batch of volume-based procurement for bivalirudin with Angiomax in February 2021, but Angiomax did not win the bid. See "Financial Information — Recent Development — Angiomax's status in the volume-based procurement." Other than bivalirudin, as of the Latest Practicable Date, none of the compounds of our marketed products were included in the volume-based procurement catalog. Therefore, as of the Latest Practicable Date, the volume-based procurement scheme had limited impact on our operations, revenue and profitability.

Specifically, for our proprietary product, Zadaxin, its corresponding compound, thymalfasin is only included in the work-related injury insurance catalog of the NRDL, and its corresponding reimbursement is limited to patients eligible for employment injury insurance. As of the Latest Practicable Date, thymalfasin was not listed in the NEDL either. In contrast, drugs with more in-depth NRDL coverage, such as those in Part A of the NRDL, or NEDL coverage, are expected to be given priority to be included into the volume-based procurement catalog. In addition, as of the Latest Practicable Date, only one generic thymalfasin drug had passed the consistency evaluation, while in practice the Joint Procurement Office would generally select a compound for which one innovative drug and at least two corresponding generic drugs that have passed the consistency evaluation are eligible to participate in the bid into the catalog. Based on the above, the Industry Consultant, Frost & Sullivan, is of the view that the likelihood for thymalfasin to be included in the volume-based procurement in the near future is low.

If thymalfasin is included in the volume-based procurement catalog, Zadaxin may face more intensive competition in sales to public hospitals and public medical institutions, and consequently, we and the Industry Consultant, Frost & Sullivan, believe that our business, results of operations and financial conditions will be adversely affected. For potential impact of the volume-based procurement on our Company, see "Risk Factors — We may experience difficulties in our sales efforts as a result of pricing regulations or other policies such as volume-based procurement that are intended to reduce healthcare costs, which could subject us to pricing and volume pressures and adversely affect our operations, revenue and profitability." However, we may formulate our optimal strategy and choose to participate or not to participate in the volume-based procurement depending on our balancing of various factors including the price level, sales volume and market shares, in similar ways as we formulate our strategy in participating in the centralized tender process. Since the participation in the volume-based procurement is voluntary, our PRC Legal Advisor is of the view that the Company has the flexibility in adjusting its participation in the volume-based procurement based on its strategies and business needs.

National Reimbursement Drug List

The Mechanism, Selection Criteria, Evaluation and Approval Procedures of the NRDL

Participants of the national public medical insurance programs and their employers, if any, are required to contribute to the payment of insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of drugs included in the NRDL which sets forth the payment standard for drugs under the basic medical insurance, work-related injury insurance and maternity insurance funds. The National Healthcare Security Administration of the PRC, together with other government authorities, have the power to determine the drugs included in the NRDL, which is divided into two parts, Part A and Part B. For details of the mechanism, selection criteria, evaluation and approval procedures of the NRDL, see "Regulatory Overview — Laws and Regulations in Relation to the Coverage and Reimbursement — Medical Insurance Catalogue."

Participation in the NRDL

Whether the compound for a specific drug is included in the NRDL is determined by the relevant government authorities, and is beyond the control of pharmaceutical companies.

As of the Latest Practicable Date, Zadaxin was covered by the work-related injury insurance catalog of the NRDL, and the corresponding reimbursement was limited to patients eligible for employment injury insurance, while Zometa and the six promotion products we sell for our business partners were covered by the NRDL.

Impact of the NRDL on the Company

Since the NRDL coverage is based on the compounds rather than the specific drugs, the inclusion into, or the exclusion from, the NRDL, as well as other adjustments in the NRDL policies, are expected to have similar impacts on all drugs with the same compound. Therefore, our PRC Legal Advisor is of the view that changes in the NRDL coverage will have similar impacts on our products as on competitors to our products containing identical compounds, and the Industry Consultant, Frost & Sullivan, is of the view that changes in the NRDL coverage will not materially and adversely affect the competitive position of our products in comparison to that of their competitors containing identical compounds.

On December 25, 2020, the NRDL was updated, with 119 drugs newly added to and 29 drugs removed from the NRDL. See "Regulatory Overview — Laws and Regulations in Relation to the Coverage and Reimbursement — Medical Insurance Catalogue." The Company believes, and the Industry Consultant, Frost & Sullivan, is of the view, that none of the drugs added to or removed from the NRDL are direct competitors to Zadaxin or other marketed or pipeline products of the Company. Therefore, the Company believes, and the Industry Consultant, Frost & Sullivan is of the

view, that the updates to the NRDL on December 25, 2020 does not have material impact on the Company's business, results of operations and financial conditions, and is not expected to materially impact the Company's pricing or competitive strategies.

National Essential Drug List

The Mechanism, Selection Criteria, Evaluation and Approval Procedures of the NEDL

The NEDL is issued by the Ministry of Health and eight other ministries and commissions in the PRC, aiming at promoting essential drugs sold to patients at fair prices in the PRC and ensuring that the general public in the PRC has equal access to the essential drugs. Basic medical institutions funded by the government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in the NEDL. The selection of drugs listed in the NEDL should be in accordance with the principles of necessity for prevention and treatment, safety and effectiveness, reasonable price, easy to use and clinical preference. For details of the mechanism, selection criteria, evaluation and approval procedures of the NEDL, see "Regulatory Overview — Laws and Regulations in Relation to the Coverage and Reimbursement — National Essent Drug List."

Participation in the NEDL

Whether the compound for a specific drug is included in the NEDL is determined by the relevant government authorities, and is beyond the control of pharmaceutical companies.

As of the Latest Practicable Date, among our marketed products, only Holoxan, Mesna and Endoxan were listed in the NEDL.

Impact of the NEDL on the Company

Since the NEDL coverage is based on the compounds rather than the specific drugs, the inclusion into, or the exclusion from, the NEDL, as well as other adjustments in the NEDL policies, are expected to have similar impacts on all drugs under the same compound. Therefore, our PRC Legal Advisor is of the view that changes in the NEDL coverage will have similar impacts on our products as on the competitors to our products containing identical compounds, and the Industry Consultant, Frost & Sullivan, is of the view that changes in the NEDL coverage will not materially and adversely affect the competitive position of our products in comparison to that of their competitors containing identical compounds.

Pricing for Proprietary and In-licensed Products

Our market access and commercial operation department is dedicated to closely monitoring new policies affecting the pricing of pharmaceutical products in China and formulating strategies to stay

competitive and profitable. We communicate with the local authorities in charge of the public tender process and study the tendering proposals to form a bid. We form a strategy to cope with competition in different provinces, with the goal of maintaining the price levels of the products and maximizing our overall sales in China.

During the Track Record Period, the prices of products we sell, such as Zadaxin, fluctuated due to factors including changes in reimbursement policies, changes in provincial and municipal centralized tender processes, and concerns over adjuvant therapies. See "— Products and Services — Our Proprietary products — Zadaxin 日达仙 — Financial Performance, Market Potentials and Effective Lifecycle Management." Our bidding and pricing strategies in the centralized tender process generally focuses on differentiating the products we sell instead of competing solely based on price. As we construct our product portfolio based on the strategy of positioning in high-value and high-growth sectors, we believe that we have developed a competitive advantage and are generally able to command a higher margin.

Pricing for Promotion Products for Business Partners

For our product sales for business partners, the pricing for the sales of such promotion products is determined through the same centralized tender process and subject to the same pricing regulations affecting our proprietary and in-licensed products.

PRODUCTION AND QUALITY CONTROL

For our proprietary and in-licensed pharmaceutical products, we produce all such products through outsourced CMOs. In addition, we procure certain raw materials including active pharmaceutical ingredients from outsourced raw materials CMOs for the production of our proprietary and in-licensed pharmaceutical products. Our production quality management system is fully aligned with the current GMP as implemented in markets that we operate in.

For the promotion products we sell for our business partners, we do not participate in the production of such products; instead, our business partners, Pfizer and Baxter, supply us with such products. We also adopt stringent quality management measures for the promotion product we sell for our business partners.

For further details regarding our material certificates, see "— Legal and Compliance — Licenses and Permits."

Production through CMOs

For our proprietary and in-licensed products, we outsource the production of such products to industry-leading, highly reputable CMOs. We outsource the production of Zadaxin to Patheon Italia, and the production of Zometa to Novartis. We are currently preparing the production plan for Angiomax and intend to outsource its production to Patheon Italia.

Our outsourced production of Zadaxin is conducted under the Manufacturing and Supply Agreement dated November 1, 2002 with Patheon Italia, a CMO known for its industry reputation and technical know-how in the aseptic manufacturing. Patheon Italia is an internationally renowned CMO providing drug manufacturing services for pharmaceutical customers internationally, which has multiple production facilities with experienced operators, and we believe that its production capacity is sufficient to meet our demand. We have worked with Patheon Italia since 2002. Salient terms of the Manufacturing and Supply Agreement are listed below:

- **Standard of Performance**: Patheon Italia shall manufacture and supply to us the products converted from API and other raw materials in accordance with our specifications and other applicable manufacturing requirements as contemplated under the agreement.
- **Delivery**: We may select the freight carrier used by Patheon Italia to ship products, and Patheon Italia shall be responsible for the loading of the products on departure and shall bear the risks and costs of such loading. Title and risk of loss or damage are transferred to us when Patheon Italia delivers products to the carrier for shipment.
- **Credit Term**: 30 days since the date of invoice, which should be issued for each delivery.
- **Quality Control**: We have 45 days upon receipt of products to inspect the products and confirm if any deviation from our specifications or other manufacturing requirements. Patheon Italia has 15 days to respond. If we cannot agree with Patheon Italia in another 10 days, an independent lab will be selected for evaluation of deviation. If Patheon Italia admits to the deviation or the independent lab certifies the deviation, we have the right to reject and return, at the expense of Patheon Italia, any portion of any shipment of products that deviates from our specifications or other manufacturing requirements.
- **Product Recalls and Returns**: If Patheon Italia fails to manufacture the products in accordance with our specifications and other applicable manufacturing requirements which results in a recall or return, Patheon Italia shall bear the cost and expense of such recall or return and use its best efforts to replace the recalled or returned products with new products within 60 days.
- **Audit**: We are provided with reasonable access to the production facilities and records of Patheon Italia for verification of its compliance with our specifications and other manufacturing requirements.
- **Term and Renewal**: Five years, with automatic renewal every two years upon expiry.
- **Termination**: Either party at its sole option may terminate this agreement upon written notice for cause under specified circumstances.

We are currently preparing the production plan for Angiomax and intend to outsource the production to Patheon Italia. We have communicated with our supplier in advance in accordance with our potential demands. A letter of intent for Angiomax manufacturing and supply was signed between us and Patheon Italia on December 17, 2019 and an amendment to existing Zadaxin manufacturing and supply agreement will be put in place to cover Angiomax soon.

Our outsourcing of the production of Zometa is conducted under the Supply Agreement dated February 25, 2020 with Novartis, from which we have licensed in Zometa. Novartis will supply us

with the products manufactured by Novartis, until we establish our own manufacturing and supply relationship with an international CMO. We intend to enter into a supply agreement and establish direct relationship with such international CMO in 2021. For the salient terms of the Supply Agreement, see "— Products and Services — Our In-licensed Products — Zometa 择泰."

We closely monitor production runs of our products and conduct our own quality assurance audit programs. We have adopted procedures to ensure that the equipment, facilities, processes, and operations of our CMOs comply with the relevant regulatory requirements and our internal guidelines. Our selection of CMOs are based on a number of factors, including their qualifications, relevant expertise, production capacity, GMP compliance, reputation, track record, product quality, reliability in meeting delivery schedules, and terms offered by them. To monitor and evaluate services performed by our CMOs, we set a series of specifications and manufacturing requirements, and review manufacturing related documents including batch records and analytical records to ensure the specifications and manufacturing requirements are met. In addition, we conduct onsite audit to make sure the CMOs' compliance with the GMP requirements and hold routine meetings with the CMOs for quality control purposes and engage in investigations when there is deviation from the process protocol, and/or master batch record. For more information regarding our quality control procedures for our CMO partners, see "— Quality Management."

We do not own any production facilities, nor do we have any planned capacity or production related technology. We do not intend at this time to acquire or establish our own dedicated manufacturing facilities for any of our products. By outsourcing our manufacturing activities, we can focus on core areas of competence such as drug candidate identification, product portfolio development and commercialization. With the potential launches of our late stage drug candidates in the near future and further product launches expected from our pipeline, we intend to continue collaborating with world-renowned, highly reputable CMO partners with whom we have long and established relationships. We believe that our current CMO partners for our products have enough manufacturing capacity to meet potential market demand. We also believe that we will be able to meet our market demand for our other drug candidates with our current CMO partners and through pursuing new relationships with additional CMO partners.

Manufacturing of pharmaceutical products is subject to extensive regulations that impose procedural and documentation requirements governing recordkeeping, manufacturing processes and controls, personnel, quality control, and quality assurance, among others. We are informed that the manufacturing process of our CMO partners are in compliance with the U.S. GMP and EU requirements under ICH standards which China also follows. In order to sell our Zadaxin product to the licensed importers in China, our CMO partners must be approved by the Italian Medicines Agency ("AIFA") and be accepted by the NMPA, the PRC regulatory agency, and we must obtain an IDL from the NMPA permitting the importation of our products into China. The license must be renewed every five years, and our next renewal for Zadaxin will be required in 2022.

Supply of Raw Materials and Products

For our proprietary and in-incensed products, we procure certain raw materials from our raw material CMO partners and deliver such raw materials to the CMOs for the production of final

products. Our current suppliers are primarily manufacturers of our APIs used for the manufacturing of our final products. For example, we rely on the industry-leading, highly reputable CMO, Polypeptide, to supply the API for our Zadaxin product. Polypeptide is a leading peptide manufacturer with expertise in commercial scale proprietary peptide manufacturing, and we have started working with Polypeptide since 1994. Other suppliers include the suppliers for the secondary packaging components for our drug products.

For the promotion products we sell for business partners, we are supplied with such finished products by our business partners, Pfizer and Baxter.

Supply of Raw Material for Proprietary and In-licensed Products

We carefully select our suppliers based on a number of factors, including their quality, technical know-how, industry reputation and GMP compliance with relevant regulatory agencies.

Our API for Zadaxin is manufactured and supplied by Polypeptide, a leading peptide manufacturer with global existence in France, Belgium, Sweden, India, and the U.S. Specifically, Zadaxin API is produced in the production site in Belgium (such site was formerly Lonza Braine SA ("Lonza") and was acquired by Polypeptide in 2016) as the primary site, and the U.S. as the secondary site to mitigate the supply risk. Our collaboration with Belgium site dated back to 1994 when the site was part of UCB-Biproducts SA. For the U.S. site, our collaboration started in 1998. Both Belgium and the U.S. site operations are fully compliant to EU and U.S. GMP, and we have adopted stringent measures to monitor and evaluate service performed. For our quality control procedures for our suppliers, see "— Quality Management."

Before Polypeptide acquired Lonza, we had two separate manufacturing and supply agreements with our API suppliers. The latest agreement with Lonza was entered into on April 30, 2014 while the latest agreement with polypeptide laboratories (the U.S. site) was entered into on June 23, 2014. After the acquisition of Lonza by Polypeptide, we entered into a new manufacturing and supply agreement covering both sites with Polypeptide on August 1, 2018. Salient terms of such agreement are listed below:

- **Standard of Performance**: Polypeptide shall manufacture and supply to us the API in accordance with our specifications and other applicable manufacturing requirements as contemplated under the agreement.
- **Delivery**: We shall arrange for shipment and take delivery of each batch of products from Polypeptide's facilities within 30 days after title and risk of loss are transferred to us.
- **Quality Control**: We have right to inspect the products and confirm if any deviation from our specifications or other manufacturing requirements. Polypeptide may request us to provide samples for testing. If discrepancy exists between the test results of ours and Polypeptide's, an independent lab will be selected for evaluation of deviation. If Polypeptide admits to the deviation or the independent lab certifies the deviation, we have the right to request replacement of the batch of products failing to conform with our specifications or other manufacturing requirements.

- **Audit**: Polypeptide shall provide us with annual product review reports within two months from the date of request which will include the status of products, summary of any changes in production processes, and summary of any critical and major deviations. We shall have the right to access the production facilities and records of Polypeptide for verification of its compliance with cGMP, our specifications and other manufacturing requirements.
- **Term and Renewal**: Five years, automatically renew for three year terms upon expiry.

The purchase price of our raw materials is primarily based on prevailing market prices for raw materials of similar quality. We believe such agreements with raw material suppliers provide us with stable supply of raw materials. During the Track Record Period, we did not experience any material price volatility or any significant supply shortage with regard to the raw materials we sourced from our suppliers, and therefore fluctuations in raw material costs did not have a material impact on our results of operations or gross profit margins during the Track Record Period. For the supply of our secondary packaging components, we order supplies and services on a purchase order basis.

Supply of Promotion Products We Sell for Business Partners

For the promotion products we sell for business partners, we are supplied with such products by our business partners, Pfizer and Baxter. We have entered into an import and service agreement with a term of three years with Pfizer, and a product promotion agreement with a term of five years and a drug import and distribution agreement with a term of one year, which is renewed annually, with Baxter. Our agreements with Pfizer and Baxter set out the specifications and prices for the products supplied to us, payment methods and guidelines for the sales and distribution of the products. We are granted the exclusive rights to import, distribute and promote Farlutal, Methotrexate and Estracyt of Pfizer, and the exclusive rights to promote, and the rights to import and distribute Holoxan, Mesna and Endoxan of Baxter in China. Pfizer and Baxter are responsible for the product supply, delivery and quality of the products, and we are responsible for import procedures, promotion and distribution of the products. We are granted credit terms of 30 to 60 days. We are generally allowed to return to Pfizer and Baxter the products with identified and confirmed quality issues. For the salient terms of such agreements, see "— Products and Services — Our Sales of Promotion Products for Business Partners."

Quality Management

We adopted stringent quality control measures for both of our proprietary and in-licensed products, and the promotion products we sell for business partners. We believe that an effective quality management system is critical to ensure the product quality, regulatory compliances, and maintain our reputation and success.

We have implemented a quality management system with a set of SOPs to manage the following aspects:

- **Product Quality**: We manage the quality of product, including APIs, final drug products, and printed labeling and packaging components. We approve and release APIs, packaging

components and final products and identify if our material and product specifications have been satisfied. We have a material review board to perform high level review of products with potential quality issues and make decisions to accept or reject the batches.

- **Process Monitoring**: We monitor the complaints and drug safety concerns to the products we sell and compliance with the cold chain storage requirements for our APIs and final products, and conduct annual product reviews. We track the complaints regarding the products we sell and perform investigations into our CMOs when necessary.
- **CMO Compliance Oversight**: We conduct audits of our CMOs and evaluate if any deviations or non-conformances to our specifications or manufacturing requirements occur from time to time. We take corrective and preventive actions when necessary and closely monitor any potential change of control to our CMOs. We identify, select and qualify our suppliers, and perform GMP audits to our CMOs to ensure their compliance.

Our quality assurance department consists of two employees based in the U.S. and Italy, respectively. Our quality assurance department is responsible to develop and maintain our quality management system and follow established procedures to manage manufacturing, testing, release and shipping of the products to ensure full compliance with the U.S., EU and PRC GMPs.

Key aspects of our quality control procedures are as follows:

Procurement and Raw Materials Quality Control

For our proprietary and in-licensed products, we procure raw materials including APIs and other materials used in our outsourced product manufacturing process only from approved suppliers. All approved suppliers are managed by our quality assurance department, which conducts supplier qualification evaluation on supplier candidates. We also regularly conduct on-site inspections and audits at key material suppliers' production facilities to ensure their compliance with GMP and other manufacturing requirements. We require provision of executed batch records, and analytical test data packet for review. Prior to batch release, we ensure the supplier QA unit has reviewed the entire batch record and resolved all associated deviation, and has provided the Certificate of Analysis and Certificate of Conformance. We perform the final batch disposition.

Final Product Quality Control

For our proprietary and in-licensed products, we monitor entire manufacturing process closely with regular quality assurance team meeting. Any major deviation related to the production of our products will be notified to us promptly and we are heavily involved in the investigation and root cause identification as well as the corrective and preventive actions. We have the right to conduct review of our CMOs' manufacturing operations and access any relevant records to assess their compliance with GMP and other quality assurance standards via document review and on site audit. Prior to batch release, we ensure the supplier QA unit has reviewed the entire batch record and

resolved all associated deviation, and has provided the Certificate of Analysis and Certificate of Conformance. We perform the final release and batch disposition. If the final product batch fails to meet our quality standards, it will be rejected.

Transportation, Logistics and Delivery Management

We have entered into a master services agreement for freight forwarding with an initial term of five years and automatic renewal for successive one-year periods, with SITTAM in Italy, and designated it as the agent/carrier for delivery of the final products. We are also responsible for delivery of raw materials, including APIs, to the CMOs for manufacturing of our final products. The shipping agents we select and use are specialized in pharma and cold chain shipping business and adhere to the GSP. For each shipment, temperature tracking devices are used and the temperatures are being recorded and reviewed. If there is any temperature excursion during the shipment, a deviation report will be produced and the product quality impact will be assessed. We are entitled to inspect our delivery service providers' facilities, equipment and procedures for quality assurance purposes. We have set pre-defined specifications for our delivery service providers as most of our delivery products require specific delivery conditions, including cold chain handling for the delivery of Zadaxin. We have a global stock throughout insurance policy to cover any potential loss of product in the storage and shipping.

Inventory Management

Our inventory consists primarily of final products and raw materials, including APIs, labels and packaging materials. We manage our inventory based on production forecast on a yearly basis, with updates each quarter. We update our inventory monthly, to maintain one-year storage of our APIs and one-quarter storage of our final products to ensure our inventory is above safety level. Our APIs are stored at -20°C temperature in our raw material CMO partners' warehouses, and our final products are stored at 2-8°C temperature in qualified warehouses in Italy. We have purchased stock throughput insurance to cover all our storages and shipping.

Product Recalls and Returns

We handle both mandatory and voluntary product recalls based on procedures and guidelines in compliance with the Measures on Drug Recall (《藥品召回管理辦法》). During the Track Record Period, we were not involved in any product recalls that had any material and adverse impact on our business, financial condition or results of operations. Consistent with customary industry practice in China, we generally do not allow product returns or exchanges.

SUPPLIERS

Under our product sales of our proprietary and in-licensed pharmaceutical products business, our suppliers generally consist of the CMO manufacturer for Zadaxin and the manufacturers of our

APIs used for the manufacturing of our final products. Under our sales of promotion products for business partners business, our suppliers are mainly Pfizer and Baxter, which supply us with finished promotion products we sell for them.

The tables below set out the details of our top five suppliers during the Track Record Period:

For the year ended December 31, 2017:

Suppliers	Purchase Amount (RMB'000)
Supplier A	82,029
Supplier B	36,457
Supplier C	43,329
Supplier D	24,829
Supplier E	14,252

For the year ended December 31, 2018:

Suppliers	Purchase Amount (RMB'000)
Supplier F	127,056
Supplier A	78,917
Supplier B	68,670
Supplier C	45,920
Supplier G	20,107

For the year ended December 31, 2019:

Suppliers	Purchase Amount (RMB'000)
Supplier F	188,615
Supplier C	87,116
Supplier A	78,941
Supplier B	24,148
Supplier D	15,799

For the nine months ended September 30, 2020:

Suppliers	Purchase Amount (RMB'000)
Supplier F	170,327
Supplier C	93,386
Supplier A	74,338
Supplier B	20,851
Supplier H	13,214

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, purchases from our five largest suppliers accounted for approximately 50.7%, 61.9%, 63.4% and 67.6% of our total purchase amount, respectively. Purchases from our largest supplier accounted for approximately 20.7%, 23.1%, 30.3% and 30.9% of our total purchase amount in these periods, respectively.

To the knowledge of our Directors, none of our major customers are also our suppliers. To the knowledge of our Directors, none of our Directors or their respective associates or any person who to the knowledge of our Directors owned 5% or more of our issued share capital as of the Latest Practicable Date had any interest in any of our five largest suppliers for the Track Record Period.

CUSTOMERS

Under our product sales of our proprietary and in-licensed pharmaceutical products business, our direct customers generally consist of distributors for pharmaceutical products such as Sinopharm. Under our sales of promotion products for business partners business, our direct customers generally consist of distributors for pharmaceutical products. Under both our product sales of our proprietary and in-licensed pharmaceutical products business and sales of promotion products for business partners business, the end customers are hospitals and pharmacies.

The tables below set out the details of our top five customers during the Track Record Period:

For the year ended December 31, 2017:

Customers	Sales Amount (RMB'000)
Customer A[1]	1,061,748
Customer B	56,052
Customer C[1]	30,346
Customer D	27,823
Customer E[1]	15,675

For the year ended December 31, 2018:

Customers	Sales Amount (RMB'000)
Customer A[1]	1,097,648
Customer B	87,011
Customer F[1]	29,726
Customer G[2]	19,941
Customer H[2]	13,083

For the year ended December 31, 2019:

Customers	Sales Amount (RMB'000)
Customer I[(1)]	1,222,832
Customer B	83,233
Customer F[(1)]	39,101
Customer G[(2)]	25,730
Customer H[(2)]	17,193

For the nine months ended September 30, 2020:

Customers	Sales Amount (RMB'000)
Customer I[(1)]	1,264,580
Customer B	73,499
Customer G[(2)]	16,551
Customer F[(1)]	15,344
Customer H[(2)]	11,005

Note:

(1) Customer A, Customer C, Customer E, Customer F and Customer I are different operating entities under the Sinopharm group.

(2) Customer G and Customer H are different operating entities under the same group.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, sales to our five largest customers accounted for approximately 98.2%, 88.5%, 81.3% and 87.2% of our total sales, respectively. In the same periods, sales to our largest customer accounted for approximately 87.5%, 77.9%, 71.6% and 79.8% of our total sales, respectively.

The tables below set out the details of our five largest customers on a combined basis, with customers with more than 50% of equity interest owned by the same group combined together, to the best knowledge of our Directors, during the Track Record Period:

For the year ended December 31, 2017:

Customers	Sales Amount (RMB'000)
Sinopharm[(1)]	1,112,216
Customer B	56,052
Customer D	27,823
Customer J	8,953
Customer K	4,956

For the year ended December 31, 2018:

Customers	Sales Amount (RMB'000)
Sinopharm[1]	1,198,278
Customer B	87,011
Group X[2]	52,280
Group Y[3]	24,293
Group Z[4]	7,350

For the year ended December 31, 2019:

Customers	Sales Amount (RMB'000)
Sinopharm[1]	1,358,342
Customer B	83,233
Group X[2]	71,533
Group Y[3]	37,236
Group W[5]	12,004

For the nine months ended September 30, 2020:

Customers	Sales Amount (RMB'000)
Sinopharm[1]	1,369,671
Customer B	73,499
Group X[2]	52,591
Group Y[3]	27,605
Group Z[4]	8,250

Notes:

(1) including 46 customers in which Sinopharm owned more than 50% of the equity interest as of the Latest Practicable Date, including Customer A, Customer C, Customer E, Customer F and Customer I among our five largest customers, on the non-combined basis, during the Track Record Period

(2) including 18 customers in which Group X, a major pharmaceutical distribution company in China, owned more than 50% of the equity interest as of the Latest Practicable Date, including Customer G and Customer H among our five largest customers, on the non-combined basis, during the Track Record Period

(3) including 12 customers in which Group Y, a major pharmaceutical distribution company in China, owned more than 50% of the equity interest as of the Latest Practicable Date

(4) including three customers in which Group Z, a pharmaceutical distribution company in China, owned more than 50% of the equity interest as of the Latest Practicable Date

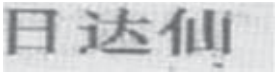
(5) including two customers in which Group W, a pharmaceutical distribution company in China, owned more than 50% of the equity interest as of the Latest Practicable Date

See "Risk Factors — We are dependent upon Sinopharm as the exclusive importer and distributor of Zadaxin; because of China's tiered method of importing and distributing finished pharmaceutical products, our results may vary substantially from one period to the next."

To the knowledge of our Directors, none of our major suppliers are also our customers. To the knowledge of our Directors, none of our Directors, their respective associates, or any person who to the knowledge of our Directors owned 5% or more of our issued share capital as of the Latest Practicable Date, had any interest in any of our five largest customers for the Track Record Period.

INTELLECTUAL PROPERTY RIGHTS

The Company's material intellectual property rights and patents[1] include:

Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
	China	SPIL	5	757875	27/7/2025
	China	SPIL	5	757877	27/7/2025
	China	SPIL	5	904614	27/11/2026
	China	SPIL	5	757876	27/7/2025
	China	SPIL	5	944610	13/2/2027

Patent Name	Patentee	Place of Registration	Application/ Registration Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
Thymosin Alpha 1 Peptide/Polymer Conjugates	SPIL	China	Registration No. ZL 02821872.8	01/11/2002	01/11/2022
Use of Thymosin Alpha 1 in The Preparation of Pharmaceutical Composition for Treating or Preventing an Aspergillus Infection in A Mammal	SPIL	China	Registration No. ZL 200480008490.4	29/03/2004	29/03/2024
Alpha Thymosin Peptides as Cancer Vaccine Adjuvants	SPIL	China	Registration No. ZL200580041799.8	06/12/2005	06/12/2025

Patent Name	Patentee	Place of Registration	Application/ Registration Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
Use of Thymosin Alpha 1 in The Preparation of Pharmaceutical Composition for Reducing Side Effects of Chemotherapy in Cancer Patients	SPIL	China	Registration No. ZL 01808907.0	19/04/2001	19/04/2021
Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	China	Registration No. ZL201080030714.7	10/05/2010	10/05/2030

Note:

(1) As of the Latest Practicable Date, all of these material intellectual property rights and patents have completed their transfer from SciClone US to the Group. See "Relationship with Our Single Largest Shareholder — Independence from GL Capital Group — Operational Independence" and "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of our Group" in Appendix V to this prospectus.

For details of our intellectual property, see "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of our Group" in Appendix V to this prospectus.

We also follow procedures to ensure that we do not infringe the intellectual property rights of others. As of the Latest Practicable Date, we had not been involved in any significant intellectual property dispute or encountered major difficulties in enforcing our intellectual property rights in China.

See "— Internal Control and Risk Management — Intellectual Property Rights."

COMPETITION

Competition for Our Proprietary and In-licensed Products

For our proprietary and in-licensed products, we face competition from other pharmaceutical companies, including large, established pharmaceutical companies as well as some smaller emerging pharmaceutical companies. Our products primarily compete with products that are indicated for similar conditions as our products. We compete primarily on the basis of a series of factors, such as commercialization capabilities, product development capabilities, product clinical profile, quality, brand recognition, and price.

Competition for our Sales of Promotion Product for Business Partners

For products we sell for business partners, we face competition from other companies which provide product sales business for third party products. We compete primarily on the basis of a series of factors, such as commercialization capabilities, regulatory affairs capabilities, quality and price.

LAND AND PROPERTIES

As of the Latest Practicable Date, we did not have any self-owned properties. As of the Latest Practicable Date, we leased 12 properties in Mainland China and two properties in Hong Kong, with a total gross floor area of approximately 2,676 and 565 square meters, respectively. Our leased properties are primarily used as offices and the backup warehouse.

INTERNAL CONTROL AND RISK MANAGEMENT

We are dedicated to the establishment and maintenance of a robust internal control system. Since we were a public company listed on the NASDAQ until 2017, we have accumulated extensive experience in internal control and risk management as a public company. We have adopted and implemented risk management policies to address potential risks in relation to anti-bribery and anti-corruption, intellectual property rights, product quality management, distributor management, financial reporting, human resources, investment management and wealth management.

Our internal control system comprises our compliance department, finance department, human resource department, CEO office, and the corresponding departments for specific potential risks. Our Corporate Executive Committee comprised of the heads of each business department, and the Compliance Disciplinary Committee comprised of the heads of our immunology business unit, oncology business unit, human resource department, compliance department, our CFO and CEO. Our Corporate Executive Committee holds monthly meetings and all important operation related matters will be discussed and decided by the committee during the meetings. Our Compliance Disciplinary Committee also holds monthly meetings to discuss and decide on compliance related investigations and matters. For internal control related matters, the heads of business departments report to the CEO, and the CEO reports to our board of Directors.

Our internal control system and risk management measures include:

- **Anti-bribery and anti-corruption**: We have carried out various anti-bribery and anti-corruption measures, including the following:
  - **Global anti-bribery and anti-corruption policies**: We have implemented our global anti-bribery and anti-corruption policies with specific prohibition of bribes given to government officials, healthcare professionals, medical institutions and other objects of bribery. Such policies include, among others:
    - Prohibiting all of our employees and parties working on our behalf from making, offering to make, or promising to make any loan, gift, lavish trip or entertainment, donation or payment, or any other thing of value directly or indirectly, in cash or in kind, to or for the benefit of any official, including government officials and healthcare professionals, to obtain or retain business or to secure any improper advantage for us, whether or not any benefit is received.
    - Prohibiting financial benefit or benefit-in-kind (including loan, gift, lavish trip or entertainment, donation or payment, grants, scholarships, subsidies, support, consulting contracts or educational or practice related items) provided or offered to a government official and/or healthcare professional in exchange for prescribing, recommending, purchasing, supplying or administering our products or for a commitment to continue to do so.

- Prohibiting payments in cash or cash equivalents to government officials and/or healthcare professionals, regardless of the purpose.
- Prohibiting the provision of entertainment and certain other leisure activities to government officials and/or healthcare professionals.
- Requiring written approval when an invitation to a government official or healthcare professional involves travel, sponsorship, entertainment, gifts, or speaker/consultant fees over a certain threshold amount.

- **Management of suppliers and customers and payment to third-parties**: We have implemented policies and SOPs regarding our procurement procedures, to manage various processes during procurement activities including pricing and quality control. We require new suppliers to provide detailed information regarding themselves. We provide training for our suppliers to ensure they comply with our anti-bribery and anti-corruption policies. We have also implemented stringent approval procedures for procurement activities, and require procurement personnel to compare suppliers and provide detailed information for obtaining such approval. We conduct anti-bribery due diligence over our customers, such as Sinopharm. We also provide training for some of our customers.
- **Procedures for charitable donations and academic promotion activities**: We have also implemented specific procedures for charitable donations and academic promotion activities and generally prohibited all facilitating payments whether legal or not. We have established periodic review on the list of speakers invited to our academic promotion activities to ensure related payments and expenses are in compliance with our policies. We also conduct detailed review of application for sponsorship of academic activities to ensure consistency with our sponsorship policies.
- **Employee expenses and reimbursement**: We have implemented stringent policies regarding employee expenses and reimbursement. Employees are required to use our system to submit expense reports for reimbursement. We require all business travels to be pre-approved by supervisors.
- **Record-keeping**: We have also maintained a record-keeping system for auditing and compliance purposes and established a whistleblower reporting system to create the reporting channel for suspected illegal activities. All our employees need to certify annually their compliance with our anti-bribery and anti-corruption policies and submit to our compliance department, and we conduct review to ensure that the reimbursed items accurately reflect the actual expenses. Employees who violate such policies will be subject to disciplinary measures accordingly. We also keep clear financial records to ensure that events and payments lacking legitimate business purposes can be timely identified and prevented.

- **Intellectual property rights**: We have engaged external legal counsel to manage all of our intellectual properties such as patents and trademarks. Our external counsel for intellectual property is experienced and well-equipped with knowledge and expertise to ensure our risks related to intellectual property is well under control. We have also established a system involving regular reporting to ensure we have adequate control over risks related to our intellectual property rights.

- **Product quality management**: See "— Production and Quality Control — Quality Management."
- **Distributor management**: See "— Sales, Marketing and Distribution — Distribution in China — Distributor Movement and Management."
- **Financial reporting**: Our finance team comprises a team of experienced professionals with appropriate qualifications. We have maintained adequate internal control over financial reporting in all financial reporting processes.
- **Human resources**: We mainly recruit through online recruiting platforms, our partnered headhunters, recruiting websites or our internal referrals. We conduct human resources department interview and additional rounds of business unit interview to ensure the quality of our new recruits. We offer regular and specialized training programs to satisfy the needs of our employees in different departments, including mandatory training programs related to compliance and company policies, and specialized trainings to satisfy the needs of each department or position. See "— Employees."
- **Investment management**: We follow stringent procedures to evaluate and approve investment projects. Our business development department is responsible for our acquisition and investment projects. To decide whether to invest in certain acquisition and investment projects, we mainly consider the assessment of net present value of the project based on forecast of its future cash flows, and the strategic impact the project may bring to our product line layout. For each project, we will undergo three phases prior to final execution:

  I. Project proposed, due diligence and negotiation of term sheet: Our business development department will propose the new project after initial evaluation of the project value, calculate the net present value of the project, negotiate collaboration model and term sheet with the counterparty, and be responsible for gathering market information and engage third-party institutions when needed. Our CEO and CFO will be involved for all discussion of important matters.

  II. Internal approval: After the term sheet is agreed upon, it will be submitted to our board of directors for approval. We will amend the term sheet with our counterparty if requested by the board.

  III. Agreement negotiation and execution: After the approval of term sheet by the board, we will negotiate the final agreement with the counterparty and may engage external lawyers if required. The agreement will be submitted for approval and execution after finalization.

- **Wealth management**: We arrange the use of our funds based on the preset monthly plans and invest in time deposits or wealth management products suitable for our business needs to generate reasonable gains. We in principle only invest in time deposits and wealth management products issued by state-owned banks or listed national banks, and our investment is limited to principal-protected products indicated in the contract terms. We

give priority to the products with higher yield while ensuring they could meet the liquidity requirement of our fund use plans. Any investment beyond the scope described above will need joint approvals by our CEO and CFO. We decide the investment principal and terms based on our fund use plans. Investment in time deposits exceeding RMB30 million or USD5 million in principal or with terms exceeding three months, and any investment in wealth management products will need approval by our CFO.

In addition to our strong internal control system and risk management measures, we have formed a culture of "high compliance and high performance" to ensure that we are in full compliance with laws and regulations in jurisdictions where we sell our products. With our internal control system and risk management measures, we are able to ensure that such compliance culture is embedded into everyday workflow and set the expectation for individual behaviors within our Company.

Risk Management in Response to the COVID-19 Outbreak

Outbreak of COVID-19

The recent outbreak of COVID-19 has materially and adversely affected the global economy. According to Frost & Sullivan, the global pharmaceutical industry had undergone challenges due to the outbreak of COVID-19, and such outbreak had impacted the global pharmaceutical industry in the following ways:

- **Clinical trials**: The impact of COVID-19 on the operation of hospitals had led to delays in clinical trials. The difficulties in recruiting new patients and accommodating patients for clinical trials had also created extra challenges.
- **Drug development process**: The drug development process could be delayed and interrupted due to delays in drug clinical trials. To overcome such challenges, pharmaceutical companies used artificial intelligence and big data platforms for gene sequencing, target discovery and drug development, which had increased the efficiency of drug development under the global outbreak of COVID-19.
- **Manufacturing and distribution**: The outbreak of COVID-19 had led to some restrictions in distribution channels. The adoption of automation technology in some pharmaceutical factories had revolutionized the production process to overcome challenges caused by the outbreak of COVID-19.
- **Marketing and sales**: The outbreak of COVID-19 had created challenges for sales representatives who need to visit hospitals and promote pharmaceutical products; as an alternative, virtual representatives and online academic meetings became more common, and they enabled pharmaceutical companies to provide patients with better services.

As of the Latest Practicable Date, our business, results of operations and financial conditions had not been materially affected by the outbreak of COVID-19. The outbreak of COVID-19 has had the following impact on our business, results of operations and financial condition:

- **Product sales and promotion activities**: The sales of Zadaxin increased as a result of the outbreak of COVID-19, as Tα1 (thymalfasin) had been listed for the treatment of severe and critical cases of COVID-19 according to the treatment guideline issued by NHC and National Administration of Traditional Chinese Medicine. Such increase was partially offset by the decreased number of hospital visits and operations by patients, since the outbreak of COVID-19 led many hospitals in China to allocate significant resources to contain COVID-19, and patients suffering from other diseases generally avoided going to hospitals in order to prevent being infected. For similar reasons, the sales and promotion activities of our promotion products for business partners had been adversely affected, leading to a lower rate of revenue growth for such products compared with that in previous years. As of the Latest Practicable Date, our sales activities had substantially resumed to normal.
- **Production and logistics**: The production process of our products had not been materially and adversely affected by the outbreak of COVID-19. Our CMO partners responsible for the production of our product had used certain level of automation in their production process to reduce their reliance on labor. As of the Latest Practicable Date, due to the adequacy of hygiene and sterilization measures, our CMO partners did not experience interruption in operations due to labor shortage. Moreover, the pharmaceutical industry had been subject to favorable and protective policies during the outbreak of COVID-19 to secure the production of pharmaceutical products, and our CMO partners could consequently operate as normal. The logistics for our products experienced certain delays due to the impediment in traffic and transportation during the global outbreak of COVID-19. For example, air freight was reduced during the COVID-19 outbreak due to the cancellation of flights. With the containment of COVID-19, such challenges in logistics and transportation had been largely resolved.
- **Supply of raw materials and promotion products**: We believe that our supply of raw materials had not been materially impacted by the outbreak of COVID-19, given that as a general practice, we maintain an adequate reserve of raw materials essential for the production of our product. See "— Production and Quality Control — Inventory Management." The supply of promotion products we sell for our business partners had not been materially and adversely affected either.
- **Product development**: Some of our product development projects were delayed due to various adverse factors caused by the outbreak of COVID-19, such as the difficulty in patient recruitment and enrolment process. However, such delays did not have a material adverse impact on our overall product development process. With the containment of COVID-19, the product development process of our product candidates has substantially resumed as normal.
- **Operations**: We have adopted a series of stringent disease prevention measures to reduce the risk of our employees contracting COVID-19. The measures implemented include, among others, workplace sterilization and ventilation, flexible working schedule

arrangements, monitoring and record keeping of employees' health conditions. As of the Latest Practicable Date, none of our employees had been infected of COVID-19.

As of the Latest Practicable Date, our promotion, sales and distribution arrangements, production activities, product development process and procurement process had substantially resumed to normal. In addition, we believe that the COVID-19 outbreak had not had any material impact on the implementation of our future plans and execution of our strategies. We have made various business contingency plans to maintain our profitability and ensure our normal operations during the COVID-19 outbreak.

Assuming the worst case scenario of the COVID-19 outbreak, in which:

(i) we cease all operations (including product sales, marketing and promotion, production by CMO partners, logistics and transportation, procurement of raw materials and promotion products, product development and other operational activities) from October 2020 onwards, as we will not earn or incur any revenue and costs, and we will only incur fixed expenses;

(ii) we make salaries payments to all of our current employees;

(iii) there are no other sources of funding except cash and cash equivalents and financial assets at fair value through profit or loss as of September 30, 2020;

(iv) we use 28.0% of the net proceeds from the Global Offering based on the low-end of the Offer Price range to repay existing debt, including our loan facility of USD$300.0 million with China Minsheng Banking Corp., Ltd. Hong Kong Branch, with a maturity date of November 4, 2024, and interest rate of LIBOR plus 2.3% per annum; and

(v) the settlement of trade receivables and trade payables is estimated on a prudent basis by taking into account our historical settlement patterns,

we would have sufficient cash flow for our business to remain financially viable for at least the next 17 months from September 30, 2020, which includes, but is not limited to the timely payment for the following:

- employees' salaries payments;
- lease payments;
- payments for existing purchase plans for long-term assets; and
- repayments of bank loans.

LEGAL AND COMPLIANCE

Licenses and Permits

We are subject to regular inspections, examinations, and audits for pharmaceutical businesses and are required to maintain or renew the necessary permits, licenses and certifications for our business. Our PRC Legal Advisor is of the view that we have obtained all material requisite licenses, permits and approvals for our operations in the PRC as of the Latest Practicable Date.

Legal Proceedings

We may from time to time become a party to legal or administrative proceedings, arising in the ordinary course of our business. During the Track Record Period and as of the Latest Practicable Date, we were not a party to any material litigation, claim, or administrative proceedings and no material litigation, claims, or administrative proceedings were known to our Directors to be pending or threatened against us.

SEC FCPA Investigation and Settlement

In August 2010, the U.S. Securities and Exchange Commission ("**SEC**") and the U.S. Department of Justice ("**DOJ**") commenced an investigation (the "**Investigation**") into SciClone US's potential violations of the Foreign Corrupt Practices Act ("**FCPA**") in conducting business in China (the "**Incident**"). Such Incident arose out of the allegation that employees of SciClone US's subsidiaries, who were primarily based in China, "from at least 2007 to 2012"[1], gave money, gifts and other things of value to government officials, including healthcare professionals employed at state-owned hospitals in China, in order to obtain sales of SciClone US's pharmaceutical products. Since the beginning of the Investigation, SciClone US had conducted a detailed, comprehensive internal review of the potential violations and its relevant internal control measures through a special committee. SciClone US had also communicated extensively and cooperated with the SEC and the DOJ through efforts including, without limitation, disclosure to the SEC and the DOJ of its internal investigation findings, voluntary reporting of possible misconducts and compliance issues identified, full and prompt responses to SEC's and the DOJ's enquiries, and participation in substantive presentations to the SEC and the DOJ.

In February 2016, SciClone US settled with the SEC pursuant to a cease-and-desist order (the "**Order**") published by the SEC, resolving the Investigation. Around the same time, the DOJ confirmed that it declined to pursue further action.

Pursuant to the terms of the Order, without admitting or denying any findings stated in the Order, SciClone US agreed to cease and desist from committing or causing any violations of the FCPA, to pay the SEC a total amount of approximately US$12.8 million (including US$9.426 million in disgorgement, US$900,000 in prejudgment interest and US$2.5 million in civil penalty, all of which were paid in February 2016, before the privatization), and to satisfy undertakings including providing periodic reports to the SEC for a prescribed term on status of its remediation and implementation of compliance measures, and providing a certification regarding its compliance with the undertakings.

After SciClone US had paid the requisite amount and fulfilled its undertakings under the Order, in June 2018, based on written confirmation from the SEC, the SEC's enforcement action was officially closed.

Note: 1. As stated in the Order.

SciClone US has taken proactive remedial measures to comply with the FCPA since the beginning of the Investigation. Remedial measures taken up to the SEC's case closure in June 2018 included (i) undertaking an extensive review of the policies and procedures on employee travel and entertainment reimbursements; (ii) substantially reducing the number of suppliers of travel and event planning services; (iii) improving policies and procedures on conducting necessary due diligence work to investigate the identity of third-party business partners, and the nature of payments made to such business partners; (iv) incorporating anti-corruption provisions in contracts; (v) providing anti-corruption training to travel and event planning vendors; (vi) disciplining employees (and their managers) who violated relevant policies; and (vii) recruiting and hiring a new management team in China that emphasizes and reinforces the culture of compliance.

After the case closure, we have continued to strengthen our internal control measures to ensure compliance with relevant laws and regulations. Among other steps taken, we have continued to implement applicable existing compliance measures, and have further refined our global anti-bribery and anti-corruption policies underlining the prohibition of bribes given to government officials, healthcare professionals, medical institutions and other objects of bribery. For our existing anti-bribery and anti-corruption measures, see "— Internal Control and Risk Management — Anti-bribery and anti-corruption." Since our implementation of the enhanced internal control measures, to our best knowledge, there has been no recurrence of similar incidents involving alledged bribe-giving conduct by our employees in violation of applicable anti-bribery and anti-corruption laws and regulations.

Since the beginning of the Investigation, as part of our persistent efforts to prioritize compliance on all levels, we have also undergone substantial changes in corporate structure, with new board members, new management and new shareholders. See "History, Reorganization and Corporate Structure — Material Development Milestones" and "Directors and Senior Management." For example, in 2013, we hired Mr. ZHAO Hong, our current President and CEO, who delivered strong message of compliance to sales team and business units through various channels such as sales meetings and public announcements. Such changes were also evidenced by the establishment of two committees, namely (1) Global Compliance Committee, which was responsible for establishing general compliance objectives and policy direction and communicating with the Audit Committee on compliance achievements and strategy, and (2) the Compliance and Disciplinary Committee, which was responsible for executing and implementing compliance policies, training, monitoring the internal control and disciplining employees for violations of policies. As of the Latest Practicable Date, none of the persons who served as directors or executive officers of SciClone US during the period of alleged FCPA violations under the Investigation held any position at the Company.

We have engaged Protiviti Shanghai Co., Ltd. ("Protiviti"), an independent internal control consultant to conduct a special review on the effectiveness of internal control addressing the risks of bribe-giving. Protiviti conducted the review during July and August 2020 on the design and implementation of the relevant polices against bribe-giving, and examined, on a sample basis, evidences of control activities in the period from January 1, 2018 to April 30, 2020. Protiviti's work procedures encompassed the Company's (i) anti-bribery control environment, (ii) vendor/third-party payments, (iii) employee reimbursement, (iv) payments to salespersons, and (v) pricing, discounts

and other payments to distributors/agents/customers. Based on the results of the review, no significant issue had been identified and therefore Protiviti confirmed that the relevant internal control was effective, adequately designed and duly implemented. Protiviti further confirmed that the relevant internal control, if persistently and duly implemented and practiced by relevant employees as designed, is effective and adequate in addressing the risks of bribe-giving. See "— Internal Control and Risk Management — Anti-bribery and anti-corruption."

On the basis that (i) the closure of SEC's enforcement action; (ii) SciClone US has taken proactive remedial measures to comply with the FCPA since the beginning of the Investigation; (iii) we have engaged Protiviti to conduct a special review on the effectiveness of our internal control measures regarding bribe-giving, and have adopted the enhanced internal control measures to ensure ongoing compliance; and (iv) there has been no known recurrence of similar incidents since our implementation of the enhanced internal control measures, our Directors are of the view that our internal control measures are adequate and effective to prevent occurrence of similar incidents in the future.

Based on the above, including (i) the view of the Directors, and (ii) the special review performed by Protiviti and the results reported thereof, nothing has come to the Joint Sponsors' attention that would reasonably cause them to believe that the relevant internal control measures, if persistently and duly implemented and practiced by relevant employees as designed, would not be effective and adequate in addressing the risks of bribe-giving.

EMPLOYEES

As of September 30, 2020, we had 797 full-time employees, including 786 located in the PRC, eight located in Hong Kong, one located in the United States, one located in Italy, and one located in the Cayman Islands. The table below sets forth a breakdown of our employees by business function as of September 30, 2020:

	Number of Employees	Percentage
Marketing, Promotion and Sales	659	82.7%
Product Development	79	9.9%
Others	59	7.4%
Total	797	100.0%

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We recruit our employees through a combination of different methods, including job application through online recruiting platforms, internal referral by our current employees, and recommendations from headhunters. Our recruitment is based on a number of factors, including candidates' work experience and educational background and our vacancies.

To maintain the quality, knowledge and skill levels of our workforce, we provide our employees with periodic trainings, including general trainings that cover areas such as firm culture,

workplace safety, information technology, data security, and other logistics aspects, as well as specific trainings that improve employee knowledge and expertise in certain important areas related to our business. We believe that such training programs have enhanced the productivity of our employees.

The remuneration package for our employee generally includes salary and bonus. We conduct periodic performance reviews for our employees, and their remuneration is performance-based. We also reward outstanding talents among our employees with incentive such as stocks plans and options, as well as with awards and honors to recognize their contributions to the Company. Our employees also receive welfare benefits including medical care, housing fund, pension, and other benefits. As required by applicable PRC regulations, we participate in various employee benefit plans that are organized by the government, including social security insurance and housing provident fund. Our Directors believe that we maintain a good relationship with our employees.

INSURANCE

We maintain property loss insurance, employer liability insurance, product liability insurance, stock throughput insurance and clinical trial liability insurance that we believe are in accordance with the relevant laws and regulations in China. We do not carry any business interruption or any key person insurance, which are not mandatory under the PRC laws. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to product liability lawsuits, and our insurance may be inadequate to cover damages" for further details of risks relating to our current insurance coverage. Our Directors are of the view that our current insurance coverage is in line with industry practice and is adequate for our operations.

ENVIRONMENTAL MATTERS, SOCIAL RESPONSIBILITY AND GOVERNANCE

We are subject to environmental protection and occupational health and safety laws and regulations. As we did not own manufacturing facilities or product development facilities during the Track Record Period, we did not incur material environmental protection expenses during such period. During the Track Record Period and as of the Latest Practicable Date, we complied with the relevant environmental protection and occupational health and safety laws and regulations in China, and we did not have any incidents or complaints that had a material and adverse impact on our business, financial condition or results of operations during the same period.

We have formulated visions and goals to meet high standards in environmental, social, and governance aspects. We focus on areas such as public health social responsibility and have planned various activities to fulfill such responsibility. To fulfill our social responsibility and to mitigate inequality in medical resources, we are active in participating in charitable donation to regions with limited medical resources. For example, in December 2016, we made donation with value of RMB500,000 to Pu'er City, Yunnan Lancang Lahu Autonomous County and the Menglian Dai Lahu and Yi Autonomous County through the poverty alleviation project by Huangpu District of Shanghai.

We had also been actively observing our social responsibility during the COVID-19 outbreak. Our contribution and corporate social responsibility efforts in response to the COVID-19 outbreak include:

(i) donating charitable funds designated for the treatment of COVID-19 to Wuhan Charity Federation;

(iii) donating our Zadaxin to foundations, hospitals and medical institutions, including, among others, Wuhan Red Cross Foundation, Chen Xiaoping Foundation for the Development of Science and Technology of Hubei Province, West China Hospital of Sichuan University, Sichuan University, Zhong Nanshan Medical Foundation of Guangdong, Shanghai Public Health Clinical Center, The Second Hospital of Nanjing (Public Medical Center of Nanjing) and The First Hospital of Harbin Medical University;

(iii) supporting clinical trial projects in response to the outbreak of COVID-19; and

(iv) hosting and participating in academic events studying the treatment and containment of COVID-19.

As part of our governance effort, we strive to provide a safe working environment for our employees. We have implemented workplace safety guidelines setting out safety practices, accident prevention and accident reporting. We organize workplace safety trainings such as fire emergency training in order to protect the workplace safety of our employees.

We also endeavor to adhere to good governance practice by following our culture of "high compliance and high performance." Our internal policies and SOPs, including our anti-bribery policies ensure that our internal control system is adequate to safeguard our compliance with relevant laws and regulations. See "— Internal Control and Risk Management."

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, GL Capital Group was interested in approximately 34.72% of the total issued share capital of our Company and was the single largest Shareholder of our Company. Following the completion of the Global Offering (assuming that the Over-allotment Option not exercised), GL Capital Group will be interested in approximately 28.78% of the total issued share capital of our Company. Therefore, GL Capital Group will remain as our single largest Shareholder, and our Company will not have any controlling shareholder after the completion of the Global Offering.

RELATIONSHIP WITH GL CAPITAL GROUP

GL Capital Group is a leading investor in China's healthcare industry and from time to time invests in certain pharmaceutical companies (the "**GL Pharmaceutical Portfolio Companies**"). As of the Latest Practicable Date, GL Capital Group (i) did not hold majority of the voting rights in the GL Pharmaceutical Portfolio Companies; (ii) was not involved in the daily operations of the GL Pharmaceutical Portfolio Companies; and (iii) did not have the right to appoint or remove a majority of the board of directors of the GL Pharmaceutical Portfolio Companies. Our Company's businesses are well delineated from those of GL Pharmaceutical Portfolio Companies as we consider our products are not in direct competition with products of GL Pharmaceutical Portfolio Companies, taking into account our product portfolio within our focused therapeutic areas of oncology and severe infection, the indications of our products target, and particularly our proprietary product Zadaxin, which is approved for the treatment of chronic hepatitis B and vaccine adjuvant in patients with impaired immunity and has gained recognition among doctors and patients as a trusted branded product.

INDEPENDENCE FROM GL CAPITAL GROUP

Having considered following factors, we believe that we are capable of carrying on our business independently from GL Capital Group and its close associates after completion of the Global Offering:

Management Independence

Our Board comprises one executive Director, six non-executive Directors and four independent non-executive Directors. Our daily operational and management decisions are made collectively by our senior management team led by Mr. ZHAO Hong, our executive Director.

Each of our Directors is aware of his or her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any

transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to carry out the business decisions of our Group independently.

Our Directors are satisfied that they are able to perform their directorship roles in our Company independently, and believe that we are capable of managing our business independently from GL Capital Group and its close associates after the Listing.

Operational Independence

Our Group holds or has free access to all the relevant material licenses, qualifications, intellectual properties and permits required for conducting our Group's business. Our Group has sufficient capital, facilities and employees to operate our business independently from GL Capital Group and its close associates. Our Group also has independent access to our customers and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business.

As part of the corporate reorganization, all the relevant intellectual properties held by SciClone US, a close associate of GL Capital Group and the predecessor of our Company, are being transferred to our Group. In light of the long time frame for the said transfer, on May 28, 2020, SciClone US and SPIL entered into an intellectual property license agreement (the "**IP License Agreement**"), pursuant to which SciClone US agreed to grant a perpetual, exclusive and royalty-free license to SPIL and its certain affiliates with respect to such relevant intellectual properties held by SciClone US to use and perform all necessary actions in business operation worldwide. See "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of our Group." As the highest applicable percentage ratio for the transactions contemplated under the IP License Agreement is less than 0.1% on an annual basis, such transaction would be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Despite entering into the IP License Agreement, SciClone US will ultimately transfer all the relevant intellectual properties to the Group, and we do not foresee any material legal impediment in this process.

Our Directors believe that we will be able to operate independently from GL Capital Group and its close associates after the Listing.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control

functions independent from GL Capital Group, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the GL Capital Group. Our Company makes tax registration and pays tax independently with our own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of GL Capital Group and its close associates.

Our Directors confirm that, as of the Latest Practicable Date, there were no subsisting loans, guarantees or pledges provided by GL Capital Group and/or its close associates to our Group.

Based on the aforesaid, our Directors believe that we will be able to maintain financial independence from GL Capital Group and its close associates after the Listing.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As of the Latest Practicable Date, Mr. LI Zhenfu, being our non-executive Director, held non-executive directorships in certain GL Pharmaceutical Portfolio Companies, but was not involved in the daily management and operations of such companies.

Save as disclosed above, none of our Directors is interested in any businesses apart from our Group's business which competes or is likely to compete, either directly or indirectly, with our Group's business under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and GL Capital Group:

(a) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;

(b) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;

(c) we have appointed Maxa Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance;

(d) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence;

(e) we will provide trainings for our Directors and our senior management members on a regular basis, to ensure that they understand their obligations under the Listing Rules; and

(f) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and GL Capital Group and/or our Directors to protect minority Shareholders' rights after the Listing.

DIRECTORS

Our Board currently consists of 11 Directors, including one executive Director, six non-executive Directors and four independent non-executive Directors. The table below sets forth certain information about our Directors:

Name	Age	Position	Roles and responsibilities	Date of appointment as a Director	Date of joining our Group	Relationship with other Directors and senior management
Mr. ZHAO Hong (趙宏)	57	Executive Director, Chief Executive Officer and President	In charge of overall operations, strategies and decision making of our Group	June 2020	April 2013	None
Mr. LI Zhenfu	57	Non-executive Director and Chairman	Participating in the formulation of business plans, strategies and major decisions of our Group through the Board	June 2020	October 2017	None
Dr. VASELLA Daniel Luzius	67	Non-executive Director	Participating in the formulation of business plans, strategies and major decisions of our Group through the Board	August 2020	August 2020	None
Ms. LIN Shirley Yi-Hsien	38	Non-executive Director	Participating in the formulation of business plans, strategies and major decisions of our Group through the Board	February 2021	October 2017	None
Ms. LI Quan (李泉)	40	Non-executive Director	Participating in the formulation of business plans, strategies and major decisions of our Group through the Board	June 2020	October 2017	None
Mr. SHI Cen (石岑)	45	Non-executive Director	Participating in the formulation of business plans, strategies and major decisions of our Group through the Board	June 2020	June 2020	None
Ms. WANG Xiaozhuo (王曉卓)	42	Non-executive Director	Participating in the formulation of business plans, strategies and major decisions of our Group through the Board	June 2020	October 2017	None
Dr. LIU Guoen (劉國恩)	63	Independent Non-executive Director	Providing independent opinion and judgment to our Board	February 2021	February 2021	None
Dr. CHEN Ping	62	Independent Non-executive Director	Providing independent opinion and judgment to our Board	February 2021	February 2021	None
Mr. GU Alex Yushao	51	Independent Non-executive Director	Providing independent opinion and judgment to our Board	February 2021	February 2021	None
Ms. HAYES Wendy	50	Independent Non-executive Director	Providing independent opinion and judgment to our Board	February 2021	February 2021	None

Executive Director

Mr. ZHAO Hong (趙宏), aged 57, is our executive Director, chief executive officer and president. Mr. Zhao has more than 30 years of experience in the medical and pharmaceutical industry. Prior to joining our Group, he served as a lecturer of Nanjing Medical University (南京醫科大學) from July 1986 to September 1992, and served in Xian Janssen Pharmaceutical Ltd. (西安楊森製藥有限公司) from December 1992 to July 1995, a regional sales manager, national sales director and senior vice president of Beijing Novartis Pharmaceutical Co., Ltd. (北京諾華製藥有限公司) from July 1995 to February 2011, and an executive vice president of Simcere Pharmaceutical Group (先聲藥業集團) from February 2011 to April 2013. Mr. Zhao joined SciClone US in April 2013 and served as its CEO (China Operations), in charge of its operations in China before the incorporation of the Company.

Mr. Zhao received his bachelor's degree in clinical medicine from Nanjing Medical University (南京醫科大學) (formerly known as Nanjing Medical College (南京醫學院)) in July 1986, in Jiangsu province, the PRC. He obtained his Executive Master of Business Administration ("EMBA") from China Europe International Business School (中歐國際工商學院) in April 2002, in Shanghai, the PRC.

Non-executive Directors

Mr. LI Zhenfu, aged 57, is our non-executive Director and the Chairman of the Board. Mr. Li is the founder of GL Capital Group (德福資本), one of our substantial Shareholders, and has served as its president and chief executive officer since February 2010. Prior to founding GL Capital Group, Mr. Li served as the China president of Novartis Overseas Investment AG Beijing Representative Office from June 2004 to January 2010.

Mr. Li also has served as a director of The Nature Conservancy (大自然保護協會) since September 2009, a director of China Entrepreneur Club (中國企業家俱樂部) since April 2009, and a vice executive president of Pharmaceutical Chamber of Commerce of All-China Federation of Industry and Commerce (中華全國工商聯醫藥業商會) since December 2010.

Mr. Li obtained his bachelor's degree in materials science from Beihang University (北京航空航天大學) in July 1986, in Beijing, the PRC, and his master's degree in metallurgical engineering from Illinois Institute of Technology in December 1988, in Chicago, the U.S.

Dr. VASELLA Daniel Luzius, aged 67, is our non-executive Director. Dr. Vasella has over 40 years of experience in the medical and pharmaceutical industry. Prior to joining our Group, from December 1996 to February 2010 Dr. Vasella was chief executive officer and from February 1999 to February 2013 chairman of the board of Novartis International AG (New York Stock Exchange: NVS and Six Swiss Exchange: NOVN). Dr. Vasella served as a director of XBiotech Inc. (NASDAQ: XBIT) from November 2014 to January 2018.

Dr. Vasella has served as an independent non-executive director of PepsiCo, Inc. (NASDAQ: PEP) since February 2002 and an independent non-executive director of American Express Company

(New York Stock Exchange: AXP) since July 2012. Dr. Vasella was appointed as Economic Advisor to Governor of Guangdong Province, the PRC by the governor of Guangdong Province, the PRC in November 2003.

Dr. Vasella obtained the FMH Specialty certification in internal medicine in November 1985; he pursued his psychodynamic and psychotherapy training at the University of Bern and Freud-Institut Zürich from September 1978 to May 1988, the Program of Management Development certification from Harvard Business School in December 1989; the certified coach qualification from Der Deutsche Bundesverband Coaching (DBVC) in Germany in June 2014; and the certified coach qualification from "The Leadership Circle" in September 2016.

Dr. Vasella received Ordem Cruzeiro do Sul from President of Brazil, in 2000, Harvard Business School's Alumni Achievement Award from Harvard Business School, in October 2003, first international award for responsible capitalism 2003 by the archbishop of canterbury, the most Rev & Rt Hon Dr Rowan Williams PC FBA in December 2003, was entitled the foreign honorary membership of American Academy of Arts and Sciences in 2008, and Prix Pasteur from the Institut Pasteur, in France in 2007. Dr. Vasella was adjudged the winner of Golden Peacock Leadership Award for Corporate Social Responsibility 2010 by the chairman of the Golden Peacock Global Awards in September 2010.

Dr. Vasella obtained his Swiss medical diploma from the University of Bern in December 1979, in Bern, the Switzerland, and his doctor of medicine degree from the University of Bern in October 1980, in Bern, Switzerland.

Ms. LIN Shirley Yi-Hsien, aged 38, is our non-executive Director. Ms. Lin has extensive experience in investment and is currently the managing director of private equity investment department of GL Capital, one of our substantial Shareholders. She has been with GL Capital since August 2011.

Ms. Lin obtained her bachelor's degree in management science and engineering from Stanford University in June 2004.

Ms. LI Quan (李泉), aged 40, is our non-executive Director. Ms. Li has over ten years of experience in investment management. Ms. Li served as an executive director of CDH Investments Management (Hong Kong) Limited, one of our substantial Shareholders, from December 2010 to May 2017 and has served as a managing director in private equity department since June 2017, responsible for the management of CDH Fund V.

Ms. Li obtained her double bachelor's degree in cell biology and genetics, and economy from Peking University (北京大學) in July 2002, in Beijing, the PRC, and her master's degree in school of computing in bioinformatics from National University of Singapore in July 2004, in Singapore.

Mr. SHI Cen (石岑), aged 45, is our non-executive Director. Mr. Shi has about 20 years of experience in the field of investment management. Mr. Shi joined Ascendent Capital Partners (Asia) Limited (上達資本 (亞洲) 有限公司) in April 2011, and currently serves as a partner. He currently holds directorships in several companies including an independent non-executive director of IDG Energy Investment Limited (Hong Kong Stock Exchange: 0650) since August 2016, and a director of BE Education Ltd. (必益教育有限公司) since May 2019. Mr. Shi served as an analyst of Goldman Sachs from November 2000 to May 2003, a vice president of CCMP Capital Asia Pte Ltd. (formerly known as JP Morgan Partners Asia) from May 2003 to June 2007, a senior vice president of D. E. Shaw & Co. from June 2007 to March 2011, and a director of Ningxia Xiajin Dairy Group Company Limited (寧夏夏進乳業集團股份有限公司) from June 2014 to July 2020.

Mr. Shi obtained his bachelor's degree and master's degree, both in economics, from Tsinghua University (清華大學) in July 1997 and June 1999, respectively, in Beijing, the PRC.

Ms. WANG Xiaozhuo (王曉卓), aged 42, is our non-executive Director. Ms. Wang has about 17 years of experience in the field of finance and investment. Ms. Wang has served as an executive vice president of Bank of China Group Investment Limited (中銀集團投資有限公司, "BOCGI"), one of our substantial Shareholders, since March 2016, and holds several directorships in subsidiaries of BOCGI, and companies in which BOCGI holds equity interests. Ms. Wang held several positions within Bank of China (中國銀行) (Hong Kong Stock Exchange: 3988 and Shanghai Stock Exchange: 601988) from July 2003 to March 2016, with her last position serving as the head of financing department at the head office of Bank of China from July 2004 to March 2016.

Ms. Wang obtained her bachelor's degree in international finance from Ocean University of China (中國海洋大學, formerly known as Qingdao Ocean University) in July 2001, in Shandong Province, the PRC, and her master's degree in economics from Peking University (北京大學) in June 2003, in Beijing, the PRC.

Independent Non-executive Directors

Dr. LIU Guoen (劉國恩), aged 63, is our independent non-executive Director. Dr. Liu has been a BOYA Professor of economics of National School of Development of Peking University (北京大學國家發展研究院), MOH Yangtze River Scholar Professor (長江學者特聘教授) of economics and a vice dean of Faculty of Economics and Management of Peking University (北京大學經濟管理學部) and the director of PKU China Center for Health Economic Research (北京大學中國衛生經濟研究中心) since 2006. Dr. Liu has served as an independent non-executive director of MicroPort Scientific Corporation (微創醫療科學有限公司 (Hong Kong Stock Exchange: 0853) since September 2010.

Dr. Liu graduated from mathematics, physics and chemistry department of Southwest Minzu University (西南民族大學) in 1982, in Sichuan Province, the PRC, and obtained his master's degree in statistics from Southwestern University of Finance and Economics (西南財經大學) in 1985, in Sichuan Province, the PRC, his doctoral degree in economics from the City University of New York in 1991.

Dr. CHEN Ping, aged 62, is our independent non-executive Director. Dr. Chen is the founder of PharmaResources (Shanghai) Co., Ltd. (上海泓博智源醫藥股份有限公司) and has been served as its chairman of the board and the chief executive officer since December 2007. Prior to that, Dr. Chen once served in Bristol Myers Squibb Company (New York Stock Exchange: BMY) and was the main inventor of several patents including Dasatini.

Dr. Chen obtained his bachelor's degree in organic chemistry from Peking University (北京大學) in April 1982 in Beijing, the PRC, and his doctoral degree in organic chemistry from Duke University in May 1990 in North Carolina State, the U.S.

Mr. GU Alex Yushao, aged 51, is our independent non-executive Director. Mr. Gu has over 26 years of experience in business administration and corporate management. Mr. Gu serves as a senior vice president, president of Greater China operations and a member of global executive committee of Medtronic since January 2018. Prior to that, Mr. Gu once served as a consultant of McKinsey & Company and a corporate executive of base resins and the business leader in Asia Pacific of SABIC Innovative Plastics. He has also served as the corporate executive of China of General Electric Company (New York Stock Exchange: GE) from May 2004 to May 2008, the president in China of Covidien Healthcare International Trading (Shanghai) Co., Ltd. (which is currently a part of Medtronic plc) from September 2009 to January 2015. Mr. Gu then joined Medtronic plc (New York Stock Exchange: MDT), and served as a vice president, and the president of Medtronic's Minimum Invasive Therapy Group (MITG) and Regional Growth Initiative Group from January 2015 to December 2017.

Mr. Gu obtained his bachelor's degree in engineering and Master of Science degree in Mississippi State University in December 1991 and December 1993, respectively, in Mississippi State, the U.S., and his MBA from the University of Chicago's Booth School of Business in June 2001, in Chicago, the U.S.

Ms. HAYES Wendy, aged 50, is our independent non-executive Director. Ms. Hayes is currently an ALI Fellow at Harvard University. Ms. Hayes has served as an independent director of Burning Rock Biotech Limited (NASDAQ: BNR) since June 2020, Tuanche Limited (NASDAQ: TC) since November 2018 and Xinyuan Real Estate Co., Ltd. (New York Stock Exchange: XIN) since January 2020. Between May 2013 and September 2018, Ms. Hayes served as the inspections leader at the Public Company Accounting Oversight Board in the United States. Prior to that, Ms. Hayes was an audit partner at Deloitte (China).

Ms. Hayes is a certified public accountant in the United States (California) and China. Ms. Hayes obtained her certified public accountant license from the California Board of Accountancy in November 1998.

Ms. Hayes received her bachelor's degree in international finance from University of International Business and Economics (對外經濟貿易大學) in June 1991, in Beijing, the PRC, and her executive MBA from Cheung Kong Graduate School of Business (長江商學院) in October 2012, in Shanghai, the PRC.

Save as disclosed above, none of our Directors held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

Save as disclosed herein, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there was no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules.

SENIOR MANAGEMENT

The following table sets forth certain information about the senior management of our Company:

Name	Age	Position	Roles and responsibilities	Date of appointment as senior management	Date of joining our Group	Relationship with other Directors and senior management
Mr. ZHAO Hong (趙宏)	57	Chief Executive Officer and President	Overall operations and decision making of our Group	April 2013	April 2013	None
Mr. SHAO Peter Chihwen	57	Vice President	Quality control and supply chain management	January 2017	February 2012	None
Mr. WU Mingxiang (吳明祥)	54	Vice President	Market access and commercial operation (MACO)	February 2014	February 2014	None
Mr. CHANG Yansong (常岩松)	52	Vice President	Marketing, business operation and management of the oncology department	June 2013	June 2013	None
Mr. JIA Min (賈敏)	49	Vice President	Marketing and sales of the immunization business department, and the Going To Patients project	March 2017	March 2017	None
Mr. WU Lianzong (武連宗)	46	Vice President	Regulatory registration	October 2016	October 2016	None
Dr. GUO Xiaoning (郭曉寧)	42	Vice President	Management of the research and development	March 2020	March 2020	None

For details of the biography of Mr. ZHAO Hong (趙宏), see "— Directors — Executive Director."

Mr. SHAO Peter Chihwen, aged 57, is a vice president of our Company. Mr. Shao has over 20 years of experience in the pharmaceutical industry. Prior to joining our Group in February 2012, Mr. Shao worked at several U.S. pharmaceutical companies, including Noven Pharmaceuticals, Inc., Andrx Pharmaceuticals, Inc. (currently known as Actavis, Inc.), Nektar Therapeutics, Inc. (currently known as Novartis International AG (New York Stock Exchange: NVS and the Six Swiss Exchange: NOVN)), Jazz Pharmaceuticals plc (NASDAQ: JAZZ), Kanghong Sagent (Chengdu) Pharmaceutical

Corporation Limited (康弘賽金(成都)藥業有限公司) (currently known as Segent (China) Pharmaceuticals Co., Ltd. (健進製藥有限公司)), Flavine North America, Inc. and Map Pharmaceuticals, Inc. (currently known as AbbVie Inc. (New York Stock Exchange: ABBV)).

Mr. Shao obtained his bachelor's degree in marine chemistry from Xiamen University (廈門大學) in July 1979 in Fujian Province, the PRC, his master's degree in analytical chemistry from Florida International University in April 1992 in Florida State, the U.S., and his MBA degree from San Jose State University in May 2007 in California State, the U.S.

Mr. WU Mingxiang (吳明祥), aged 54, is a vice president of our Company. Mr. Wu Mingxiang has 24 years of experience in sales and management in the medical and pharmaceutical industry. Prior to joining our Group, he served as a pharmaceutical sales representative and the director of South China region of Beijing Novartis Pharmaceutical Co., Ltd. (北京諾華製藥有限公司) from October 1996 to February 2014. Prior to this, Mr.Wu served as a lecturer of Jiangxi Medical College of Nanchang University (南昌大學江西醫學院) (formerly known as Jiangxi Medical College (江西醫學院)).

Mr. Wu received his bachelor degree in medicine from Jiangxi Medical College of Nanchang University (南昌大學江西醫學院) (formerly known as Jiangxi Medical College (江西醫學院) in June 1990 in Jiangxi Province, the PRC.

Mr. CHANG Yansong (常岩松), aged 52, is a vice president of our Company and the vice president and general manager of oncology business unit of our Company. Mr. Chang has 27 years of experience of marketing and business operation in the pharmaceutical industry. Prior to joining our Group, Mr. Chang served as an engineer of Northeast Pharmaceutical Group Co., Ltd. (東北製藥集團股份有限公司) (Shenzhen Stock Exchange: 000597), formerly known as Northeast General Pharmaceutical Factory (東北製藥總廠) from July 1991 to February 1994, a national business manager of Sino-American Shanghai Squibb Pharmaceuticals Co., Ltd. (中美上海施貴寶製藥有限公司) from May 1995 to February 2008, and a marketing manager of Medtronic (Shanghai) Management Co., Ltd. (美敦力（上海）管理有限公司) from March 2008 to May 2013.

Mr. Chang obtained his bachelor's degree in biochemistry from Jilin University (吉林大學) in July 1991 in Jilin Province, the PRC, and his EMBA from Shanghai Jiao Tong University (上海交通大學) in December 2008 in Shanghai, the PRC.

Mr. JIA Min (賈敏), aged 49, is a vice president and the head of the immunization business department of our Company. Mr. Jia has 24 years of experience relating to sales and market development in the medical and pharmaceutical industry. Prior to joining our Group, Mr. Jia held several positions with Shanghai Roche Pharmaceuticals Ltd. (上海羅氏製藥有限公司) from April 1996 to April 2010 with his last position serving as a business unit director (business unit head) of Shanghai Roche Pharmaceuticals Ltd. Mr. Jia served as a marketing director of Nycomed Pharmaceutical Consulting (Shanghai) Co., Ltd. (奈科明醫藥諮詢(上海)有限公司) from August 2010 to June 2011, and a general manager of anti-inflammatory, analgesic and rheumatic immunity

department in Simcere Pharmaceutical Co., Ltd. (先聲藥業集團) from August 2011 to August 2013. From August 2013 to March 2017, Mr. Jia served as a deputy general manager and general manager of business unit of Sunshine Guojian Pharmaceutical (Shanghai) Co., Ltd. (三生國健藥業（上海）股份有限公司) (formerly known as Shanghai CP Guojian Pharmaceutical Development Co., Ltd., 上海中信國健醫藥發展有限公司), and a vice president of 3SBio Inc. (三生製藥) (Hong Kong Stock Exchange: 1530).

Mr. Jia was awarded the Gold Award for Excellence of Innovation in Roche Global Pharmaceuticals 2003 Olympiad Award Competition by the Roche Global Pharmaceuticals Division in May 2004, and won 2008 Roche Global Pharma CEO Award for Innovation and Excellence by the Roche Global Pharmaceuticals Division in December 2008.

Mr. Jia received his MBA from Asia International Open University (Macau) (亞洲（澳門）國際公開大學) in March 2003, in Macau. Mr. Jia also received his diploma in management from China Europe International Business School (中歐國際工商學院) in December 2006 in Shanghai, the PRC, and completed the Chief Marketing Officer course for senior management from the same school in October 2015.

Mr. WU Lianzong (武連宗), aged 46, is the vice president of our Company. Mr. Wu has 22 years of experience in the regulatory registration in the pharmaceutical industry in China. Prior to joining our Group, he once served in Allergan Information Consulting (Shanghai) Co., Ltd., and the head of China regulatory affairs of Hospira (China) Enterprise Management Co., Ltd. (赫升瑞（中國）企業管理有限公司), from October 2012 to September 2016.

Mr. Wu received his qualification of pharmacist from China Pharmaceutical Association (中國藥學會) on July 15, 1998.

Mr. Wu obtained his bachelor's degree in medicine from Hebei Medical University (河北醫科大學) in June 1998 in Hebei Province, the PRC, and his master's degree in medicinal chemistry from Peking Union Medical College (北京協和醫學院) (whose Chinese name was formerly known as 中國協和醫科大學) in March 2004 in Beijing, the PRC.

Dr. GUO Xiaoning (郭曉寧), aged 42, is a vice president, the head of research and development department and the chief medical officer of our Company. Dr. Guo has 15 years of R&D experience in the pharmaceutical industry. Prior to joining our group, Dr. Guo served as a research affiliate of Roswell Park Cancer Institute from July 2005 to April 2007, a senior scientist of AstraZeneca Pharmaceutical Company Limited (New York Stock Exchange: AZN, London Stock Exchange: AZN, and Nasdaq Stockholm AB: AZN) from June 2007 to December 2011, a program manager at Johnson & Johnson Medical (Shanghai) Ltd. (强生（上海）醫療器材有限公司) from January 2012 to February 2014, a senior director and a clinical drug development leader of Covance, Inc. from February 2014 to November 2018, and consecutively a deputy general manager, the head of clinical development and regulatory affairs of General Regeneratives (Shanghai) Limited (交晨生物醫藥技術（上海）有限公司) from November 2018 to March 2020.

Dr. Guo obtained his bachelor's degree in chemistry from Nanjing University (南京大學) in July 2000 in Jiangsu Province, the PRC, and his doctoral degree in pharmacology from Shanghai Institute of Materia Medica of Chinese Academy of Sciences (中國科學院上海藥物研究所) in July 2005 in Shanghai, the PRC.

Save as disclosed herein, none of the senior management of our Company held any directorship in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Ms. PAN Rongrong (潘蓉容), aged 42, was appointed as our company secretary in August 2020 with effect from the date of this document. Ms. Pan is also the chief financial officer of our Company, and is responsible for overseeing the Group's financial reporting functions and specific financial projects. Prior to joining our Group, Ms. Pan worked at PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所有限公司) from July 2002 to November 2018 with last position as a partner, and served as an associate of auditing department of Arthur Andersen LLP (安達信華强會計師事務所) from August 2001 to June 2002. Ms. Pan joined our Group in November 2018 and has served as the vice president of finance. Ms. Pan obtained her bachelor's degree in economics from Shanghai International Studies University (上海外國語大學) in July 1998 in Shanghai, the PRC, and her master's degree in accounting from Fudan University (復旦大學) in July 2001 in Shanghai, the PRC. She is a member of China Certified Public Accountant Association.

Ms. CHAN Sin Man Nico (陳倩敏), aged 34, was appointed as our company secretary in August 2020 with effect from the date of this document. Ms. Chan joined corporate services of Tricor Services Limited in 2010 and currently serves as a senior manager. Ms. Chan has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. Chan obtained her bachelor's degree in language studies (translation and interpretation) from City University of Hong Kong in July 2009 and her master's degree in professional accounting and corporate governance from City University of Hong Kong in July 2013. Ms. Chan is a chartered secretary, a chartered governance professional and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in the United Kingdom.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to our Directors in respect of the financial years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 were approximately RMB13.0 million, RMB7.7 million, RMB14.5 million and RMB17.8 million, respectively.

The five highest paid individuals of our Group for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 included one Director, whose remuneration

is included in the aggregate amounts of fees, salaries, allowances, retirement benefits scheme contributions and other benefits we paid to the relevant Directors as set out above. In the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020, the total remuneration (including fees, salaries, allowances, retirement benefit scheme contributions and other benefits) we paid to the remaining four highest paid individuals amounted to approximately RMB67.2 million, RMB14.9 million, RMB18.6 million and RMB16.8 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending December 31, 2020 is expected to be approximately RMB27.0 million.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

See "Statutory and General Information — C. Further information about our Directors and Substantial Shareholders — 2. Particulars of Service Contract and Letters of Appointment" in Appendix V to this prospectus.

BOARD COMMITTEES

Our Company has established three Board committees in accordance with the relevant laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an audit committee (the "Audit Committee") in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Ms. HAYES Wendy, Ms. LI Quan and Mr. GU Alex Yushao with Ms. HAYES Wendy currently serving as the chairman. Ms. HAYES Wendy has the appropriate professional qualification and experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee is mainly responsible for reviewing and overseeing the financial reporting procedure and internal control system of our Group.

Remuneration Committee

We have established a remuneration committee (the "Remuneration Committee") in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. GU Alex Yushao, Mr. ZHAO Hong and Dr. CHEN Ping, with Mr. GU Alex Yushao currently serving as the chairman. The Remuneration Committee is mainly responsible for evaluating the remuneration polices for Directors and senior management of our Group and making recommendations thereon to the Board.

Nomination Committee

We have established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. LI Zhenfu, Ms. HAYES Wendy and Dr. LIU Guoen, with Mr. LI Zhenfu currently serving as the chairman. The Nomination Committee is mainly responsible for making recommendations to our Board regarding the appointment of Directors and Board succession.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "Board Diversity Policy") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board is of the view that our current Board composition satisfies the Board Diversity Policy. The Nomination Committee is responsible for reviewing the diversity of the Board. After the Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our compliance advisor (the "Compliance Advisor") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report,

(b) where a transaction, which might be a notifiable or connected transaction under Chapters 14 or 14A of the Listing Rules, is contemplated, including share issues and share repurchases,

(c) where we propose to use the proceeds of the Global Offering in a manner different from which has been detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus, and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

CORPORATE GOVERNANCE CODE

Our Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company intends to comply with all corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules after the Listing.

AUTHORIZED AND ISSUED SHARE CAPITAL

As of the date of this prospectus, the authorized and issued share capital of our Company is as follows:

Authorized Share Capital:	**USD**
1,000,000,000 Shares	50,000

Issued Share Capital:	**USD**
561,889,763 Shares	28,094

Assuming the Over-allotment Option is not exercised at all and without taking into account our Shares to be issued under the Share Plans, the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

Issued Share Capital:		**USD**	**Approximate percentage of issued share capital**
561,889,763	Shares in issue immediately before the Global Offering	28,094	82.89%
115,984,500	Shares to be issued under the Global Offering (excluding any shares which may be issued under the Over-allotment Option)	5,799	17.11%
677,874,263	Shares in total	33,893	100.00%

Assuming the Over-allotment Option is exercised in full and without taking into account our Shares to be issued under the Share Plans, the issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

Issued Share Capital:		**USD**	**Approximate percentage of issued share capital**
561,889,763	Shares in issue immediately before the Global Offering	28,094	80.82%
133,382,000	Shares to be issued under the Global Offering and Shares may be issued under the Over-allotment Option[2]	6,669	19.18%
695,271,763	Shares in total	34,764	100.00%

(1) Our Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 17,397,500 Shares will be sold and issued upon exercise of the Over-allotment Option in full.

RANKING

Our Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions

declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed "The Structure of the Global Offering — Conditions of the Global Offering" in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

(a) a rights issue;

(b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles of Association;

(c) a specific authority granted by our Shareholders in general meeting, shall not exceed the aggregate of:

  (i) 20% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering; and

  (ii) the total nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to in the section headed "— General Mandate to Buy Back Shares" below.

This general mandate to issue Shares will expire:

(1) at the conclusion of our next annual general meeting; or

(2) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, see "Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders" in Appendix V to this prospectus.

GENERAL MANDATE TO BUY BACK SHARES

Subject to the conditions stated in the section headed "The Structure of the Global Offering — Conditions of the Global Offering," our Directors have been granted a general unconditional mandate to exercise all of our powers to buy back Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering.

This general mandate relates only to purchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which our Shares are listed (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Group — 7. Repurchase of Our Own Securities" in Appendix V to this prospectus.

This general mandate to buy back Shares will expire:

(i) at the conclusion of our next annual general meeting; or

(ii) at the end of the period within which we are required by any applicable law or our Articles of Association to hold our next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, see "Statutory and General Information — A. Further Information about Our Group — 4. Written Resolutions of Our Shareholders" in Appendix V to this prospectus.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have an interest or a short position in our Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of shareholder	Nature of interest	Shares held immediately prior to the Global Offering		Shares held immediately following the completion of the Global Offering[1]	
		Number	*Percentage*	*Number*	*Percentage*
Mr. Li Zhenfu	Interest in controlled corporation[4]	195,104,060	34.72%	195,104,060	28.78%
GL Partners Capital Management Ltd	Interest in controlled corporation[4]	195,104,060	34.72%	195,104,060	28.78%
Assicurazioni Generali S.p.A	Interest in controlled corporation[4]	195,104,060	34.72%	195,104,060	28.78%
GL Trade Investment LP	Beneficial interest[2]	104,968,370	18.68%	104,968,370	15.48%
GL Capital Management GP II B.C. I Ltd.	Interest in controlled corporation[2]	104,968,370	18.68%	104,968,370	15.48%
GL Capital Management Ltd	Interest in controlled corporation[2]	104,968,370	18.68%	104,968,370	15.48%
Lion River I N.V.	Interest in controlled corporation[4]	195,104,060	34.72%	195,104,060	28.78%
GL Glee Investment Limited	Beneficial interest[3]	90,135,690	16.04%	90,135,690	13.30%
GL China Opportunities Fund L.P.	Interest in controlled corporation[3]	90,135,690	16.04%	90,135,690	13.30%
GL Capital Management GP L.P.	Interest in controlled corporation[3]	90,135,690	16.04%	90,135,690	13.30%
GL Capital Management GP Limited	Interest in controlled corporation[3]	90,135,690	16.04%	90,135,690	13.30%
Ocean Falcon Limited	Beneficial interest[5]	84,523,130	15.04%	84,523,130	12.47%
Bank of China Group Investment Limited	Interest in controlled corporation[5]	84,523,130	15.04%	84,523,130	12.47%
Bank of China Limited	Interest in controlled corporation[5]	84,523,130	15.04%	84,523,130	12.47%
Central Huijin Investment Ltd.	Interest in controlled corporation[5]	84,523,130	15.04%	84,523,130	12.47%
China Investment Corporation	Interest in controlled corporation[5]	84,523,130	15.04%	84,523,130	12.47%
Avengers Limited	Beneficial interest[6]	106,536,790	18.96%	106,536,790	15.72%

Name of shareholder	Nature of interest	Shares held immediately prior to the Global Offering		Shares held immediately following the completion of the Global Offering[1]	
		Number	*Percentage*	*Number*	*Percentage*
CDH Fund V, L.P.	Interest in controlled corporation[6]	106,536,790	18.96%	106,536,790	15.72%
CDH V Holdings Company Limited	Interest in controlled corporation[6]	106,536,790	18.96%	106,536,790	15.72%
China Diamond Holdings V Limited	Interest in controlled corporation[6]	106,536,790	18.96%	106,536,790	15.72%
China Diamond Holdings Company Limited	Interest in controlled corporation[6]	106,536,790	18.96%	106,536,790	15.72%
Ascendent Silver (Cayman) Limited	Beneficial interest[7]	103,497,710	18.42%	103,497,710	15.27%
Ascendent Capital Partners II, L.P.	Interest in controlled corporation[7]	103,497,710	18.42%	103,497,710	15.27%
Ascendent Capital Partners II GP, L.P.	Interest in controlled corporation[7]	103,497,710	18.42%	103,497,710	15.27%
Ascendent Capital Partners II GP, Limited	Interest in controlled corporation[7]	103,497,710	18.42%	103,497,710	15.27%
Mr. Meng Liang	Interest in controlled corporation[7]	103,497,710	18.42%	103,497,710	15.27%
Boying Investments Limited	Beneficial interest[8]	53,473,820	9.52%	53,473,820	7.89%
Mr. Zhu Weihang	Interest in controlled corporation[8]	53,473,820	9.52%	53,473,820	7.89%

Notes:

(1) Assuming the Over-allotment Option and the options under the Option Incentive Plan are not exercised.

(2) GL Trade Investment L.P. was an exempted limited partnership registered in Canada on March 25, 2015. Its general partner was GL Capital Management GP II B.C. I Ltd., a company incorporated in Canada which was wholly owned by GL Capital Management Ltd, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was a company incorporated in Netherlands and was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. GL Partners Capital Management Ltd was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu, a non-executive director of our Company as to 70%. As such, each of GL Capital Management GP II B.C. I Ltd., GL Capital Management Ltd, GL Partners Capital Management Ltd, Lion River I N.V., Assicurazioni Generali S.p.A and Mr. Li Zhenfu is deemed to be interested in our Shares held by GL Trade Investment L.P.

(3) GL Glee Investment Limited was a limited liability company incorporated in the Cayman Islands on March 10, 2011 and was wholly owned by GL China Opportunities Fund L.P., a limited partnership registered in Cayman Islands whose general partner was GL Capital Management GP L.P., a limited partnership registered in Cayman Islands, whose general partner was GL Capital Management GP Limited, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was a company incorporated in Netherlands and was wholly

owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. GL Partners Capital Management Ltd was a limited liability company incorporated in the Cayman Islands and was controlled by Mr. Li Zhenfu as to 70%. As such, each of GL China Opportunities Fund L.P., GL Capital Management GP L.P., GL Capital Management GP Limited, Lion River I N.V., Assicurazioni Generali S.p.A, GL Partners Capital Management Ltd, and Mr. Li Zhenfu is deemed to be interested in our Shares held by GL Glee Investment Limited.

(4) Each of Assicurazioni Generali S.p.A, Lion River I N.V., GL Partners Capital Management Ltd and Mr. Li Zhenfu is deemed to be interested in our Shares held by GL Trade Investment L.P. and GL Glee Investment Limited.

(5) Ocean Falcon Limited was a limited company incorporated in Hong Kong on March 15, 2017 and was wholly owned by Bank of China Group Investment Limited, a limited company incorporated in Hong Kong which in turn was wholly owned by Bank of China Limited, a joint stock company established in the PRC with limited liability which in turn was held by Central Huijin Investment Ltd. as to 64.02%, a limited liability company established in the PRC which in turn was wholly owned by China Investment Corporation, a limited liability company which was wholly owned by the State Council of the People's Republic of China. As such, each of Bank of China Group Investment Limited, Bank of China Limited, Central Huijin Investment Ltd., China Investment Corporation, and State Council of the People's Republic of China is deemed to be interested in our Shares held by Ocean Falcon Limited.

(6) Avengers Limited was a limited liability company incorporated in the Cayman Islands and was wholly owned by CDH Fund V, L.P., a limited partnership registered in the Cayman Islands. Its general partner was CDH V Holdings Company Limited, a limited liability company incorporated in the Cayman Islands which was held by China Diamond Holdings V Limited as to 80%, a limited liability company incorporated in the Birtish Virgin Islands which in turns was wholly owned by China Diamond Holdings Company Limited, a limited liability company incorporated in Birtish Virgin Islands. As such, each of CDH Fund V, L.P., CDH V Holdings Company Limited, China Diamond Holdings V Limited and China Diamond Holdings Company Limited is deemed to be interested in our Shares held by Avengers Limited.

(7) Ascendent Silver (Cayman) Limited was a limited liability company incorporated in the Cayman Islands and was wholly owned by Ascendent Capital Partners II, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was Ascendent Capital Partners II GP, L.P., an exempted limited partnership registered under the laws of the Cayman Islands whose general partner was Ascendent Capital Partners II GP Limited, a limited liability company incorporated in the Cayman Islands and was wholly owned by Mr. Meng Liang. As such, each of Ascendent Capital Partners II, L.P., Ascendent Capital Partners II GP, L.P., Ascendent Capital Partners II GP Limited and Mr. Meng Liang is deemed to be interested in our Shares held by Ascendent Silver (Cayman) Limited.

(8) Boying Investments Limited was a limited liability company incorporated in the British Virgin Islands and was wholly owned by Mr. Zhu Weihang, an Independent Third Party.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Global Offering (assuming the Over-allotment Option and the options under the Option Incentive Plan are not exercised), have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I of this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business."

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a biopharmaceutical company with an integrated platform for product development and commercialization. We strategically focus on some of the largest and fast-growing therapeutic areas with significant unmet medical needs in China, primarily including oncology and severe infection. Leveraging our integrated platform, we strive to develop and commercialize a portfolio of high-quality marketed products, including our proprietary product, Zadaxin, and pipeline drugs in our focused therapeutic areas.

We primarily focus on the therapeutic areas of oncology and severe infection. According to Frost & Sullivan, oncology is expected to become the largest therapeutic area in China in 2024, with the oncology drug market estimated to reach RMB367.2 billion then, accounting for 16.5% of China's pharmaceutical market. Oncology is also the fastest-growing major therapeutic area in China. The size of oncology drug market is expected to grow at a CAGR of 15.0% from 2019 to 2024, significantly higher than that of 6.4% for China's pharmaceutical market in the same period. According to Frost & Sullivan, infectious diseases are currently the second largest therapeutic area in China. The increasingly challenging treatment of complex severe infection diseases has generated unmet medical needs, leading to promising market potentials.

We have a high-quality portfolio of marketed products, including our proprietary product, Zadaxin. Over the past decades, Zadaxin has gained recognition among doctors and patients as a trusted branded product, especially for its potential benefits in treating SARS and COVID-19. Zadaxin has demonstrated market potential, evidenced by its sustainable revenue growth through challenges, including generic competition, changes in reimbursement policies and changes in provincial tender processes. Our in-licensed products include Angiomax and Zometa. We also sell

promotion products for our partner pharmaceutical companies, such as Pfizer and Baxter. In addition, we have built a pipeline of in-licensed early- to late-stage drug candidates.

We have achieved strong financial results during the Track Record Period. In 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, our revenue was RMB1,213.0 million, RMB1,408.9 million, RMB1,708.1 million, RMB1,290.8 million and RMB1,584.2 million, respectively, representing a CAGR of 18.7% from 2017 to 2019, while our profit was RMB19.6 million, RMB535.1 million, RMB614.6 million, RMB487.2 million and RMB689.8 million, respectively.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which may be beyond our control. A discussion of the key factors is set out below.

The growth of the PRC pharmaceutical industry, in particular, the therapeutic areas we focus on

We generated most of our revenue from Mainland China during the Track Record Period, and expect to continue to focus on Mainland China in the future. The PRC pharmaceutical market witnessed steady growth in recent years, and is expected to continue such growth trend in the near future, which also creates increasing demand for our marketed products. According to Frost & Sullivan, the total size of pharmaceutical market in China reached RMB1,633.0 billion in 2019, representing a CAGR of 7.5% from 2015 to 2019, and is expected to reach RMB2,228.8 billion in 2024, representing a CAGR of 6.4% from 2019 to 2024, mainly driven by the aging trend of the Chinese population, the rising healthcare expenditure, and the improving public medical insurance system.

In addition to the overall pharmaceutical market growth, the therapeutic areas we strategically focus on, primarily including oncology and severe infection, also demonstrate strong potential. According to Frost & Sullivan, among all major therapeutic areas in the PRC pharmaceutical market, oncology is the fastest growing one, with a CAGR of 13.5% from 2015 to 2019, and a CAGR of 15.0% from 2019 to 2024; oncology is also expected to be the largest therapeutic area in China in 2024, with a market size of RMB367.2 billon and accounting for 16.5% of the total pharmaceutical market in China in 2024. Infectious diseases are currently the second largest therapeutic area in China, with a market size of RMB225.5 billion and accounting for 13.8% of the total PRC pharmaceutical market in 2019, according to Frost & Sullivan. Within the infectious disease therapeutic area, severe infection particularly demonstrates promising market potentials, as the increasingly challenging treatment of complex severe infection diseases has generated unmet medical needs and created abundant commercial opportunities.

We benefit from the growth of China's pharmaceutical industry, and specifically the therapeutic areas we focus on. We believe we could see our growth in operations, revenue and

profitability along with the industry growth. See "Industry Overview" for further details of the anticipated growth of the China's pharmaceutical industry and the therapeutic areas we focus on.

Our ability to commercialize and increase market share of our products

We have strong and proven commercialization capabilities, which distinguish us from our competitors and drive our long-term profitability. We market and sell our proprietary and in-licensed products, as well as promotion products for business partners, through an effective in-house sales force covering an extensive geographic scope. Sales of our commercialized and marketed products significantly increased during the Track Record Period. Revenue from Zadaxin increased at a CAGR of 10.1% from 2017 to 2019. According to Frost & Sullivan, in terms of revenue, Zadaxin's market share in the thymalfasin market in China increased from 50.8% in 2017 to 57.5% in 2019, demonstrating our strong performance in the thymalfasin market in China and our strong capabilities to consistently outperform our generic drug competitors in recent years. Revenue from promotion products for business partners increased significantly from 2017 to 2019. According to Frost & Sullivan, the market share of Methotrexate, which we sell for Pfizer, in the methotrexate injection market in China grew from 37.3% in 2015 to 81.9% in 2019, in terms of sales revenue. We intend to maintain our revenue growth and strong cash flow from our portfolio of marketed products through effective lifecycle management, developing potential new clinical adoptions or indications for our proprietary and in-licensed products, expanding hospital coverage and enhancing collaboration with our commercial partners.

Our results of operations and business prospects also depend on our ability to successfully commercialize new products as they come out of pipeline. We generally commence preparatory work for the marketing and promotion of each new product before its expected launch date to help maximize sales.

Our ability to develop or acquire new pharmaceutical products

Our diversified product pipeline, which currently includes seven product candidates primarily focusing on oncology and severe infection, the therapeutic areas we focus on, is enabled by a combination of our strong product development capabilities and clear portfolio construction strategy. We have a business development team capable of making efficient and quick decisions to identify potential candidates globally with high value of synergy with our current product portfolio. We also rely on both our in-house product development capabilities for late-stage candidate development and collaboration with clinical trial partners for early-stage candidate development. Our ability to license in best-in-class products in the therapeutic areas we focus on from innovative biotech companies globally, together with our capabilities to efficiently navigate the registration process by effectively communicating with the regulatory authorities and successful petition for fast-track designation and clinical waivers, ensure that we can bring the candidates with potential of commercial success to the market in a relatively short time frame. We expect to further diversify our product mix by licensing in best-in-class products with relatively high profit margins, which could increase our sources of revenue and enable us to maintain or improve our current profit margin.

See "Business — Product Development" for further details on the status of our current product pipeline, our product development focus and process, and our in-house development capacity and collaboration with partners.

Our ability to effectively control our costs and expenses

Our profitability has benefited from our effective control of cost of revenue. Our cost of revenue primarily includes product cost, warehouse cost, freight and others. We have devoted significant efforts to continuously improving our operation efficiency. Our cost of revenue as a percentage of revenue was 14.9%, 21.5%, 23.0%, 22.7% and 21.8% in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. The increase in 2018 was in line with the change in our product mix as we started to engage in distribution for Baxter products in addition to the promotion services we provide, and derive more revenue from the sales of such products, which incurred higher cost of revenue as percentages of their revenues.

Compared to our ability to control our cost of revenue, our ability to effectively control our operating expenses, particularly our sales and marketing expenses, has a greater impact on our profitability. Our operating expenses include sales and marketing expenses, administrative expenses, research and development expenses, other expenses and finance costs. Sales and marketing expenses are the largest component of our operating expenses, accounting for 32.6%, 27.6%, 27.0%, 24.5% and 18.8% of our revenue in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Administrative expenses, as the second largest component of our operating expenses, accounted for 27.4%, 10.2%, 6.9%, 7.1% and 9.2% of our revenue in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

In the future, we intend to continue to control our costs and expenses while also enhancing our operation productivity.

PRC government policies and pharmaceutical regulations

Our business is subject to extensive government regulation and supervision. Government policies and regulations and their implementation and enforcement have historically had, and are expected to continue to have, a significant impact on the supply, demand and pricing of pharmaceutical products and distribution services in the PRC, the competitive environment and the cost of compliance.

According to applicable PRC laws and regulations, the procurement of substantially all pharmaceutical products is subject to a centralized tender process through which only successful bidders may sell their products to public hospitals and other public medical institutions. Therefore, winning the centralized tender is crucial to our sales through the public hospital and other public medical institution channels in China. We participate in such tender processes regularly and the successful bidding prices are the supply prices at which distributors sell the products to the public hospitals and other public medical institutions. The prices at which we sell to our distributors are

determined in part by the successful bidding prices. Our sales volume and market share depend on our ability to win purchase contracts through the centralized tender process. Our bidding and pricing strategy in the centralized tender process generally focuses on differentiating the products we sell instead of competing solely based on price. As we construct our product portfolio based on the strategy of positioning in high-value and high-growth sectors, we believe that we have developed a competitive advantage and are generally able to command a relatively high margin.

See "Regulatory Overview" for further details of the applicable laws and regulations affecting the PRC pharmaceutical industry and the therapeutic areas we focus on and "Business — Pricing for Products and Services — Regulatory Regimes Affecting Prices of Pharmaceutical Products" for further details of effect of centralized tender process and pricing regulation affecting pharmaceutical products on our pricing in China.

The implementation and expansion of the volume-based procurement for sales of drugs to PRC public medical institutions

On November 15, 2018, the Joint Procurement Office led by the National Healthcare Security Administration published the Papers on Centralized Drug Procurement in "4+7 Cities" (the "**Papers**"), which launched the volume-based procurement of public hospitals. The Papers listed 31 drugs for this pilot scheme together with an intended quantity commitment for each drug. The manufacturers and importers of the drugs are invited to bid to supply the drugs to public medical institutions in the "4+7 Cities." The move is aimed at reducing drug prices and may potentially impact how drugs are priced and procured in China. On January 1, 2019, the General Office of the State Council also published the Notice of Issuing Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State (國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知), which provides additional detailed measures in the implementation of the volume-based procurement in the "4+7 Cities." See "Regulatory Overview — The Volume-based Procurement in '4+7 Cities' and Wider Areas."

As of the Latest Practicable Date, none of our products are currently involved in the volume-based procurement for sales to PRC public medical institutions. These regulations embody a PRC regulatory aim to significantly reduce the drug prices and reduce the burden of pharmaceutical costs on patients. Since we focus on the development and commercialization of the best-in-class drugs and do not engage in the sales and distribution of generic drugs, we believe we can differentiate our marketed products by promoting our competitive advantages including brand recognition, safety profile and quality assurance. We will continue to monitor the potential impact caused by the envisioned expansion of the pilot scheme.

BASIS OF PREPARATION

Our Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting

Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss or through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are set forth in Note 6 of the Accountant's Report in Appendix I of this prospectus.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealized gains or losses on transactions between group companies are eliminated on consolidation.

We early adopted a full retrospective application of IFRS 9, IFRS 15 and IFRS 16, which have been applied on a consistent basis throughout the Track Record Period. We believe that the adoption of IFRS 9, IFRS 15 and IFRS 16, as compared to the requirements of IAS 39, IAS 18 and IAS 17, does not have a significant impact on our financial position and performance during the Track Record Period.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation from our management's estimates or assumptions and actual results and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in details in Notes 2 and 6 of the Accountant's Report in Appendix I of this prospectus.

Significant Accounting Policies

Revenue recognition

We principally derive revenue from sales of pharmaceutical products and provision of promotion services. Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. We recognize revenue when the specific criteria have been met for each of our activities, as described below.

(a) Product sales

We recognize product revenue at the point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the product has been transferred to the customer. We recognize product revenue from selling Zadaxin at the shipping point and recognize product revenue from selling promotion products for business partners and in-licensed products when the products have been delivered to the customers.

Our contractual arrangement with our exclusive China importer and distributor for Zadaxin, contains variable considerations in connection with the price mechanism that if the provincial tender price is below or above a reference price (baseline price), we may owe price compensation payable to or is due price compensation receivable from the distributor. The provincial tender price is the ultimate end-point sales price approved by provincial authorities in China. We estimate the variable consideration using the expected value method and take into consideration the tender price as of the report date as well as the recent market trend. The variable consideration (whether price compensation payable or receivable), under the principles of IFRS 15, is recognized at the time when the underlying originating sale is recognized.

(b) Promotion service revenue

We generated promotion service revenue during the Track Record Period from the provision of promotion services to Baxter products. We recognize promotion service revenue for designated pharmaceutical products over time in the period in which its customers simultaneously receive and consume the benefits provided by the promotion and marketing services as specified in promotion service contract. Considerations received for the promotion services are considered to be in exchange for distinct services, and revenues generated from promotion services are recognized on a gross basis and presented as service revenue. Due to the adjustment in business model in relation to this revenue stream, we started to engage in the distribution of Baxter products in addition to provision of promotion services in 2018. Since then, considerations received in relation to the promotion services were recognized as reduction of the cost of revenue for the distribution of Baxter products. Throughout the Track Record Period, we were also engaged in the distribution of Pfizer products in addition to provision of promotion services, and considerations received in relation to the promotion services were recognized as reduction of the cost of revenue for the distribution of Pfizer products.

See Note 2.24 "Summary of Significant Accounting Policies — Revenue Recognition" of the Accountant's Report in Appendix I of this prospectus for further details of our revenue recognition accounting policy.

Intangible assets

Research and development expenditures

Research expenditure on research activities is recognized as an expense as incurred. An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- it is technically feasible to complete the intangible assets so that it will be available for use;
- management intends to complete the intangible assets and use or sell it;
- there is an ability to use or sell the intangible assets;
- it can be demonstrated how the intangible assets will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

During the Track Record Period, our research and development expenditures incurred did not meet the capitalization principle above and were expensed as incurred.

Licenses

Payments made to third parties to in-license or acquire intellectual property rights, compounds and products include initial non-refundable upfront payments, subsequent milestone payments and royalty payments. Upfront and milestone payments are capitalized as intangible assets when incurred, unless these payments are for outsourced research and development work which follow the capitalization principle above. Royalty payments incurred along with the underlying sales are expensed as incurred and charged to cost of revenue.

Additional payments for purchase of intangible assets contingent on future events are not considered on initial recognition of the assets, but are added to the costs of the assets initially recorded when incurred, or when related liabilities are remeasured for changes in cash flows, if such payments are related to the costs of the assets.

Subsequent internal research and development expenses in relation to in-license intellectual property rights, compounds and products are expensed or capitalized in accordance with the

accounting policy as mentioned above. During the Track Record Period, our research and development expenditures incurred did not meet the capitalization principle for any products and were expensed as incurred.

Intangible assets associated with in-license arrangements that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets recognized related to in-license arrangements are amortized on the straight-line basis over their useful economic lives when they become available for use.

Critical Accounting Estimates and Judgments

Fair value of measurement

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results.

Share-based compensation expenses

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, we are required to estimate the expected percentage of grantees that will remain in employment with us or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. We only recognize an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

Current and deferred income taxes

We are subject to income taxes in different jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, we assess the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on our estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

Variable arrangement in contract with customers

When the consideration in a contract with customers includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets forth our consolidated statements of comprehensive income, with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Revenue	1,212,966	100.0	1,408,869	100.0	1,708,068	100.0	1,290,771	100.0	1,584,173	100.0
Cost of revenue	(181,178)	(14.9)	(302,999)	(21.5)	(393,141)	(23.0)	(292,745)	(22.7)	(346,063)	(21.8)
Gross profit	1,031,788	85.1	1,105,870	78.5	1,314,927	77.0	998,026	77.3	1,238,110	78.2
Sales and marketing expenses	(395,965)	(32.6)	(389,046)	(27.6)	(460,332)	(27.0)	(316,009)	(24.5)	(298,430)	(18.8)
Administrative expenses	(332,170)	(27.4)	(143,491)	(10.2)	(118,385)	(6.9)	(92,052)	(7.1)	(146,243)	(9.2)
Research and development ("R&D") expenses	(82,665)	(6.8)	(77,463)	(5.5)	(87,688)	(5.1)	(59,370)	(4.6)	(48,717)	(3.1)
Other income	13,313	1.1	37,085	2.6	6,795	0.4	6,755	0.5	65,624	4.1
Other expenses	—	—	—	—	—	—	—	—	(55,310)	(3.5)
Other gains/(losses) — net	26,459	2.2	(38,599)	(2.7)	(5,128)	(0.3)	(17,535)	(1.4)	7,979	0.5
Operating profit	260,760	21.5	494,356	35.1	650,189	38.1	519,815	40.3	763,013	48.2
Finance income	1,498	0.1	2,659	0.2	12,171	0.7	8,211	0.6	9,189	0.5
Finance costs	(1,744)	(0.1)	(1,742)	(0.1)	(1,189)	(0.1)	(1,101)	(0.1)	(17,381)	(1.1)
Finance (costs)/income, net	(246)	(0.0)	917	0.1	10,982	0.6	7,110	0.5	(8,192)	(0.6)
Profit before income tax	260,514	21.5	495,273	35.2	661,171	38.7	526,925	40.8	754,821	47.6
Income tax (expense)/credit	(240,932)	(19.9)	39,809	2.8	(46,567)	(2.7)	(39,747)	(3.1)	(65,065)	(4.1)
Profit for the year/period attributable to owners of the Company	19,582	1.6	535,082	38.0	614,604	36.0	487,178	37.7	689,756	43.5

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We generate substantially all of our revenue from sales of pharmaceutical products and provision of promotion services during the Track Record Period. Our revenue represents the amounts received or receivable for goods sold or services performed, net of discounts, returns and value-added taxes. We generated promotion service revenue during the Track Record Period from the provision of promotion services for the Baxter products. In 2018, due to adjustment in business model in relation to this revenue stream, we started to engage in distribution for the Baxter products in addition to provision of promotion services. Since then, we have recognized product sales revenue for our distribution of Baxter products, and the promotion service fees were used to offset our cost of revenue for Baxter products. Therefore, we no longer recognize promotion service revenue since the business model adjustment for Baxter products. Throughout the Track Record Period, we also engaged in the distribution of Pfizer products in addition to provision of promotion services, and considerations received in relation to the promotion services were recognized as reduction of the cost of revenue for the distribution of Pfizer products.

Our revenue generated during the Track Record Period were mainly from the sales of our proprietary product, Zadaxin, and promotion products for business partners, including Farlutal, Methotrexate, Estracyt, Holoxan, Mesna and Endoxan. We also generated revenue from the sales of our in-licensed product DC Bead during the Track Record Period, and the sales of DC Bead was discontinued on April 30, 2020 pursuant to the termination agreement we entered into with Boston Scientific. We recognized other income from Zometa through our licensing arrangement with Novartis to receive profit transferred from Novartis for the sales of Zometa until the transfer of IDL for Zometa was completed. We also started recognizing revenue from our sales of Zometa since December 2020 as we began distributing Zometa in certain provinces in China. In January 2021, we completed the transfer of IDL for Zometa, and became the MAH of Zometa in the PRC. The following table sets forth a breakdown of our revenue, both in absolute amounts and as percentages of our revenue, from the sales of the products mentioned above and provision of promotion services for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Product sales										
Zadaxin	1,112,610	91.7	1,168,816	83.0	1,349,309	79.0	1,035,089	80.2	1,326,337	83.7
Promotion products for business partners	56,687	4.7	208,720	14.8	314,333	18.4	222,632	17.2	250,892	15.8
DC Bead	15,846	1.3	28,680	2.0	44,426	2.6	33,050	2.6	6,944	0.5
Promotion service revenue	27,823	2.3	2,653	0.2	—	—	—	—	—	—
Total	**1,212,966**	**100.0**	**1,408,869**	**100.0**	**1,708,068**	**100.0**	**1,290,771**	**100.0**	**1,584,173**	**100.0**

Our sales volume for Zadaxin amounted to 3.1 million units, 3.3 million units, 3.6 million units, 2.9 million units and 3.7 million units in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively, and our average selling price for Zadaxin for the same periods was RMB355, RMB349, RMB375, RMB362 and RMB360, respectively.

We generated most of our revenue from Mainland China during the Track Record Period. The following table sets forth a breakdown of our revenue, both in absolute amounts and as percentages of our revenue, from Mainland China and others, primarily South Korea:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Mainland China	1,141,200	94.1	1,306,123	92.7	1,611,835	94.4	1,228,706	95.2	1,501,932	94.8
Others	71,766	5.9	102,746	7.3	96,233	5.6	62,065	4.8	82,241	5.2
Total	**1,212,966**	**100.0**	**1,408,869**	**100.0**	**1,708,068**	**100.0**	**1,290,771**	**100.0**	**1,584,173**	**100.0**

Cost of Revenue

Our cost of revenue primarily consists of: (i) product costs, which primarily consist of raw material costs and product costs for Zadaxin and procurement costs for promotion products for business partners; (ii) warehouse costs for storage of the products; (iii) freight costs for transportation of the raw materials and products; and (iv) others.

The following table sets forth a breakdown of our cost of revenue, by absolute amounts and as percentages of our total cost of revenue, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Product costs	148,594	82.0	261,562	86.3	322,644	82.1	247,594	84.6	288,362	83.3
Warehouse costs	15,579	8.6	19,431	6.4	20,242	5.1	10,316	3.5	13,664	3.9
Freight	14,016	7.7	19,886	6.6	28,416	7.2	20,655	7.1	30,624	8.8
Others	2,989	1.7	2,120	0.7	21,839	5.6	14,180	4.8	13,413	4.0
Total	**181,178**	**100.0**	**302,999**	**100.0**	**393,141**	**100.0**	**292,745**	**100.0**	**346,063**	**100.0**

Gross Profit and Gross Margin

Gross profit represents our revenue less cost of revenue. Gross margin represents gross profit as a percentage of revenue. In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our gross profit was RMB1,031.8 million, RMB1,105.9 million, RMB1,314.9 million, RMB998.0 million and RMB1,238.1 million, respectively, and our gross margin was 85.1%, 78.5%, 77.0%, 77.3% and 78.2%, respectively.

The following table sets forth our gross profit and gross profit margin for Zadaxin and promotion products for business partners for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Zadaxin	977,445	87.9	1,004,579	85.9	1,164,625	86.3	891,672	86.1	1,138,149	85.8
Promotion products for business partners	16,526	29.2	81,338	39.0	123,420	39.3	84,806	38.1	100,050	39.9

Sales and Marketing Expenses

Our sales and marketing expenses primarily consist of: (i) staff costs, which primarily consist of the salaries, wages, bonus and other compensation and benefits for our in-house sales and marketing staff, as well as our expenses related to securities issued to our in-house sales and marketing staff under our ESOPs; (ii) market development and business promotion expenses, which primarily consist of the expenses associated with participation in academic conferences, clinical studies and other promotion activities; (iii) travel and meeting expenses of our in-house sales and marketing staff; (iv) right-of-use assets ("ROU") amortization; and (v) others, which primarily consist of office expenses and certain rents and depreciations that are directly related to our marketing and promotion activities.

In general, our sales and marketing expenses increase when our selling and distribution activities increase.

The following table sets forth a breakdown of our sales and marketing expenses, by absolute amounts and as percentages of our total sales and marketing expenses, for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Staff costs	204,124	51.6	196,057	50.4	239,346	52.0	174,651	55.3	186,010	62.3
Market development and business promotion expenses	126,260	31.9	135,633	34.9	157,749	34.3	99,388	31.5	81,682	27.4
Travel and meeting expenses	45,181	11.4	39,195	10.1	49,167	10.7	33,586	10.6	21,874	7.3
ROU amortization	7,703	1.9	6,375	1.6	3,089	0.7	2,336	0.7	2,269	0.8
Others	12,697	3.2	11,786	3.0	10,981	2.3	6,048	1.9	6,595	2.2
Total	**395,965**	**100.0**	**389,046**	**100.0**	**460,332**	**100.0**	**316,009**	**100.0**	**298,430**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of: (i) staff costs, which primarily consist of compensation for our management and administrative staff and our expenses related to securities issued to our management and administrative staff under our ESOPs; (ii) professional service fees, which primarily consist of service and consultation fees paid to professional service providers including financial advisors and tax advisors; (iii) non-deductible value-added taxes from inter-company charges; (iv) utilities and office expenses; (v) ROU amortization; (vi) travel and meeting expenses; and (vii) others.

The table below sets forth a breakdown of our administrative expenses in absolute amounts and as percentages of our total administrative expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Staff costs	133,450	40.2	59,784	41.7	52,648	44.5	39,498	42.9	52,963	36.2
Professional service fees	131,156	39.5	38,583	26.9	18,192	15.4	12,924	14.0	20,949	14.3
Non-deductible value-added taxes	26,079	7.9	26,444	18.4	24,589	20.8	23,627	25.7	11,003	7.5
Utilities and office expenses	10,427	3.1	6,570	4.6	6,945	5.9	4,932	5.4	5,681	3.9
ROU amortization	4,555	1.4	2,389	1.7	4,886	4.1	3,728	4.0	3,440	2.4
Travel and meeting expenses	7,181	2.2	3,975	2.8	5,764	4.9	3,474	3.8	1,636	1.1
Listing expenses	—	—	—	—	—	—	—	—	23,400	16.1
Impairment losses of intangible assets	—	—	—	—	—	—	—	—	20,968	14.3
Others	19,322	5.7	5,746	3.9	5,361	4.4	3,869	4.2	6,203	4.2
Total	**332,170**	**100.0**	**143,491**	**100.0**	**118,385**	**100.0**	**92,052**	**100.0**	**146,243**	**100.0**

Research and Development Expenses

Our research and development expenses comprise expenses incurred in performing research and development activities, including (i) testing and clinical trial fees; (ii) staff costs, which primarily consist of compensation for our research and development staff and our expenses related to securities issued to our research and development staff under our ESOPs; (iii) travel and meeting expenses; (iv) ROU amortization; and (v) others.

The table below sets forth a breakdown of our research and development expenses in absolute amounts and as percentages of our total research and development expenses for the periods indicated:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Testing and clinical trial fees	57,053	69.0	44,238	57.1	45,380	51.8	28,656	48.3	17,308	35.5
Staff costs	21,543	26.1	22,838	29.5	29,930	34.1	22,038	37.1	25,233	51.8
Travel and meeting expenses	1,778	2.2	3,492	4.5	4,820	5.5	3,855	6.5	2,429	5.0
ROU amortization	1,517	1.8	2,370	3.1	2,255	2.6	1,701	2.9	1,661	3.4
Others	774	0.9	4,525	5.8	5,303	6.0	3,120	5.2	2,086	4.3
Total	**82,665**	**100.0**	**77,463**	**100.0**	**87,688**	**100.0**	**59,370**	**100.0**	**48,717**	**100.0**

Other Income and Other Expenses

Other income primarily comprises government grants, licensing income, refund of upfront payment, and interest income from loan receivables. Other expenses comprise amortization of intangible assets associated with licensing. The following tables set forth a breakdown of our other income and other expenses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants	7,289	8,342	6,795	6,755	9,754
Licensing income	—	—	—	—	55,870
Refund of upfront payment	—	25,177	—	—	—
Interest income from loan receivables	6,024	3,566	—	—	—
Total	**13,313**	**37,085**	**6,795**	**6,755**	**65,624**

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Amortization of intangible assets associated with licensing	—	—	—	—	55,310

Our licensing income and amortization of intangible assets associated with licensing are in relation to our acquisition of Zometa from Novartis. Before the earlier of our obtaining of the IDL

for Zometa in China and February 24, 2021, we derive licensing income from our licensing arrangement with Novartis.

Our interest income from loan receivables was derived from the loans we provided to Zensun (Shanghai) Science & Technology Co., Ltd. ("Zensun"), an Independent Third Party, from 2014 to 2015 which were pledged with Zensun's entire equity interest in one of its subsidiaries. These borrowings bore interest at a fixed rate of 7.5% per annum payable annually in arrears at each interest payment date. In 2018, pursuant to the agreement with Zensun to early terminate the loan arrangement, Zensun repaid all of the outstanding secured loans to us. The loan financing provided by us to Zensun from 2014 to 2015 consisted of (i) offshore loan financing provided by us directly to Zensun, and (ii) onshore loan financing by the way of entrustment loan, under which our PRC subsidiary entrusted CITIC Bank, Shanghai Branch to provide the Renminbi loan to Zensun. As advised by our PRC Legal Advisor, the onshore loan financing by the way of entrustment loan complied with relevant PRC rules and regulations.

Other Gains or Losses

Other gains or losses primarily comprise gains on sales of raw materials, gains or losses on disposal of property, plant and equipment and software, net fair value gains or losses on financial assets at fair value through profit or loss, net foreign exchange gains or losses and others. The following table sets forth a breakdown of our other gains or losses for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Gain on sales of raw materials	—	—	2,206	2,193	—
Loss on disposal of property, plant and equipment and software	(52)	(93)	(192)	(192)	(107)
Change in fair value of financial assets at FVPL — money market fund	758	145	94	84	6
Change in fair value of financial assets at FVPL — equity investments	(70)	(3,294)	1,458	218	839
Change in fair value of financial assets at FVPL — structured deposits	—	—	1,954	1,041	2,022
Change in fair value of financial assets at FVPL — debt investments	—	61	405	192	14
Net foreign exchange gains/(losses)	25,825	(35,727)	(10,883)	(20,762)	4,495
Others	(2)	309	(170)	(309)	710
Total	**26,459**	**(38,599)**	**(5,128)**	**(17,535)**	**7,979**

Finance income and costs

Our finance income and costs primarily consist of the interest we generate from our bank deposits and our interest expenses on borrowings and lease liabilities. The following table sets forth a breakdown of our finance income and costs for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income:					
Interest income from bank deposits	1,498	2,659	12,171	8,211	9,189
Finance costs:					
Interest expenses on borrowings	—	—	—	—	(16,586)
Interest expenses on lease liabilities	(1,744)	(1,742)	(1,189)	(1,101)	(795)
Finance costs	(1,744)	(1,742)	(1,189)	(1,101)	(17,381)
Finance income, net	**(246)**	**917**	**10,982**	**7,110**	**(8,192)**

Income Tax Expenses or Credits

Our income tax expenses or credits consist of current income tax and deferred income tax. We have paid all relevant taxes in accordance with tax regulations and do not have any disputes or unresolved tax issues with the relevant tax authorities.

The following table sets forth a breakdown of our income tax expenses or credits for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current income tax	240,831	(41,772)	45,265	38,320	63,016
Deferred income tax	101	1,963	1,302	1,427	2,049
Income tax expenses/(credits)	**240,932**	**(39,809)**	**46,567**	**39,747**	**65,065**

Pursuant to the rules and regulations of Cayman Islands, we are not subject to any income tax in Cayman Islands.

Our subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong up to April 1, 2018 when the two-tiered profits

tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HK$2 million and 16.5% for any assessable profits in excess.

The provision for China income tax is based on the statutory rate of 25% of the assessable profits of certain of our PRC subsidiaries as determined in accordance with the PRC Enterprise Income Tax Law which was approved and became effective on January 1, 2008, except for certain of our subsidiaries in China which are taxed at preferential tax rates.

Net Profit and Net Margin

In 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, our net profit was RMB19.6 million, RMB535.1 million, RMB614.6 million, RMB487.2 million and RMB689.8 million, respectively, and our net margin was 1.6%, 38.0%, 36.0%, 37.7% and 43.5%, respectively.

In 2017, we incurred other comprehensive loss through currency translation differences of RMB72.9 million due to the appreciation of the Renminbi against other currencies, including, in particular, the U.S. dollar, which adversely affected our results of operations in 2017.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2020 Compared to the Nine Months Ended September 30, 2019

Revenue

Our revenue increased by 22.7% from RMB1,290.8 million in the nine months ended September 30, 2019 to RMB1,584.2 million in the nine months ended September 30, 2020, primarily due to the increase in revenue from sales of our proprietary product Zadaxin and promotion products for business partners.

- ***Zadaxin.*** Revenue from sales of Zadaxin increased by RMB291.2 million, or 28.1%, from RMB1,035.1 million in the nine months ended September 30, 2019 to RMB1,326.3 million in the nine months ended September 30, 2020, due to a significant increase in demand and usage of Zadaxin in the first half of 2020, primarily for the prevention and clinical treatment of COVID-19 in China. Such significant increase was a one-off event, and the demand for Zadaxin for the treatment of COVID-19 decreased significantly in the second half of 2020 and may experience a further drop in the future.
- ***Promotion Products for Business Partners.*** Revenue from sales of promotion products for business partners increased by RMB28.3 million, or 12.7% from RMB222.6 million in the nine months ended September 30, 2019 to RMB250.9 million in the nine months ended September 30, 2020, primarily due to increases in sales revenue from Methotrexate 50mg and Methotrexate 1g products.

Cost of revenue

Our cost of revenue increased by RMB53.4 million, or 18.2%, from RMB292.7 million in the nine months ended September 30, 2019 to RMB346.1 million in the nine months ended September 30, 2020, primarily due to (i) an increase in product cost of RMB40.8 million, or 16.5% from RMB247.6 million to RMB288.4 million, corresponding with our product sales growth, and (ii) an increase in freight costs of RMB9.9 million, or 48.3% from RMB20.7 million to RMB30.6 million, resulting from increased transportation price caused by COVID-19 and increased transportation volume of Zadaxin.

Gross profit and gross margin

Our gross profit increased by 24.1% from RMB998.0 million in the nine months ended September 30, 2019 to RMB1,238.1 million in the nine months ended September 30, 2020 which was in line with our revenue growth. Our gross margin increased from 77.3% in the nine months ended September 30, 2019 to 78.2% in the nine months ended September 30, 2020, primarily due to an increase in sales of Zadaxin during the period which has higher profit margin compared to other products.

Sales and marketing expenses

Our sales and marketing expenses decreased by 5.6% from RMB316.0 million in the nine months ended September 30, 2019 to RMB298.4 million in the nine months ended September 30, 2020, primarily due to (i) a decrease in marketing and promotion expenses of RMB17.7 million, or 17.8% from RMB99.4 million to RMB81.7 million, resulting from suspension of certain marketing and promotion activities due to the impact of COVID-19, and (ii) a decrease in travel and meeting expenses of RMB11.7 million, or 34.9% from RMB33.6 million to RMB21.9 million, resulting from reduction in business travels due to the impact of COVID-19. Our sales and marketing expenses as a percentage of revenue decreased from 24.5% in the nine months ended September 30, 2019 to 18.8% in the nine months ended September 30, 2020.

Administrative expenses

Our administrative expenses increased by 58.9% from RMB92.1 million in the nine months ended September 30, 2019 to RMB146.2 million in the nine months ended September 30, 2020, primarily due to (i) a significant increase in listing expenses of RMB23.4 million in connection with the Global Offering and (ii) an increase in impairment losses of RMB21.0 million in connection with the impairment of intangible assets related to SGX-942, one of our potential drug candidates which failed to achieve its Phase III clinical endpoint in December 2020. Our administrative expenses as a percentage of our revenue increased from 7.1% in the nine months ended September 30, 2019 to 9.2% in the nine months ended September 30, 2020.

Research and development expenses

Our research and development expenses decreased by 17.9% from RMB59.4 million in the nine months ended September 30, 2019 to RMB48.7 million in the nine months ended September 30, 2020, primarily due to reduced research and development activities due to the impact of COVID-19.

Other income and other expenses

Our other income increased significantly from RMB6.8 million in the nine months ended September 30, 2019 to RMB65.6 million in the nine months ended September 30, 2020, primarily due to an increase in licensing income of RMB55.9 million, resulting from our licensing arrangement with Novartis.

Our other expenses of RMB55.3 million in the nine months ended September 30, 2020 represented amortization of intangible assets in relation to Zometa.

Other gains or losses

Our net other gains or losses increased significantly from a net loss of RMB17.5 million in the nine months ended September 30, 2019 to a net gain of RMB8.0 million in the nine months ended September 30, 2020, primarily due to a significant increase in net foreign exchange gains or losses from a loss of RMB20.8 million to a gain of RMB4.5 million, resulting from fluctuations in the value of USD against RMB in the nine months ended September 30, 2020.

Net finance income or cost

Our net finance income or cost decreased significantly from a net finance income of RMB7.1 million in the nine months ended September 30, 2019 to a net finance cost of RMB8.2 million in the nine months ended September 30, 2020, primarily due to a significant increase in interest expenses on borrowings of RMB16.6 million resulting from interests accrued on the loan borrowed from China Minsheng Banking Corp., Ltd. Hong Kong Branch in relation to the repayment of loans for our privatization.

Income tax expenses

Our income tax expenses increased significantly from RMB39.7 million in the nine months ended September 30, 2019 to RMB65.1 million in the nine months ended September 30, 2020 which was in line with our revenue growth during the period. See Note 14 "Income Tax Expense/(Credit)" to the Accountant's Report included in Appendix I of this prospectus for a reconciliation of our income tax expenses and credits applicable to profit before income tax.

Profit for the period

As a result of the foregoing, our profit for the period increased significantly by 41.6% from RMB487.2 million in the nine months ended September 30, 2019 to RMB689.8 million in the nine months ended September 30, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 21.2% from RMB1,408.9 million in 2018 to RMB1,708.1 million in 2019, primarily due to the increases in revenue from sales of our proprietary product Zadaxin and promotion products for business partners.

- ***Zadaxin***. Revenue from sales of Zadaxin increased by RMB180.5 million, or 15.4%, from RMB1,168.8 million in 2018 to RMB1,349.3 million in 2019. According to Frost & Sullivan, in terms of revenue, Zadaxin's market share in the thymalfasin market in China increased from 51.4% in 2018 to 57.5% in 2019. The increase in our revenue from sales of Zadaxin was primarily due to increases in sales volume and average selling price of Zadaxin.
- ***Promotion Products for Business Partners***. Revenue from sales of promotion products for business partners increased by RMB105.6 million, or 50.6%, from RMB208.7 million in 2018 to RMB314.3 million in 2019, primarily due to the launch of the Methotrexate 50mg product at the end of 2018 and its increased sales volume in 2019, along with the increases in sales volume of Endoxan, Holoxan and Methotrexate 1g products.

Cost of revenue

Our cost of revenue increased by 29.7% from RMB303.0 million in 2018 to RMB393.1 million in 2019, primarily due to an increase in product costs of RMB61.0 million, or 23.3% from RMB261.6 million to RMB322.6 million, corresponding with our product sales growth.

Gross profit and gross margin

Our gross profit increased by 18.9% from RMB1,105.9 million in 2018 to RMB1,314.9 million in 2019, which was in line with our revenue growth. Our gross margin remained stable at 77.0% in 2019 as compared to 78.5% in 2018 as our product mix remained relatively stable during the period.

Sales and marketing expenses

Our sales and marketing expenses increased by 18.3% from RMB389.0 million in 2018 to RMB460.3 million in 2019, primarily due to (i) an increase in staff costs by RMB43.3 million, or

22.0% from RMB196.1 million in 2018 to RMB239.3 million in 2019, resulting from an increase in our sales and marketing staff, and (ii) an increase in our market development and business promotion expenses by RMB22.1 million, or 16.3% from RMB135.6 million in 2018 to RMB157.8 million in 2019, resulting from an increase in sales and marketing activities, which was in line with the increase of our revenue during the period. Our sales and marketing expenses as a percentage of revenue remained stable at 27.0% in 2019 as compared to 27.6% in 2018.

Administrative expenses

Our administrative expenses decreased by 17.5% from RMB143.5 million in 2018 to RMB118.4 million in 2019, primarily due to a decrease in our professional service expenses by RMB20.4 million, or 52.9% from RMB38.6 million in 2018 to RMB18.2 million in 2019. Our administrative expenses as a percentage of revenue decreased from 10.2% in 2018 to 6.9% in 2019.

Research and development expenses

Our research and development expenses increased by 13.2% from RMB77.5 million in 2018 to RMB87.7 million in 2019, primarily due to an increase in staff costs by RMB7.1 million, or 31.1% from RMB22.8 million in 2018 to RMB29.9 million in 2019, resulting from an increase in research and development staff during the period for lifecycle management of our marketed products and development of our pipeline in-licensed products.

Other income

Our net other income decreased by 81.7% from RMB37.1 million in 2018 to RMB6.8 million in 2019, primarily due to (i) receipts of RMB25.2 million from refund of upfront payments in 2018 in relation to the termination of our cooperation with Independent Third Parties for in-licensing drug candidates, (ii) the discontinuation of loan interest in 2019 resulting from repayment of the secured loans by Zensun in 2018 pursuant to the termination agreement we entered into with Zensun, and (iii) a decrease in government grants recognized by RMB1.5 million, or 18.1% from RMB8.3 million in 2018 to RMB6.8 million in 2019, resulting from changes in the timing of distribution and acceptance of government grants.

Net other losses

Our net other losses decreased by 86.7% from RMB38.6 million in 2018 to RMB5.1 million in 2019, primarily due to (i) a significant decrease in net foreign exchange losses from RMB35.7 million to RMB10.9 million, resulting from fluctuations in the value of USD against RMB in 2018, (ii) an increase in fair value of our equity investments in the listed common stock of Soligenix, Inc., our licensing partner, by RMB4.8 million from a loss of RMB3.3 million in 2018 to a gain of RMB1.5 million in 2019, and (iii) an increase of RMB2.0 million in fair value of our structured deposits primarily due to an increase in interests generated from our structured deposits during the period.

Net finance income

Our net finance income increased significantly from RMB0.9 million in 2018 to RMB11.0 million in 2019, primarily due to an increase in interest income from bank deposits by RMB9.5 million, a significant increase from RMB2.7 million in 2018 to RMB12.2 million in 2019, resulting from an increase in bank deposits during the period.

Income tax expenses or credits

Our income tax expenses or credits changed from credits of RMB39.8 million in 2018 to expenses of RMB46.6 million in 2019, primarily due to adjustments made in 2018 to the U.S. repatriation tax estimate recorded in 2017, taking into consideration the use of our remaining tax credits to offset certain U.S. tax liabilities. Our effective income tax rate, calculated as income tax expenses divided by profit before income tax, changed from net income tax credits in 2018 to 7.0% in 2019. See Note 14 "Income Tax Expense/(Credit)" to the Accountant's Report included in Appendix I of this prospectus for a reconciliation of our income tax expenses or credits applicable to profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year increased by 14.9% from RMB535.1 million in 2018 to RMB614.6 million in 2019.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

Revenue

Our revenue increased by 16.2% from RMB1,213.0 million in 2017 to RMB1,408.9 million in 2018, primarily attributable to the increases in revenue from sales of our proprietary product Zadaxin and promotion products for business partners.

- ***Zadaxin.*** Revenue from sales of Zadaxin increased by RMB56.2 million, or 5.1% from RMB1,112.6 million in 2017 to RMB1,168.8 million in 2018. According to Frost & Sullivan, Zadaxin's market share in the thymalfasin market in China increased from 50.8% in 2017 to 51.4% in 2018. The increase in our revenue from sales of Zadaxin was primarily due to the increase in sales volume of Zadaxin.
- ***Promotion Products for Business Partners***. Revenue from sales of promotion products for business partners increased by RMB152.0 million, a significant increase from RMB56.7 million in 2017 to RMB208.7 million in 2018, primarily due to the adjustment of our business model for Baxter products from providing promotion services only to also engaging in the product distribution.

Cost of revenue

Our cost of revenue increased by RMB121.8 million, or 67.2% from RMB181.2 million in 2017 to RMB303.0 million in 2018, primarily due to an increase in product costs by RMB114.7 million, or 78.1% from RMB146.9 million to RMB261.6 million, resulting from the adjustment of our business model for Baxter products from providing promotion services only to also engaging in the product distribution and corresponding recognition of cost of revenue for distribution of Baxter products.

Gross profit and gross margin

Our gross profit increased by 7.2% from RMB1,031.8 million in 2017 to RMB1,105.9 million in 2018. Our gross margin decreased from 85.1% in 2017 to 78.5% in 2018, primarily due to a change in our product mix as we started to engage in distribution and sales for Baxter products in 2018 and derived more revenue from such products, which incurred higher cost of revenue as percentages of their revenues.

Sales and marketing expenses

Our sales and marketing expenses decreased by 1.7% from RMB396.0 million in 2017 to RMB389.0 million in 2018, primarily due to (i) a decrease in staff costs by RMB8.1 million, or 4.0% from RMB204.1 million in 2017 to RMB196.1 million in 2018, resulting from severances paid in connection with the privatization in 2017 and decreased ESOP distribution, and (ii) a decrease in travel expenses by RMB6.0 million, or 13.3% from RMB45.2 million in 2017 to RMB39.2 million in 2018, offset by an increase in market development and business promotion expenses by RMB9.4 million, or 7.4% from RMB126.3 million in 2017 to RMB135.6 million in 2018, resulting from an increase in sales and marketing activities which was in line with the increase of our revenue during the period. Our sales and marketing expenses as a percentage of revenue decreased from 32.6% in 2017 to 27.6% in 2018.

Administrative expenses

Our administrative expenses decreased by 56.8% from RMB332.2 million in 2017 to RMB143.5 million in 2018, primarily due to (i) a decrease in professional service fees by RMB92.6 million, or 70.6% from RMB131.2 million in 2017 to RMB38.6 million in 2018, and (ii) a decrease in staff costs by RMB73.7 million, or 55.2% from RMB133.5 million in 2017 to RMB59.8 million in 2018, resulting from discontinued U.S. operations and a corresponding decrease in staff. Our administrative expenses as a percentage of revenue decreased from 27.4% in 2017 to 10.2% in 2018.

Research and development expenses

Our research and development expenses decreased by 6.3% from RMB82.7 million in 2017 to RMB77.5 million in 2018, primarily due to a decrease in testing and clinical trial fees of RMB12.8 million, or 22.4% from RMB57.1 million in 2017 to RMB44.2 million in 2018, resulting from termination of certain projects in 2018.

Other income

Our other income increased significantly from RMB13.3 million in 2017 to RMB37.1 million in 2018, primarily due to receipts of RMB25.2 million from refund of upfront payments in 2018 in relation to the termination of our cooperation with Independent Third Parties for in-licensing drug candidates, partially offset by a decrease in loan interest from Zensun in 2018 resulting from repayment of secured loans by Zensun.

Net other gains or losses

Our net other gains or losses changed from a gain of RMB26.5 million in 2017 to a loss of RMB38.6 million in 2018, primarily due to (i) changes in net foreign exchange gains or losses from a gain of RMB25.8 million in 2017 to a loss of RMB35.7 million in 2018, resulting from appreciation of USD against RMB during the period, and (ii) a decrease in fair value of our equity investments in the listed common stock of Soligenix, Inc., our licensing partner, by RMB3.2 million from a loss of RMB0.1 million in 2017 to a loss of RMB3.3 million in 2018.

Net finance costs or income

Our net finance costs or income changed from costs of RMB0.2 million in 2017 to income of RMB0.9 million in 2018, primarily due to an increase in interest income from bank deposits by RMB1.2 million, or 77.5% from RMB1.5 million in 2017 to RMB2.7 million in 2018, resulting from an increase in bank deposits during the period.

Income tax expenses or credits

Our income tax expenses or credits changed from expenses of RMB240.9 million in 2017 to credits of RMB39.8 million in 2018, primarily due to adjustments made in 2018 to the U.S. repatriation tax estimate recorded in 2017, taking into consideration the use of our remaining tax credits to offset certain U.S. tax liabilities. Our effective income tax rate, calculated as income tax expenses divided by profit before income tax, changed from 92.5% in 2017 to net income tax credits in 2018. See Note 14 "Income Tax Expense/(Credit)" to the Accountant's Report included in Appendix I of this prospectus for a reconciliation of our income tax expenses or credits applicable to profit before income tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB19.6 million in 2017 to RMB535.1 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our operations primarily through cash generated from operating activities. Our primary uses of cash were to fund working capital and other recurring

expenses. We do not anticipate any changes to the availability of financing to fund our operations in the future, although there is no assurance that we will be able to access any financing on favorable terms or at all. Taking into account the financial resources available to us, including cash flow from operations and the estimated net proceeds of the Global Offering, our Directors are of the opinion that we have sufficient working capital for our requirements within at least the next 12 months from the date of this prospectus.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash generated from operating activities	153,827	167,441	1,031,626	867,773	809,887
Net cash (used in)/generated from investing activities	(4,704)	174,711	(152,490)	(77,495)	(511,026)
Net cash used in financing activities	(476,526)	(542,629)	(234,589)	(17,345)	(47,229)
Net (decrease)/increase in cash and cash equivalents	(327,403)	(200,477)	644,547	772,933	251,632
Effects of exchange rate changes on cash and cash equivalents	13,399	(5,190)	(1,019)	(169)	(19,155)
Cash and cash equivalents at beginning of year/period	795,633	481,629	275,962	275,962	919,490
Cash and cash equivalents at end of year/period	481,629	275,962	919,490	1,048,726	1,151,967

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily comprises our profit before income tax for the period adjusted by: (i) income tax paid, non-operating items and non-cash items; and (ii) changes in working capital.

Our net cash generated from operating activities in the nine months ended September 30, 2020 was RMB809.9 million, which was primarily attributable to our profit before income tax of RMB754.8 million, as adjusted by: (i) the add-back of non-cash items, primarily comprising amortization of intangible assets of RMB63.0 million and share-based compensation of RMB40.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade receivables of RMB65.4 million due to sales and revenue increase. This cash inflow was partially offset by income tax paid of RMB29.5 million.

Our net cash generated from operating activities in 2019 was RMB1,031.6 million, which was primarily attributable to our profit before income tax of RMB661.2 million, as adjusted by: (i) the add-back of non-cash items, primarily comprising share-based compensation of RMB34.0 million and amortization of right-of-use assets of RMB22.9 million; and (ii) changes in working capital, which primarily comprised a decrease in trade receivables of RMB265.4 million primarily due to the delayed receipt of payment for the settlement of certain receivables from certain customer in the amount of RMB321.6 million caused by prolonged wire transfer process at the end of 2018. This cash inflow was partially offset by income tax paid of RMB25.7 million.

Our net cash generated from operating activities in 2018 was RMB167.4 million. This cash inflow was primarily attributable to our profit before income tax of RMB495.3 million, as adjusted by (i) the add-back of non-cash items, primarily comprising amortization of right-of-use assets of RMB24.7 million and depreciation of property, plant and equipment of RMB8.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade receivables of RMB193.3 million primarily due to the delayed receipt of payment for the settlement of certain receivables from certain customer in the amount of RMB321.6 million caused by prolonged wire transfer process at the end of 2018. This cash inflow was partially offset by income tax paid of RMB182.7 million.

Our net cash generated from operating activities in 2017 was RMB153.8 million. This cash inflow was primarily attributable to our profit before income tax of RMB260.5 million, as adjusted by (i) the add-back of non-cash items, primarily comprising share-based compensation of RMB54.6 million and amortization of right-of-use assets of RMB24.8 million; and (ii) changes in working capital, which primarily comprised an increase in trade receivables of RMB129.1 million primarily due to our sales growth. This cash inflow was partially offset by income tax paid of RMB12.6 million.

Net Cash Used in or Generated from Investing Activities

Our net cash used in investing activities in the nine months ended September 30, 2020 was RMB511.0 million. This cash outflow was primarily attributable to (i) investment in structured deposits of RMB887.0 million, (ii) payments for intangible assets of RMB314.6 million, and (iii) an increase in restricted cash for the bank guarantee provided for our acquisition of intangible assets. This cash outflow was partially offset by proceeds from disposal of structured deposits of RMB909.3 million.

Our net cash used in investing activities in 2019 was RMB152.5 million. This cash outflow was primarily attributable to (i) investment in structured deposits of RMB620.0 million, and (ii) payments for intangible assets of RMB30.7 million. This cash outflow was partially offset by proceeds from disposal of structured deposits of RMB501.6 million.

Our net cash generated from investing activities in 2018 was RMB174.7 million. This cash inflow was primarily attributable to (i) proceeds from disposal of money market funds of RMB127.5 million, and (ii) cash received from repayment of loan receivables of RMB82.2 million. This cash inflow was partially offset by (i) acquisition of debt investments of RMB13.7 million, and (ii) payments for property, plant and equipment of RMB12.4 million.

Our net cash used in investing activities in 2017 was RMB4.7 million. This cash outflow was primarily attributable to (i) payments for property, plant and equipment of RMB6.3 million, and (ii) payments for intangible assets of RMB4.4 million. This cash outflow was partially offset by interest received from loan receivables of RMB6.0 million.

Net Cash Used in Financing Activities

Our net cash used in financing activities in the nine months ended September 30, 2020 was RMB47.2 million. This cash outflow was primarily attributable to dividend payments of RMB2,173.8 million and lease payment of RMB16.9 million. This cash outflow was partially offset by the proceeds from bank loans of RMB2,123.9 million for dividend payment in relation to the repayment of loans for our privatization. See "— Indebtedness and Contingencies" for further details of our borrowings.

Our net cash used in financing activities in 2019 was RMB234.6 million. This cash outflow was primarily attributable to (i) dividend payments of RMB211.6 million, and (ii) principal elements of lease payments of RMB23.0 million.

Our net cash used in financing activities in 2018 was RMB542.6 million. This cash outflow was primarily attributable to (i) dividend payments of RMB563.4 million, and (ii) principal elements of lease payments of RMB24.6 million. This cash outflow was partially offset by the contributions from shareholders of RMB45.3 million.

Our net cash used in financing activities in 2017 was RMB476.5 million. This cash outflow was primarily attributable to (i) repurchase of common stock of SciClone US of RMB471.7 million due to the privatization, and (ii) principal elements of lease payments of RMB23.9 million. This cash outflow was partially offset by net issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SciClone US of RMB19.2 million.

NET CURRENT ASSETS

The following table sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of September 30,	As of December 31,
	2017	2018	2019	2020	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	143,795	145,401	140,199	123,837	172,124
Trade receivables	351,349	603,169	362,900	410,081	322,994
Other current assets	36,747	22,599	25,666	75,837	95,551
Financial assets at fair value through profit or loss	129,488	8,698	123,761	100,102	70,013
Deferred tax assets	—	—	—	—	13,336
Cash and cash equivalents	481,629	275,962	919,490	1,151,967	1,118,986
Restricted cash	—	—	—	170,253	163,123
Total current assets	**1,143,008**	**1,055,829**	**1,572,016**	**2,032,077**	**1,956,127**
Current liabilities					
Trade and other payables	171,679	165,744	224,321	504,548	536,517
Lease liabilities	19,140	22,206	19,466	8,895	6,402
Borrowings	—	—	—	408,460	391,494
Current tax liabilities	253,738	42,364	62,812	81,699	86,854
Total current liabilities	**444,557**	**230,314**	**306,599**	**1,003,602**	**1,021,267**
Net current assets	**698,451**	**825,515**	**1,265,417**	**1,028,475**	**934,860**

We had net current assets of RMB934.9 million as of December 31, 2020, as compared to net current assets of RMB1,028.5 million as of September 30, 2020. This change was primarily attributable to a decrease in trade receivables of RMB87.1 million primarily due to settlement of such receivables.

We had net current assets of RMB1,028.5 million as of September 30, 2020, as compared to net current assets of RMB1,265.4 million as of December 31, 2019. This change was primarily attributable to an increase in borrowings of RMB408.5 million due to the loan borrowed from China Minsheng Banking Corp., Ltd. Hong Kong Branch, partially offset by an increase in cash and cash equivalents of RMB232.5 million.

We had net current assets of RMB1,265.4 million as of December 31, 2019, as compared to net current assets of RMB825.5 million as of December 31, 2018. This change was primarily attributable to an increase in cash and cash equivalents of RMB643.5 million due to our increased sales, partially offset by a decrease in trade receivables of RMB240.3 million primarily due to settlement of such receivables.

We had net current assets of RMB825.5 million as of December 31, 2018, as compared to net current assets of RMB698.5 million as of December 31, 2017. This change was primarily attributable

to (i) an increase in trade receivables of RMB251.8 million primarily due to our sales growth, and (ii) a decrease in current tax liabilities of RMB211.4 million primarily due to U.S. tax payment. This was partially offset by (i) a decrease in cash and cash equivalents of RMB205.7 million primarily due to payment of dividends, and (ii) a decrease in financial assets at fair value through profit or loss of RMB120.8 million due to redemption of money market funds.

As of January 1, 2017, we brought forward from 2016 accumulated loss of RMB721.7 million, which was subsequently reduced to RMB702.8 million and RMB171.3 million as of December 31, 2017 and 2018, respectively, mainly resulting from our Group's accumulated losses before our privatization in October 2017 caused by redundant costs and expenses associated with our previous U.S. operations. We recorded retained earnings of RMB229.0 million as of December 31, 2019 as we discontinued our U.S. operations and continued generating profits and cash inflows during the Track Record Period.

CERTAIN BALANCE SHEET ITEMS

Inventories

Our inventories include raw materials we purchase from suppliers, our finished goods and work in progress. See Note 2.9 "Summary of significant accounting policies — Inventories" of Accountant's Report in Appendix I of this prospectus for further details of our accounting policies on inventories. The table below sets forth a breakdown of our inventories as of the dates indicated:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	42,523	68,501	57,290	51,362
Finished goods	95,743	73,757	82,493	72,472
Work in progress	5,529	3,143	416	3
	143,795	145,401	140,199	123,837

We formulate annual plans for inventories, sales and procurement of raw materials and supplies. We actively monitor the sales performance, production progress, inventory level and projected sales of each of our products, and adjust our sales and purchase plans accordingly every month, to minimize the risk of inventory shortage or accumulation. In 2017, we had an increase in finished goods primarily due to loaded inventory of Zadaxin in 2017 in anticipation of renewal of its IDL and corresponding changes to its packaging which may affect its supply. Apart from that, we did not experience any material shortage or accumulation of inventory during the Track Record Period.

Our inventory balance decreased by 11.7% from RMB140.2 million as of December 31, 2019 to RMB123.8 million as of September 30, 2020, primarily attributable to acceleration of inventory clearance and turnover.

Our inventory balance decreased by 3.6% from RMB145.4 million as of December 31, 2018 to RMB140.2 million as of December 31, 2019, primarily attributable to a decrease in raw materials of RMB11.2 million.

Our inventory balance increased by 1.1% from RMB143.8 million as of December 31, 2017 to RMB145.4 million as of December 31, 2018.

The following table sets forth the average turnover days of our inventories for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
Average turnover days of inventories[(1)]	260.7	174.2	132.6	104.5

Note:

(1) Calculated using the average of the beginning and ending inventory balances of the period, divided by cost of revenue for the period and multiplied by 365 days for a year in respect of the periods indicated

Our average turnover days decreased in the nine months ended September 30, 2020, primarily due to improved management of our inventories. Our average turnover days decreased in 2019 primarily due to acceleration of inventory clearance and turnover. Our average turnover days decreased significantly in 2018 primarily due to accelerated release of the loaded inventory of Zadaxin.

Approximately RMB74.1 million, or 59.8%, of our inventories as of September 30, 2020 had been subsequently used or sold as of December 31, 2020.

Trade receivables

Our trade receivables primarily represent the balances due from our distributors. We generally grant our distributors credit terms of 45 days to 90 days. We take into consideration a number of factors in determining the credit term of a distributor, including its cash flow conditions and credit worthiness. See "Business — Sales, Marketing and Distribution — Distribution in China" in this prospectus for more details of our distributor management. We seek to maintain strict control over our outstanding receivables and minimize credit risk. We have long-term relationship with our distribution partner Sinopharm and believe we do not have substantial credit risks arising from our trade receivables. We do not hold any collateral or other credit enhancements over our trade receivable balances and our trade receivables are non-interest-bearing.

The following tables set forth a summary of our trade receivables as of the dates indicated and the average trade receivables turnover days for the periods indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	351,349	603,169	362,900	410,081
Less: allowance for impairment of trade receivables	—	—	—	—
Trade receivables — net	**351,349**	**603,169**	**362,900**	**410,081**

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
Average turnover days of trade receivables[1]	96.2	123.6	103.2	66.8

Note:

(1) Turnover days of trade receivables is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days or the numbers of days for the given period.

Our net trade receivables as of December 31, 2017, 2018, 2019 and September 30, 2020 were RMB351.3 million, RMB603.2 million, RMB362.9 million and RMB410.1 million, respectively. The increase in the nine months ended September 30, 2020 was primarily due to an increase in sales revenue. The decrease from 2018 to 2019 and increase from 2017 to 2018 was primarily due to the delayed receipt of payment for the settlement of certain receivables from certain customer in the amount of RMB321.6 million caused by prolonged wire transfer process at the end of 2018.

Our average trade receivables turnover days were 96.2 days, 123.6 days, 103.2 days and 66.8 days in 2017, 2018, 2019 and the nine months ended September 30, 2020, respectively. Our average trade receivables turnover days decreased in the nine months ended September 30, 2020 and 2019 as we continued to optimize our trade receivable management. Our average trade receivables turnover days increased in 2018 primarily due to the delayed receipt of payment for the settlement of certain receivables from certain customer in the amount of RMB321.6 million caused by prolonged wire transfer process at the end of 2018.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 6 months	351,349	603,169	362,900	394,028
6 to 12 months	—	—	—	16,053
Total	**351,349**	**603,169**	**362,900**	**410,081**

Approximately RMB390.7 million, or 95.3%, of our trade receivables as of September 30, 2020 had been subsequently settled as of December 31, 2020.

Trade and other payables

Our trade and other payables primarily consist of trade payables, payables for marketing and promotion expenses, salaries and bonus payable, payables for professional service fee and others. The following table sets forth a summary of our trade and other payables as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	38,252	52,576	66,047	83,670
Payables for marketing and promotion expenses	52,505	45,966	71,633	55,124
Salaries and bonus payable	63,062	55,645	65,238	60,858
Payables for professional service fee	12,662	10,186	8,278	2,596
Payables for listing expenses	—	—	—	19,972
Payables for purchase of a license	—	—	—	170,253
Termination compensation received in advance	—	—	—	34,168
Dividends payable	—	—	—	54,481
Others	5,198	1,371	13,125	23,426
Total	**171,679**	**165,744**	**224,321**	**504,548**

Our trade and other payables were RMB171.7 million, RMB165.7 million, RMB224.3 million and RMB504.5 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively. Our trade and other payables increased in the nine months ended September 30, 2020, primarily due to (i) an increase in payables for purchase of a license of RMB170.3 million resulting from milestone payment for in-licensing of Zometa from Novartis, (ii) an increase in dividends payable of RMB54.5 million, (iii) termination compensation received in advance of RMB34.2 million resulting from the termination of the sales of DC Bead, and (iv) payables for listing expenses of RMB20.0 million. Our trade and other payables increased in 2019 primarily due to (i) an increase in trade payables of RMB13.5 million resulting from uniform management of our credit terms since 2019, and (ii) an increase in payables for marketing and promotion expenses of RMB25.7 million. Our trade and other payables decreased in 2018 primarily due to a decrease in other payables resulting from settlement of payables for marketing and promotion expenses from 2017.

The following table sets forth the average turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
Average turnover days of trade payables[(1)]	64.0	54.7	55.1	59.3

Note:

(1) Turnover days of trade payables is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of revenue and multiplying by 365 days or the numbers of days for the given period.

For 2017, 2018, 2019 and the nine months ended September 30, 2020, our average trade payables turnover days were 64.0 days, 54.7 days, 55.1 days and 59.3 days, respectively. The average trade payables turnover days remained relatively stable during the Track Record Period.

The following table sets forth the aging analysis of trade payables as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	38,252	52,576	66,047	83,670
Total	**38,252**	**52,576**	**66,047**	**83,670**

Approximately RMB79.8 million, or 95.3%, of our trade payables as of September 30, 2020 had been subsequently settled as of December 31, 2020.

Other current assets

Our other current assets primarily comprise receivables from licensing income, purchase rebate receivables, rental deposits, interest receivables, prepaid raw material costs, prepaid clinical trial fee, prepaid insurance, advance to employee and prepaid listing expenses. The following table sets forth our other current assets as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Financial instruments at amortized costs:				
Receivables from licensing income	—	—	—	43,198
Purchase rebate receivables	12,735	10,261	16,120	16,834
Rental deposits	2,473	775	1,254	1,098
Interest receivables	—	—	207	2,126
Others:				
Prepaid raw material costs	8,429	—	—	—
Prepaid clinical trial fee	7,397	6,424	5,695	2,971
Prepaid insurance	2,142	1,235	1,255	926
Advance to employee	1,069	408	229	51
Prepaid listing expenses	—	—	—	7,487
Others	2,502	3,496	906	1,146
Total	**36,747**	**22,599**	**25,666**	**75,837**

Our other current assets were RMB36.7 million, RMB22.6 million, RMB25.7 million and RMB75.8 million as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively.

Financial assets at fair value through profit or loss/other comprehensive income

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss comprise equity investments in listed securities, debt investments, money market funds and structured deposits. The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Equity investments in listed securities	5,120	2,084	3,571	4,302
Debt investments	—	13,787	21,400	20,907
	5,120	15,871	24,971	25,209
Current assets				
Short-term investments measured at fair value through profit or loss				
Money market funds	129,488	8,698	3,397	—
Structured deposits	—	—	120,364	100,102
	129,488	8,698	123,761	100,102

The following table sets forth our fair value changes in financial assets at fair value through profit or loss:

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fair value changes on equity investments	(70)	(3,294)	1,458	218	839
Fair value changes on debt investments	—	61	405	192	14
Fair value changes on short-term investments measured at fair value through profit or loss					
Money market funds	758	145	94	84	6
Structured deposits	—	—	1,954	1,041	2,022

Financial assets at fair value through other comprehensive income

Our financial assets at fair value through other comprehensive income comprise equity investments in listed securities and equity investments in unlisted securities. The following table sets forth our financial assets at fair value through other comprehensive income as of the dates indicated:

	As of December 31,			As of September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Equity investments in listed securities	—	—	—	118,309
Equity investments in unlisted securities	17,538	19,285	37,491	47,671
	17,538	19,285	37,491	165,980

The following table sets forth our fair value changes in financial assets at fair value through other comprehensive income:

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Fair value changes on equity investments measured at fair value through other comprehensive income	3,914	835	17,679	17,554	83,860

Level 3 of fair value measurement

During the Track Record Period, we had certain financial assets at fair value through profit or loss/other comprehensive income categorized within level 3 of fair value measurement ("Level 3 Financial Assets"). Our Group has a team that manages the valuation of Level 3 Financial Assets for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of our Group's Level 3 Financial Assets. External valuation experts are involved when necessary.

Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 5 of the Accountant's Report in Appendix I which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant's opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

In relation to the valuation of the Level 3 Financial Assets, our management has carefully reviewed the valuation related policies, the financial statements prepared in accordance with IFRS and other supporting documents, and has had sufficient understanding of the valuation model, methodologies and techniques. Based on the above, our management is of the view that the valuation analysis performed during the Track Record Period is fair and reasonable, and our financial statements are properly prepared. Our management is satisfied with the valuation work for the Level 3 Financial Assets performed during the Track Record Period.

In relation to the valuation of the Level 3 Financial Assets, the Joint Sponsors have conducted, among others, the following due diligence work: (i) reviewing the relevant notes in the Accountant's Report contained in Appendix I to this prospectus; (ii) discussing with the management to understand the internal policies and procedures for the management of the Level 3 Financial Assets and the key basis, methodology and assumptions for the valuation of the Level 3 Financial Assets; (iii) obtaining and reviewing the relevant underlying agreements concerning the corresponding Level 3 Financial Assets during the Track Record Period; (iv) obtaining and reviewing the relevant valuation reports prepared by external valuation experts; (v) interviewing the relevant external valuation experts about the key basis, methodology and assumptions for their valuation of the Level 3 Financial Assets; and (vi) discussing with the Reporting Accountant to understand the work they have performed in relation to the valuation of the Level 3 Financial Assets for the purpose of reporting on the Historical Financial Information of the Group as a whole.

Based on the due diligence work conducted as described above, and having taken into account the work performed by the Company's management and the unqualified opinion on the Historical Financial Information of the Group as a whole issued by the Reporting Accountant included in Appendix I to this prospectus, nothing has come to the attention of the Joint Sponsors that would cause them to disagree with the valuation of the Level 3 Financial Assets.

Intangible assets

Impairment test

Intangible assets not yet available for use are tested annually based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test is performed for each pipeline product by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each pipeline product. The fair value is based on the multi-period excess earnings method and our Group estimates the forecast period for each pipeline product based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each pipeline product. The estimated revenue of each pipeline product is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect specific risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as of December 31, 2017, 2018 and 2019 are as follows:

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	As of December 31,		
	2017	**2018**	**2019**
Discount rate	18%	18%	18%
Revenue growth rate	18.2-80.7%	18.2-80.7%	18.2-80.7%
Recoverable amount (RMB in thousands)	20,714	29,490	45,707
Carrying amount (RMB in thousands)	16,335	24,021	24,417

ABTL-0812

	As of December 31,		
	2017	**2018**	**2019**
Discount rate	18%	18%	18%
Revenue growth rate	1.0-36.7%	1.0-36.7%	1.0-36.7%
Recoverable amount (RMB in thousands)	37,823	60,176	70,950
Carrying amount (RMB in thousands)	14,854	17,317	17,602

SGX-942

	As of December 31,		
	2017	**2018**	**2019**
Discount rate	18%	18%	18%
Revenue growth rate	0.7-63.1%	0.7-63.1%	0.7-63.1%
Recoverable amount (RMB in thousands)	70,953	83,723	98,823
Carrying amount (RMB in thousands)	19,603	20,590	20,929

Vibativ

	As of December 31,		
	2017	**2018**	**2019**
Discount rate	18%	18%	18%
Revenue growth rate	0.7-23.2%	0.7-23.2%	0.7-23.2%
Recoverable amount (RMB in thousands)	308,491	363,482	428,821
Carrying amount (RMB in thousands)	19,603	20,590	20,929

Oravig

	As of December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	3.4-47.3%	3.4-47.3%	3.4-47.3%
Recoverable amount (RMB in thousands)	68,441	78,845	91,513
Carrying amount (RMB in thousands)	6,534	6,863	6,976

Angiomax

	As of December 31,		
	2017	2018	2019[1]
Discount rate	18%	18%	N/A
Revenue growth rate	10.8-1111.9%	10.8-1111.9%	N/A
Recoverable amount (RMB in thousands)	182,659	214,029	N/A
Carrying amount (RMB in thousands)	45,739	48,042	N/A

Notes:

(1) Angiomax was approved by the NMPA for sales in China and became available for use in 2019. Our Group did not identify any indication that the intangible assets in relation to Angiomax would be impaired as of December 31, 2019.

(2) Discount rates represent our general business and market risk and are derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium. The discount rates applied as of December 31, 2017, 2018 and 2019 were around 18% as the input to the model in determining the discount rate remained similar throughout the Track Record Period.

(3) Revenue growth rates were based on the key inputs, such as the estimated market penetration rate and market size after the expected commercialization of each drug candidate whose license was not yet available for use. As there were no significant changes noted in above key inputs, the revenue growth rates estimated as of December 31, 2017, 2018 and 2019 remained within the same range.

Based on the result of above assessment, there was no impairment for the intangible assets as of December 31, 2017, 2018 and 2019.

As of September 30, 2020, there was no impairment indicator for the above intangible assets except for SGX-942. We did not perform quantitative impairment test for the above intangible assets, as our policy is to perform impairment test annually as of December 31, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with IAS 36 Impairment of Assets.

For SGX-942, it was reported that SGX-942 failed to achieve its Phase III clinical endpoint. As a result, we provided full impairment to related intangible assets with the amount of RMB21.0 million (USD3.0 million) as of September 30, 2020. The impairment losses were recognized as administrative expenses in the consolidated statements of comprehensive income for the nine months ended September 30, 2020.

Impairment test—sensitivity

We performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determining the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

PT-112

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Headroom	4,379	5,469	21,290
Impact by increasing discount rate	(2,601)	(2,862)	(4,095)
Impact by decreasing revenue growth rate	(1,189)	(1,407)	(2,184)

ABTL-0812

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Headroom	22,969	42,859	53,348
Impact by increasing discount rate	(3,973)	(5,696)	(6,174)
Impact by decreasing revenue growth rate	(1,562)	(2,416)	(2,853)

SGX-942

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Headroom	51,350	63,133	77,894
Impact by increasing discount rate	(6,469)	(6,987)	(7,478)
Impact by decreasing revenue growth rate	(2,522)	(2,979)	(3,516)

Vibativ

	As of December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Headroom	288,888	342,892	407,892
Impact by increasing discount rate	(23,647)	(25,037)	(26,161)
Impact by decreasing revenue growth rate	(12,350)	(14,571)	(17,196)

Oravig

	As at December 31,		
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Headroom	61,907	71,982	84,537
Impact by increasing discount rate	(5,155)	(5,298)	(5,379)
Impact by decreasing revenue growth rate	(3,058)	(3,507)	(4,018)

Angiomax

	As at December 31,		
	2017	2018	2019[(1)]
	RMB'000	RMB'000	RMB'000
Headroom	136,920	165,987	N/A
Impact by increasing discount rate	(14,120)	(14,962)	N/A
Impact by decreasing revenue growth rate	(6,528)	(8,867)	N/A

Note:

(1) Angiomax was approved by the NMPA for sales in China and became available for use in 2019. Our Group did not identify any indication that the intangible assets in relation to Angiomax would be impaired as of December 31, 2019

Considering there was still sufficient headroom based on the assessment, we believe that a reasonably possible change in any of the key assumptions, on which we have based our determination of each intangible asset's recoverable amount, would not cause its carrying amount to exceed its recoverable amount.

INDEBTEDNESS AND CONTINGENCIES

Bank Borrowings

As of September 30, 2020, we had bank borrowings of RMB2,039.9 million.

In June 2020, we entered into a facility agreement with China Minsheng Banking Corp., Ltd. Hong Kong Branch, pursuant to which we may borrow up to US$300.0 million of bank loans with an effective interest rate of LIBOR plus 2.3% per annum. Such bank loans would be secured by substantially all of SPIL's (and its subsidiaries', as applicable) assets and common stocks. The facility agreement was to finance our dividend payment and operations.

As of December 31, 2020, being the latest practicable date for determining our indebtedness, we had total borrowings of RMB1,954 million. As of the same date, we had no committed unutilized banking facilities and none of our existing indebtedness included any material covenants or

covenants that could potentially limit our ability to incur new indebtedness. Our Directors confirm that, during the Track Record Period and as of the Latest Practicable Date, we had not breached any financial covenant or defaulted in repayment of bank borrowings or other loan facilities.

Lease Liabilities

IFRS 16 introduced a single lessee accounting model, whereby assets and liabilities are recognized for all leases on the balance sheet, subject to certain exceptions. As of December 31, 2017, 2018 and 2019 and September 30 and December 31, 2020, our current and non-current lease liabilities were RMB38.8 million, RMB39.6 million, RMB26.5 million, RMB11.9 million and RMB8.5 million, respectively. These lease liabilities mainly consisted of rental of offices and warehouses.

Contingent liabilities and guarantees

As of December 31, 2020, there were no unrecorded significant contingent liabilities, guarantees or any litigation against us.

Except as discussed above, our Directors confirm that we did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness issued and outstanding or agreed to be issued, hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as of December 31, 2020.

CAPITAL EXPENDITURES

Our capital expenditures principally comprise expenditures for purchases of property and equipment relating to office use and purchase of intangible assets. We funded our capital expenditure requirements during the Track Record Period mainly from our cash generated from operating activities. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Nine months ended September 30,
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Purchases of property, plant and equipment	6,293	12,447	1,947	2,310
Purchases of intangible assets	4,435	12,324	30,695	314,643
Total capital expenditure	**10,728**	**24,771**	**32,642**	**316,953**

Our capital expenditures amounted to RMB10.7 million, RMB24.8 million, RMB32.6 million and RMB317.0 million in 2017, 2018 and 2019 and the nine months ended September 30, 2020, respectively. The capital expenditures in 2017, 2018 and 2019 and the nine months ended

September 30, 2020 were primarily related to the purchase of office equipment, purchase of software and payments for in-licensing agreements. The increase in the nine months ended September 30, 2020 was primarily due to the milestone payment of US$35.0 million for the in-licensing of Zometa from Novartis.

We expect that our expenditure for the development of existing early stage pipeline products will be approximately RMB415.0 million from 2021 to 2023, including RMB40.0 million for PT-112, RMB168.0 million for RRx-001, RMB196.0 million for PEN-866 and RMB11.0 million for others. We expect to fund these expenditures with (i) our cash inflows generated from operating activities, (ii) bank borrowings, and (iii) proceeds from the Global Offering.

KEY FINANCIAL RATIOS

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

	As of/For the year ended December 31,			As of/For the nine months ended September 30,
	2017	2018	2019	2020
Current ratio[(1)]	257.1%	458.4%	512.7%	202.5%
Return on equity (%)[(2)]	1.7%	53.4%	47.9%	81.6%
Return on total assets (%)[(3)]	1.3%	39.3%	39.1%	29.6%

Notes:

(1) Current assets divided by current liabilities.

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

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

Our current ratio as of September 30, 2020 decreased as compared to that of December 31, 2019, primarily attributable to an increase in borrowings due to the loan borrowed from China Minsheng Banking Corp. Ltd., Hong Kong Branch. Our current ratio as of December 31, 2019 increased as compared to that of December 31, 2018, primarily attributable to an increase in cash and cash equivalents, which was in line with the increases of our revenue and profit during the period. Our current ratio as of December 31, 2018 increased as compared to that of December 31, 2017, primarily attributable to an increase in trade receivables due to sales growth and a decrease in current tax liabilities due to U.S. tax payment.

Our return on equity increased in the nine months ended September 30, 2020, primarily attributable to our dividend distribution in the first half of 2020. Our return on equity remained relatively stable in 2019. Our return on equity increased in 2018, primarily attributable to the increases in our revenue and profit during the period.

Our return on total assets decreased in the nine months ended September 30, 2020, primarily attributable to an increase in intangible assets due to our in-licensing of new drug candidates. Our return on total assets remained relatively stable in 2019. Our return on total assets increased in 2018, primarily attributable to the increases in our revenue and profit during the period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements or commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

MATERIAL RELATED PARTY TRANSACTIONS

For details about our related party transactions during the Track Record Period, see Note 35 to the Accountant's Report in Appendix I of this prospectus.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and they did not distort our results of operations or make our historical results not reflective of our future performance.

Balances due to/from the Group's related parties will be settled before the Listing.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk.

Market Risk

Market risk includes foreign exchange risk and interest rate risk.

Foreign exchange risk

Our subsidiaries operate in Cayman Islands, Mainland China and Hong Kong, and they are exposed to foreign exchange risk arising from currency exposure, primarily with respect to RMB. Foreign exchange risk primarily arises from recognized assets and liabilities in our subsidiaries in Cayman Islands when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to business partners.

For our subsidiaries whose functional currency is USD, if RMB had strengthened or weakened by 5% against USD with all other variables held constant, the profit before income tax for the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019 and 2020 would have been approximately RMB26.2 million, RMB28.0 million, RMB20.5 million, RMB38.0 million and RMB16.7 million higher or lower, as a result of net foreign exchange gains or losses on translation of net monetary assets denominated in RMB, respectively.

Interest rate risk

Our interest rate risks arise from long-term borrowings. Borrowings obtained at floating rates expose us to cash flow interest rate risk which is partially offset by cash held at variable interest rates.

If the interest rate of borrowings with floating rate had been 50 basis points higher or lower, the profit before income tax for the nine months ended September 30, 2020 would have been approximately RMB3.0 million lower or higher. There existed no borrowing with floating rate for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019.

Credit Risk

We are exposed to credit risk in relation to our cash and cash equivalents, restricted cash, trade receivables, other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables), loan receivables and financial guarantee contracts. The carrying amounts of cash and cash equivalents, restricted cash, trade receivables, other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables), loan receivables and financial guarantee contracts represent our maximum exposure to credit risk in relation to financial assets. We did not record any significant credit losses during the Track Record Period.

To manage risk arising from cash and cash equivalents and restricted cash, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

To manage risk arising from trade receivables, we apply the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of at least 24 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The expected credit loss was minimal as of December 31, 2017, 2018 and 2019 and September 30, 2020 as the trade receivables were considered to be of low credit risk.

Other receivables mainly comprise receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables. We consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, we compare risk of a default occurring on the assets as of the reporting date with the risk of default as of the date of initial recognition. As of December 31, 2017, 2018 and 2019 and September 30, 2020, there was no significant increase in credit risk since initial recognition. We assessed that the expected credit losses for these receivables within the next 12 months were not material.

We had loan receivables with the amount of RMB78.3 million as of December 31, 2017, all of which were collected in 2018 and we had no outstanding loan receivables as of December 31, 2018 and 2019 and September 30, 2020. As of December 31, 2017, there was no significant increase in credit risk since initial recognition. We assessed that the expected credit losses for loan receivables within the next 12 months were not material.

For the financial guarantee arrangement, we have taken measures to manage credit risk, including credit examination, fraud examination and risk monitoring alert. The maximum credit risk from financial guarantee contracts was USD176 million (equivalent to approximately RMB1,150.0 million), USD132 million (equivalent to approximately RMB905.9 million), USD300 million (equivalent to approximately RMB2,092.9 million) and nil as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively. Based on the financial conditions of the guarantee, we assessed that the credit risk in relation to the financial guarantee arrangement since initial recognition was minimal and therefore, the expected credit losses within the next 12 months were not material during the Track Record Period.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We expect to fund our future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

For the maturity profile of our financial liabilities, see Note 3.1(c) to the Accountant's Report in Appendix I of this prospectus.

DIVIDEND POLICY

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries. PRC laws require a foreign-invested enterprise to make up for its accumulative losses out of its after-tax profits and allocate at least 10% of its remaining after-tax profits, if any, to fund its statutory reserves until the aggregate amount of its statutory reserves exceeds 50% of its registered capital.

Any amount of dividend we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividend will be subject to our constitutional documents and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

We declared dividends of nil, RMB563.4 million, RMB211.6 million, nil and RMB2,230.4 million and paid dividends in cash of nil, RMB563.4 million, RMB211.6 million, nil and RMB2,173.8 million to our then shareholders in 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. Our dividend payment of RMB2,173.8 million for the nine months ended September 30, 2020 was financed by the bank loan facility to be repaid by part of the proceeds from the Global Offering. See "Future Plans and Use of Proceeds." On February 5, 2021, our Board approved our plan to declare a dividend of USD120.0 million from our consolidated retained earnings as of December 31, 2020 to our existing Shareholders. We intend to pay such dividend with our own cash before the Listing. There is no assurance that dividends of any amount will be declared or be distributed in any year. We aim to maximize our Shareholders' interests. Though in order to retain flexibility for our business development, currently we do not have a formal dividend policy or a fixed dividend distribution ratio, our Board may declare dividends in the future after taking into account various factors including our future earnings and cash inflows, future plan for use of funds, long-term development of our business and other legal and regulatory restrictions.

As advised by Maples and Calder (Hong Kong) LLP, the Cayman Islands Legal Advisor to the Company, a Cayman Islands exempted company may pay dividends out of profits, retained earnings or share premium, subject to a solvency test, and the provisions, if any, of the company's memorandum and articles of association. The directors of the company must be comfortable that they have satisfied their fiduciary duties when the dividends are declared and paid, and are satisfied that the Company will continue to be able to meet its obligations as they fall due after the payment of the dividend. Where dividends are paid out of share premium, there is a statutory test set out in Section 34(2) of the Cayman Islands Companies Act which provides that the share premium account may be applied by the company to pay dividends to its members, "provided that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company shall be able to pay its debts as they fall due in the ordinary course of business." There is no provision under the Cayman Islands Companies Act which expressly prohibits the Company to declare and pay dividends out of its share premium account where the Company is loss making.

DISTRIBUTABLE RESERVES

As of September 30, 2020, the total equity of our Company amounted to approximately RMB6,541.2 million, representing our reserves available for distribution to our equity holders.

LISTING EXPENSES

Assuming an Offer Price of HK$18.00 per Share (being the mid-point of the indicative offer price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, which are payable by us are estimated to amount in aggregate to be approximately RMB114.3 million. We incurred RMB23.4 million of listing expenses during the Track Record Period. We expect to charge approximately RMB13.1 million of the estimated listing expenses to profit or loss and to capitalize approximately RMB77.8 million following the Listing.

PROFIT ESTIMATE FOR THE YEAR ENDED DECEMBER 31, 2020

Our Directors estimate, on the bases as set out in Appendix III to this prospectus and in the absence of unforeseen circumstances, that our estimated consolidated profit attributable to owners of our Company and unaudited pro forma estimated earnings per Share for the year ended December 31, 2020 as follows:

Estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020	Not less than RMB740 million (approximately HK$888 million)
Unaudited pro forma estimated earnings per Share for the year ended December 31, 2020	Not less than RMB1.09 (approximately HK$1.31)

The profit estimate, for which our Directors are solely responsible for, has been prepared by them based on the audited consolidated results of our Group for the nine months ended September 30, 2020 as set out in the Accountant's Report in Appendix I to this prospectus and the unaudited consolidated results based on the management accounts of our Group for the three months ended December 31, 2020.

The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020 by 677,874,263 Shares that had been assumed to be in issue throughout the year ended December 31, 2020. The calculation of the unaudited pro forma estimated earnings per Share does not take into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, the exercise of the outstanding options granted under the Option Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for the issue and allotment of Shares as described in the section headed "Share Capital" in this prospectus.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below for illustrative

purposes only, and is set out below to illustrate the effect of the Global Offering on our audited consolidated net tangible assets as of September 30, 2020 as if the Global Offering had taken place on September 30, 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of our consolidated net tangible assets as of September 30, 2020 or any future date following the Global Offering. It is prepared based on the audited consolidated net tangible assets of our Group attributable to the owners of our Company as of September 30, 2020, derived from the Accountant's Report, the text of which is set out in Appendix I of this prospectus, and adjusted as below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountant's Report as set forth in Appendix I of this prospectus.

	Adjusted consolidated net tangible liabilities of our Group attributable to the owners of the Company as of September 30, 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as of September 30, 2020**	**Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company per Share**	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$17.20 per Share	(401,901)	1,572,868	1,170,967	1.73	2.08
Based on an Offer Price of HK$18.80 per Share	(401,901)	1,721,159	1,319,258	1.95	2.34

Notes:

(1) The audited consolidated net tangible liabilities of our Group attributable to the equity holders of our Company as of September 30, 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to the equity holders of our Company as of September 30, 2020 of approximately RMB166,010,000, with adjustment for intangible assets as of September 30, 2020 of approximately RMB567,911,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$17.20 and HK$18.80 per share, being the low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB23,400,000 which have been accounted for in the consolidated statements of comprehensive income of our Group prior to September 30, 2020) paid/payable by our Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the exercise of the outstanding options granted under the Option Incentive Plan or any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 677,874,263 Shares were in issue, assuming that the Global Offering has been

completed on September 30, 2020 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be issued or repurchased by our Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this prospectus.

(4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to September 30, 2020. Specifically, the unaudited pro forma adjusted net tangible asset per Share presented above has not taken into account effect of the proposed dividend of US$120.0 million which was declared subsequent to September 30, 2020 on February 5, 2021. The unaudited pro forma adjusted net tangible asset per Share would have been RMB0.59 (HK$0.71) and RMB0.80 (HK$0.96) per Share based on the Offer Price of HK$17.20 and HK$18.8 per Share, respectively, if such proposed dividend had been accounted for.

RECENT DEVELOPMENT

Selected Financials for the Three Months Ended December 31, 2020

Our revenue, gross profit and net profit for the fourth quarter of 2020 were lower by approximately 20.8%, 20.6% and 45.8% compared to our revenue, gross profit and net profit for the third quarter of 2020, respectively, primarily due to (i) a significant increase in our sales of Zadaxin in the first half of 2020 for the prevention and clinical treatment of COVID-19 in China, which accounted for a majority of our annual sales target, and the corresponding adjustment of sales plan in the fourth quarter of 2020, as well as a drop in demand for Zadaxin for the treatment of COVID-19 in the second half of 2020 which resulted in our revenue from Zadaxin in the second half of 2020 being substantially lower as compared to that in the first half of 2020, (ii) cancellation of Zadaxin shipments to China in December 2020 due to the lockdown of logistics warehouses at Shanghai Pudong International Airport for COVID-19 prevention, the sales of which would have otherwise generated RMB52.5 million in revenue, resulting in our delay in delivery which also affected our fulfillment of orders to Sinopharm, and (iii) increases in sales and marketing expenses and research and development expenses as delayed marketing and promotion activities and research and development activities in 2020 due to the impact of COVID-19 in the first half of 2020 were held in the fourth quarter of 2020 due to our gradual recovery from the COVID-19 impact to catch up on the slowdown in the first three quarters. These factors were all one-off events and we do not expect them to be recurring in the future. We expect to see growth in our revenue in 2021 with the continuous recovery from the COVID-19 impact in China. We also expect our revenue from the sales of our in-licensed products, Angiomax and Zometa, will gradually increase in 2021 due to our commercialization efforts, and we expect our revenue from the sales of Zadaxin in 2021 will continue to account for a substantial part of our total revenue.

Our revenue in the three months ended December 31, 2020 decreased compared to our revenue in the three months ended December 31, 2019, primarily due to (i) a significant increase in our sales of Zadaxin in the first half of 2020 for the prevention and clinical treatment of COVID-19 in China, which accounted for a majority of our annual sales target, and the corresponding adjustment of sales in the fourth quarter of 2020, (ii) our inventory management initiatives to limit our year-end inventories in order to minimize the risk of inventory accumulation, (iii) cancellation of Zadaxin shipments to China in December 2020 due to the lockdown of logistics warehouses at Shanghai Pudong International Airport for COVID-19 prevention, and (iv) the discontinued sales of DC Bead

in April 2020. Our gross profit decrease during the same period was in line with our revenue decrease, and our gross profit margin remained relatively stable. We were not aware of any material adverse change in the demand for Zadaxin up to the date of this prospectus.

Our net profit in the three months ended December 31, 2020 decreased compared to our net profit in the three months ended December 31, 2019, primarily due to (i) decreases in revenue and gross profit, (ii) a significant increase in listing expenses in connection with the Global Offering, and (iii) increases in sales and marketing expenses and research and development expenses as delayed marketing and promotion activities and research and development activities in 2020 due to the impact of COVID-19 in the first half of 2020 were held or resumed in the fourth quarter of 2020 due to our gradual recovery from the COVID-19 impact.

Clinical progress update of SGX-942

In December 2020, SGX-942, one of our potential drug candidates, failed to achieve its Phase III clinical endpoint. As a result, we provided full impairment to related intangible assets in the amount of RMB21.0 million as of September 30, 2020. The impairment losses were recognized as administrative expenses in the consolidated statements of comprehensive income for the nine months ended September 30, 2020. We will closely monitor the subgroup analysis of the Phase III clinical data of SGX-942, and continue to develop its other potential clinical adoptions.

Angiomax's status in the volume-based procurement

Bivalirudin, the compound for our product Angiomax, was listed in the catalog for the fourth batch of volume-based procurement on December 25, 2020. We participated in the fourth batch of volume-based procurement for bivalirudin with Angiomax in February 2021, but Angiomax did not win the bid. The bid was won by three generic bivalirudin drugs, produced by Qilu Pharmaceutical Co., Ltd., Hainan Poly Pharm Co., Ltd., and Hainan Shuangcheng Pharmaceuticals Co., Ltd., respectively. As a result, such three bid-winning generic bivalirudin competitors will be procured by public hospitals and medical institutions with priority, enabling them to increase their market share. However, Angiomax can still be prescribed by doctors at public hospitals and medical institutions for patients in compliance with relevant prescription regulations, or be purchased at private hospitals and pharmacies. We believe that our overall business, results of operations and financial conditions will not be materially affected by the exclusion of Angiomax from the volume-based procurement.

Declaration of Dividend

On February 5, 2021, our Board approved our plan to declare a dividend of USD120.0 million from our consolidated retained earnings as of December 31, 2020 to our existing Shareholders. We intend to pay such dividend with our own cash before the Listing.

Outbreak of COVID-19

Assuming the worst case scenario of the COVID-19 outbreak, in which:

(i) we cease all operations (including product sales, marketing and promotion, production by CMO partners, logistics and transportation, procurement of raw materials and promotion products, product development and other operational activities) from October 2020 onwards, as we will not earn or incur any revenue and costs, and we will only incur fixed expenses;

(ii) we make salaries payments to all of our current employees;

(iii) there are no other sources of funding except cash and cash equivalents and financial assets at fair value through profit or loss as of September 30, 2020;

(iv) we use 28.0% of the net proceeds from the Global Offering based on the low-end of the Offer Price range to repay existing debt, including our loan facility of USD300.0 million with China Minsheng Banking Corp. Ltd., Hong Kong Branch, with a maturity date of November 4, 2024, and interest rate of LIBOR plus 2.3% per annum; and

(v) the settlement of trade receivables and trade payables is estimated on a prudent basis by taking into account our historical settlement patterns,

we would have sufficient cash flow for our business to remain financially viable for at least the next 17 months from September 30, 2020, which includes, but is not limited to the timely payment for the following:

- employees' salaries payments;
- lease payments;
- payments for existing purchase plans for long-term assets; and
- repayments of bank loans.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this prospectus, there has been no material adverse change that may impact our financial or trading position or prospects since September 30, 2020, being the end date of the periods reported on in the Accountant's Report in Appendix I of this prospectus, except as otherwise disclosed in this prospectus, and there has been no event since September 30, 2020 that would materially affect the information as set out in the Accountant's Report in Appendix I of this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$18.00 per Share (being the mid-point of the Offer Price range stated in this prospectus), we estimate that we will receive net proceeds of approximately HK$1,950.4 million from the Global Offering after deducting the underwriting commission and other estimated expenses paid and payable by us in connection with the Global Offering, and assuming that the Over-allotment Option is not exercised. In line with our strategies, we intend to use the proceeds from the Global Offering for the purposes and in the amounts set forth below:

- approximately 30.0% of net proceeds, or approximately HK$585.1 million, for investment in potential acquisition of drug targets in China or in other global markets and funding the in-licensing of new drug candidates. We have not yet identified any specific targets for investment, but intend to explore investment opportunities in drug candidates that focus on therapeutic areas with significant unmet medical needs, primarily including oncology and severe infection. We intend to acquire drug targets with (i) broad indication field with promising efficacy and safety profile, (ii) unique mechanism that has been partially or fully proved in clinical use, (iii) high barrier in manufacturing or dosing, and (iv) strong unmet needs without affordability issues. We plan to primarily seek opportunities to acquire the development and commercial rights in Mainland China, Hong Kong, Macau and Taiwan of late-stage drug candidates and at the same time invest in drug candidates in the early stages of development. See "Business — Our Strategies — Optimize our pipeline with accelerated fast-to-market strategy for late-stage assets and potential first/best-in-class focus for early-stage assets";

- approximately 28.0% of net proceeds, or approximately HK$546.1 million, to repay existing debt, including our loan facility of US$300.0 million with China Minsheng Banking Corp., Ltd. Hong Kong Branch, with a maturity date of November 4, 2024, and interest rate of LIBOR plus 2.3 per annum. See "Financial Information — Indebtedness and Contingencies";

- approximately 26.0% of net proceeds, or approximately HK$507.1 million, to fund the development and commercialization of our clinical-stage product candidates, including funding the planned clinical trials, preparation for registration filings and potential commercial launches (including sales and marketing) of RRx-001, Naxitamab, Omburtamab, PEN-866, PT-112, ABTL-0812 and others. See "Business — Our Strategies — Optimize our pipeline with accelerated fast-to-market strategy for late-stage assets and potential first/best-in-class focus for early-stage assets";

- approximately 10.0% of net proceeds, or approximately HK$195.0 million, to invest in our recruitment and expand our sales and marketing network and commercial and development infrastructure, including expansion of our sales force in preparation for new

product launches and retail channel collaborations, and investment in establishment of CDCs for research and development of Zadaxin's vaccine adjuvant indication. See "Business — Our Strategies — Continue to innovate in business model and enhance our commercialization and development capabilities" and "Business — Our Strategies — Commit to development of talent and enhancement of our operational infrastructure to support our future expansion;"

- approximately 6.0% of net proceeds, or approximately HK$117.0 million, to fund ongoing clinical studies for additional clinical adoptions of our marketed product portfolio. See "Business — Our Strategies — Continue to strengthen our marketed product portfolio through effective lifecycle management".

We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses paid and payable by us in connection with the Global Offering, in the amount as set forth in the following table:

	Based on the low-end of the proposed Offer Price range of HK$17.20	**Based on the mid-end of the proposed Offer Price range of HK$18.00**	**Based on the high-end of the proposed Offer Price range of HK$18.80**
Assuming the Over-allotment Option is not exercised	Approximately HK$1,861.3 million	Approximately HK$1,950.4 million	Approximately HK$2,039.5 million
Assuming the Over-allotment Option is exercised in full	Approximately HK$2,148.6 million	Approximately HK$2,251.0 million	Approximately HK$2,353.4 million

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes, or if we are unable to put into effect any part of our plan as intended, and to the extent permitted by the relevant laws and regulations, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed commercial banks or other authorized financial institutions so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe for such number of Offer Shares that may be purchased with an aggregate amount of US$133.7 million (approximately HK$1,036.6 million) at the Offer Price (the "**Cornerstone Placing**").

Based on the Offer Price of HK$18.80 per Offer Share, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 55,135,000, representing approximately 47.54% of the Offer Shares and approximately 8.13% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK$18.00 per Offer Share, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 57,586,500, representing approximately 49.65% of the Offer Shares and approximately 8.50% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Based on the Offer Price of HK$17.20 per Offer Share, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed for by the Cornerstone Investors would be 60,265,500, representing approximately 51.96% of the Offer Shares and approximately 8.89% of the total issued share capital of our Company immediately upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Our Company is of the view that, leveraging on the Cornerstone Investors' investment experience, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our Company's business and prospect.

The Cornerstone Placing forms part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue following the completion of the Global Offering and to be listed on the Stock Exchange, and will be counted towards the public float of our Company. Our Company became acquainted with each of the Cornerstone Investors through introduction by Underwriters.

Immediately following the completion of the Global Offering, the Cornerstone Investors will not become a substantial Shareholder (as defined in the Listing Rules) of our Company and will not have any Board representation in our Company. To the best knowledge of our Company, each of

Cornerstone Investors (i) is an Independent Third Party and is not our connected person (as defined under the Listing Rules), (ii) is independent of other Cornerstone Investors, (iii) is not financed by us, our Directors, chief executive, existing Shareholders or any of its subsidiaries or their respective close associates, and (iv) is not accustomed to take instructions from us, our Directors, chief executive, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in their name or otherwise held by them. There are no side agreements or arrangements between us and the Cornerstone Investors.

As confirmed by each Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources. Each of the Cornerstone Investors has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) or its shareholders is required for the relevant cornerstone investment as each of them has general authority to invest.

There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors and the consideration will be settled by the Cornerstone Investors on or before the Listing Date. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by the reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "The Structure of the Global Offering — The Hong Kong Public Offering — Reallocation". Details of the allocations to the Cornerstone Investors will be disclosed in the allotment results announcement in the Hong Kong Public Offering to be published on or around March 2, 2021.

The table below sets forth details of the Cornerstone Placing:

		Based on an Offer Price of HK$17.20 (being the low-end of the Offer Price range)				
Cornerstone Investor	**Subscription amount**	**Number of Offer Shares[1]**	**Assuming the Over-Allotment Option is not exercised**		**Assuming the Over-Allotment Option is fully exercised**	
			Approximate % of the Offer Shares	**Approximate % of the issued share capital[2]**	**Approximate % of Offer Shares**	**Approximate % of the issued share capital[2]**
Shanghai Pharmaceutical Lin-gang Special Area Co.,Ltd.	US$ 30 million	13,521,000	11.66%	1.99%	10.14%	1.94%
Daguan International Limited	US$ 30 million	13,521,000	11.66%	1.99%	10.14%	1.94%
China Post & Capital Global Asset Management Ltd	US$ 20 million	9,014,000	7.77%	1.33%	6.76%	1.30%
Ding Asset Ltd.	US$ 12 million	5,408,000	4.66%	0.80%	4.05%	0.78%
Bradbury Global Opportunity Fund SP	HK$77.60 million	4,511,500	3.89%	0.67%	3.38%	0.65%
Fortune Bright Investment Limited	HK$67.50 million	3,924,000	3.38%	0.58%	2.94%	0.56%
IDG Capital Investment 2020 Limited	US$ 5 million	2,253,500	1.94%	0.33%	1.69%	0.32%
Dazhong (Hong Kong) International Corporation Limited	US$ 5 million	2,253,500	1.94%	0.33%	1.69%	0.32%
Taiping Assets Management (HK) Company Limited	US$ 5 million	2,253,500	1.94%	0.33%	1.69%	0.32%
JMC Capital HK Limited	US$ 5 million	2,253,500	1.94%	0.33%	1.69%	0.32%
Huang Zhanxiong	US$ 3 million	1,352,000	1.17%	0.20%	1.01%	0.19%
Total	**US$ 134 million**	**60,265,500**	**51.96%**	**8.89%**	**45.18%**	**8.67%**

Cornerstone Investor	Subscription amount	Based on an Offer Price of HK$18.00 (being the mid-point of the Offer Price range)				
		Number of Offer Shares[1]	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital[2]	Approximate % of Offer Shares	Approximate % of the issued share capital[2]
Shanghai Pharmaceutical Lin-gang Special Area Co.,Ltd.	US$ 30 million	12,920,000	11.14%	1.91%	9.69%	1.86%
Daguan International Limited	US$ 30 million	12,920,000	11.14%	1.91%	9.69%	1.86%
China Post & Capital Global Asset Management Ltd	US$ 20 million	8,613,500	7.43%	1.27%	6.46%	1.24%
Ding Asset Ltd.	US$ 12 million	5,168,000	4.46%	0.76%	3.87%	0.74%
Bradbury Global Opportunity Fund SP	HK$77.60 million	4,311,000	3.72%	0.64%	3.23%	0.62%
Fortune Bright Investment Limited	HK$67.50 million	3,750,000	3.23%	0.55%	2.81%	0.54%
IDG Capital Investment 2020 Limited	US$ 5 million	2,153,000	1.86%	0.32%	1.61%	0.31%
Dazhong (Hong Kong) International Corporation Limited	US$ 5 million	2,153,000	1.86%	0.32%	1.61%	0.31%
Taiping Assets Management (HK) Company Limited	US$ 5 million	2,153,000	1.86%	0.32%	1.61%	0.31%
JMC Capital HK Limited	US$ 5 million	2,153,000	1.86%	0.32%	1.61%	0.31%
Huang Zhanxiong	US$ 3 million	1,292,000	1.11%	0.19%	0.97%	0.19%
Total	**US$ 134 million**	**57,586,500**	**49.65%**	**8.50%**	**43.17%**	**8.28%**

Cornerstone Investor	Subscription amount	Based on an Offer Price of HK$18.80 (being the high-end of the Offer Price range)				
		Number of Offer Shares[1]	Assuming the Over-Allotment Option is not exercised		Assuming the Over-Allotment Option is fully exercised	
			Approximate % of the Offer Shares	Approximate % of the issued share capital[2]	Approximate % of Offer Shares	Approximate % of the issued share capital[2]
Shanghai Pharmaceutical Lin-gang Special Area Co.,Ltd.	US$ 30 million	12,370,000	10.67%	1.82%	9.27%	1.78%
Daguan International Limited	US$ 30 million	12,370,000	10.67%	1.82%	9.27%	1.78%
China Post & Capital Global Asset Management Ltd	US$ 20 million	8,246,500	7.11%	1.22%	6.18%	1.19%
Ding Asset Ltd.	US$ 12 million	4,948,000	4.27%	0.73%	3.71%	0.71%
Bradbury Global Opportunity Fund SP	HK$77.60 million	4,127,500	3.56%	0.61%	3.09%	0.59%
Fortune Bright Investment Limited	HK$67.50 million	3,590,000	3.10%	0.53%	2.69%	0.52%
IDG Capital Investment 2020 Limited	US$ 5 million	2,061,500	1.78%	0.30%	1.55%	0.30%
Dazhong (Hong Kong) International Corporation Limited	US$ 5 million	2,061,500	1.78%	0.30%	1.55%	0.30%
Taiping Assets Management (HK) Company Limited	US$ 5 million	2,061,500	1.78%	0.30%	1.55%	0.30%
JMC Capital HK Limited	US$ 5 million	2,061,500	1.78%	0.30%	1.55%	0.30%
Huang Zhanxiong	US$ 3 million	1,237,000	1.07%	0.18%	0.93%	0.18%
Total	**US$ 134 million**	**55,135,000**	**47.54%**	**8.13%**	**41.34%**	**7.93%**

Notes:

(1) Subject to rounding down to the nearest whole board lot of 500 Shares. Calculated based on the exchange rate set out in the section headed "Information about this Prospectus and the Global Offering — Exchange Rate Conversion".

(2) Immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Shanghai Pharmaceutical Lin-gang Special Area Co.,Ltd.

Shanghai Pharmaceutical Lin-gang Special Area Co.,Ltd., a wholly-owned subsidiary of Shanghai Pharmaceutical Co., Ltd., is a company registered in Shanghai Lingang New Area, specializing in the import of innovative drugs. Shanghai Pharmaceutical Co., Ltd., a wholly-owned subsidiary of Shanghai Pharmaceuticals Holding Co., Ltd. ("**SPH**"), is engaged in drug distribution business, providing drugs and medical supply-service to more than 30,000 medical institutions

nationwide, and has built a business network covering 17 provinces across the PRC. SPH was incorporated on January 18, 1994 and is a large pharmaceutical industry group listed on the Shanghai Stock Exchange (stock code: 601607) and Hong Kong Stock Exchange (stock code: 2607). SPH's controlling shareholder is Shanghai Industrial Investment (Holdings) Company Limited, a wholly-owned subsidiary of the State-owned Assets Supervision and Administration Commission of Shanghai. No board or shareholders' approval of SPH is required for this cornerstone investment.

SPIL, SciClone China and Shanghai Pharmaceutical Co., Ltd. entered into a strategic cooperation agreement (the "**Strategic Cooperation Agreement**") on arm's length basis, pursuant to which the parties agreed to establish and deepen cooperation in areas including, but not limited to, supply chain, distribution and delivery, service to innovative drugs, Internet + based new retail and innovative payment service to patients.

The Strategic Cooperation Agreement intends to identify potential areas for future cooperation. We and Shanghai Pharmaceutical Co., Ltd. will further discuss and negotiate specific cooperation arrangements and separate agreements in relation to the Strategic Cooperation Agreement.

Daguan International Limited

Daguan International Limited ("**Daguan International**"), a company incorporated in the British Virgin Islands, is mainly engaged in standardized asset investment, private equity investment, and asset management. Daguan International's private equity investment focuses on mid-to-long-term investment in companies with long-term potentials in healthcare, alternative energy, new materials, and consumer goods. Daguan International is a professional global investment platform owned by Bosera Capital Management Co., Ltd. (博時資本管理有限公司, "**Bosera Capital**") as to 99% and by Dr. Zhang Bo (張博, "**Dr. Zhang**") as to 1%. Bosera Capital subscribed for its shareholding interests in Daguan International through its QDIE (namely Qualified Domestic Investment Enterprise) program, and holds the interests of Daguan International for Hainan Tianshi Investment Fund Management Co., Ltd. (海南天實投資基金管理有限公司, "**Hainan Tianshi**"). Hainan Tianshi is owned by Beijing Huitong Yongxin Investment Co., Ltd. (北京匯通永鑫投資有限責任公司, "**Beijing Huitong Yongxin**") as to 80% and by Gao Xiaoke (高曉珂), who is a relative of Dr. Zhang, as to 20%. Beijing Huitong Yongxin is owned by Liang Yongzi (梁永梓), Yi Yongling (億永玲), Liang Hong (梁洪), Liang Bo (梁博), Liang Peng (梁鵬) and Liang Kun (梁坤) as to 60%, 20%, 5%, 5%, 5% and 5%, respectively. Dr. Zhang is the chairman and chief executive officer of Hainan Tianshi, and was the former vice chairman and president of China Oceanwide Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 715).

China Post & Capital Global Asset Management Ltd

China Post & Capital Global Asset Management Ltd ("**CPG**") is a global investment management firm headquartered in Hong Kong. CPG provides mutual funds and other portfolio management and asset allocation solutions for investors worldwide, and manages approximately USD720 million assets. CPG's unique insight to the PRC's capital markets provides broad perspectives that help identify opportunities and manage risks. CPG's core investment capabilities

encompass both private and public markets and span across many strategies. CPG specializes in fund management and investment advice services focusing on QFII, RQFII, RQDII, QDII management and ETF's. CPG's parent companies are China Post Fund and China Post Group. China Post Fund manages mutual funds across all asset classes and has several of the top performing mutual funds in each asset class. China Post Group is a large wholly state-owned enterprise of the PRC. In addition to the domestic and international mail delivery services, it owns many subsidiaries, among which, highlighted subsidiaries include Postal Savings Bank of China, China Postal Express & Logistics, China Post Life Insurance, China Post Securities, China Post Fund, China Post Asset Management, China Philatelic Corporation, etc.

CPG will cause its designated entity, namely China Post and Capital Investment SPC to subscribe for the investor shares under its cornerstone investment agreement. CPG is the general partner of China Post and Capital Investment SPC, and none of the limited partners of China Post and Capital Investment SPC holds 25% or more of the total interests thereof.

Ding Asset Ltd

Ding Asset Ltd is an investment holding company incorporated in British Virgin Islands under a Singapore-based family office whose ultimate beneficial owner is Mr. Ding Yanzhong (丁言忠, "**Mr. Ding**"). The family office was set up by Mr. Ding in 2018 with assets of USD50 million under management. Mr. Ding has an extensive experience in logistics and real estate industry. He operates and manages Shanghai Huayang Logistics Co. Ltd (上海華洋國際物流有限公司), a China-based company that provides transportation and logistics services.

Bradbury Global Opportunity Fund SP

Bradbury Global Opportunity Fund SP (the "**Portfolio**"), incorporated in the Cayman Islands, is a segregated portfolio of Bradbury Investment Fund (SPC) Limited which is ultimately owned by Mr. Loo See Yuen. The investment objective of the Portfolio is capital appreciation. Bradbury Asset Management (Hong Kong) Limited has been appointed to provide asset management services in respect of the Portfolio (the "**Investment Manager**"). The Investment Manager is a company incorporated with limited liability in Hong Kong, and is licensed for Type 9 (asset management) regulated activities by the SFC. In addition, Bradbury Fund Management Limited, an exempted company incorporated with limited liability in the Cayman Islands, has been appointed to act as manager of the Portfolio.

Fortune Bright Investment Limited

Fortune Bright Investment Limited is an investment holding company incorporated in Hong Kong and was formed for the purpose of investing in healthcare and technology sectors. Its directors are Mr. Tan Gim Lin ("**Mr. Tan**"), Mr. Ip Hon Lam Hiram ("**Mr. Ip**"), and Ms. Wong Wing Lam ("**Ms. Wong**"). Mr. Tan is a partner of Midana Capital, whose investment focus includes technology, media and telecommunications ("**TMT**"), healthcare and fintech sectors in Southeast Asia and China.

In 2019, Mr. Tan invested in the initial public offering of Heng Hup Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1891), as a cornerstone investor. Mr. Ip and Ms. Wong are experienced finance professionals in Hong Kong. Ms. Wong holds the Type 9 securities license and is a partner of Metropoly Holdings Limited which is a boutique asset management company.

The ultimate beneficial owners of Fortune Bright Investment Limited are Ms. Cheung Chui Ying ("**Ms. Cheung**"), Ms. Ho Pui Sin ("**Ms. Ho**"), Ms. Louie Yuen Ki Janet ("**Ms. Yuen**"), Ms. Wong, Ms. Lu Yi ("**Ms. Lu**"), Ms. Kwan Sing Choi Nancy ("**Ms. Kwan**"), Mr. Wang Meng ("**Mr. Wang**") and Mr. Wu Hongsai ("**Mr. Wu**"). Ms. Cheung is a practicing solicitor with DLA Piper. Ms. Ho is an entrepreneur and founder of Laclary, a health-related technology platform that uses blockchain to trace product origins. Ms. Yuen is co-founder of AJA Capital, which provides investor relation advise and consultancy to listed companies. Mr. Wu is an industrialist in China and invested in a number of healthcare companies. Ms. Lu, Ms. Kwan and Mr. Wang are experienced investors in Hong Kong.

IDG Capital Investment 2020 Limited

IDG Capital Investment 2020 Limited, a company incorporated in the British Virgin Islands, is a wholly-owned subsidiary of IDG VC Management Ltd and ultimately controlled by Mr. Chi Sing Ho who joined IDG Capital in 2000 and is currently serving as the chief financial officer of IDG Capital.

Founded in 1992, IDG Capital is a pioneer in introducing foreign venture capital into China. During its over 20 years of operation, IDG Capital brings a powerful combination of global perspective and local experience to investment management, and its highly skilled team has an in-depth understanding of the China market with close relationships with many successful entrepreneurs and influential business leaders.

Dazhong (Hong Kong) International Corporation Limited

Dazhong (Hong Kong) International Corporation Limited (大眾(香港)國際有限公司) ("**Dazhong**"), a limited company incorporated in Hong Kong in 2008, is a wholly-owned subsidiary and overseas investment holding company of Shanghai Dazhong Public Utilities (Group) Co., Ltd (the "**Shanghai Dazhong**"). Shanghai Dazhong is a company listed on the Hong Kong Stock Exchange (stock code: 1635) and Shanghai Stock Exchange (stock code: 600635), and is a leading public utility service provider in Shanghai, which supplements its business operations through strategic and financial investments in related companies in utilities and other industries. No board or shareholders' approval of Shanghai Dazhong is required for this cornerstone investment.

Taiping Assets Management (HK) Company Limited

Taiping Assets Management (HK) Company Limited ("**TPAHK**"), formerly known as China Insurance Group Assets Management Limited, was incorporated in Hong Kong in October 1996 and

is a wholly-owned subsidiary of China Taiping Insurance Holdings Company Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0966). TPAHK is licensed for Type 9 (asset management) and Type 4 (advising on securities) regulated activities under the SFO (CE Number: ADV247). TPAHK is authorized to manage Mandatory Provident Funds (MPFs) by the Hong Kong Mandatory Provident Fund Schemes Authority and manages occupational retirement schemes (ORSO schemes) in Hong Kong. TPAHK had paid-in capital of HKD212 million and managed over HKD121.6 billion of assets as of June 2020. TPAHK manages assets for companies within the China Taiping Insurance Group as well as third parties, with a wide range of products including equities, fixed income, fund of funds, property funds, QDII funds and other alternative investments. It also manages MPF funds, and obtained qualifications of QFII, RQFII and overseas trustee for insurance funds. TPAHK has more than 30 highly experienced investment and research professionals. No board or shareholders' approval from China Taiping Insurance Holdings Company Limited is required for this cornerstone investment.

TPAHK will cause its designated entity, namely Taiping Life Insurance Co., Ltd. ("**Taiping Life**") to subscribe for the investor shares under its cornerstone investment agreement. Taiping Life, a company headquartered in Shanghai, is one of the medium and large domestic life insurance companies and is a subsidiary of China Taiping Insurance Group Co., Ltd. ("**China Taiping**"). China Taiping is a China-managed financial and insurance group headquartered in Hong Kong and has been selected as one of the world's top 500 for three consecutive years. As of June 2020, Taiping Life has a registered capital of RMB10.03 billion, total assets of over RMB600 billion, and effective insurance at the end of the term over RMB35 trillion. The service network basically covers the whole country of the PRC. It has opened 38 branches and more than 1,200 third-level and below institutions, serving more than 53 million customers, and paying more than RMB120 billion yuan in compensation and survival funds. In 2020, Fitch International has rated Taiping Life with an "A+" (strong) financial strength rating for the fifth consecutive year, with a "stable" outlook. At the same time, in the results of the "Trinity" supervision and evaluation system for the insurance industry announced in 2019, Taiping Life's corporate business evaluation, service evaluation, and comprehensive risk rating were rated A, AA, and A.

JMC Capital HK Limited

JMC Capital HK Limited ("**JMC Capital**") is an integrated asset management company incorporated in Hong Kong and licensed by SFC to carry out types 1, 4 and 9 regulated activities. JMC Capital offers tailored wealth management solutions and family office service to fulfill complex requirements of both high-net-worth individuals and corporates, and manages over USD1 billion assets. The ultimate beneficial owners of JMC Capital are Chan Yik Fan, Jin Xin, Mao Feiyong, Lin Guoqin and An Rui. Partnered with top tier private banks, investment banks and financial services providers, JMC Capital supplies a wide range of products and services to professional investors in Asia. Its business involves securities trading, advices on securities trading, and asset management (including Cayman SPC fund establishment and management, private bank external asset management (EAM), discretionary investment account, investment banking solutions). JMC Capital specializes in external asset management and family office services. The former provides bespoke asset management services to clients, where experienced experts provide unique market insights to clients. The latter is designed for the family of ultra-high-net-worth. The elite

team provides advice on the discretionary investment services, integrating corporate resources and providing a comprehensive family wealth management, ranging from trust establishment to asset allocation to value-added services like insurance and education, so as to achieve the continuation of financial capital, and successfully inherit the human and intellectual capital of family. JMC Capital has actively engaged in pre-IPO deals and international placing subscriptions, and has presence in major cities of the PRC, Hong Kong and Singapore with the capability of investing in the global financial markets across various asset classes.

Huang Zhanxiong

Mr. Huang Zhanxiong ("**Mr. Huang**") is an operation director at China Lesso Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 2128). He has invested in some listed companies including JD.com, Inc., a company listed on the Hong Kong Stock Exchange (stock code: 9618) and the NASDAQ Global Select Market (stock code: JD), Blue Moon Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 6993), and KWG Group Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1813).

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investor under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

a. the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Underwriting Agreements, and neither of the aforesaid underwriting agreements having been terminated;

b. the Offer Price having been agreed upon between our Company and the Joint Representatives (on behalf of the underwriters of the Global Offering);

c. the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares subscribed for by the Cornerstone Investors) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

d. no applicable laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the respective Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

e. the representations, warranties, undertakings, confirmations and acknowledgements of such Cornerstone Investor or our Company (as the case may be) under the respective

Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of such Cornerstone Investment Agreement on the part of such Cornerstone Investor or our Company (as the case may be).

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to the relevant Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited

China International Capital Corporation Hong Kong Securities Limited

Credit Suisse (Hong Kong) Limited

Nomura International (Hong Kong) Limited

BOCI Asia Limited

ABCI Securities Company Limited

Zhongtai International Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement. If, for any reason, the Offer Price is not agreed between the Joint Representatives and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 11,599,000 Hong Kong Offer Shares and the International Offering of initially 104,385,500 International Offer Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option in the case of the International Offering.

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares (subject to adjustment) for subscription by the public in Hong Kong in accordance with the terms and conditions of this prospectus and the Application Forms relating thereto.

Subject to the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, and certain other conditions set forth in the Hong Kong Underwriting Agreement (including the Joint Representatives (on behalf of the Hong Kong Underwriters) and our Company agreeing upon the Offer Price) being satisfied (or, as the case may be, waived), the Hong Kong Underwriters have agreed to subscribe or procure subscribers for their respective applicable portions of the Hong Kong Offer Shares in aggregate, now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms relating thereto and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares are subject to termination by written notice from the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors, if any of the events set forth below occur at any time prior to 8:00 a.m. on the Listing Date:

(1) there develops, occurs, exists or comes into effect:

(i) any event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease (including, without limitation, COVID-19), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union, Australia, Japan or any other jurisdictions relevant to any member of the Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union, Japan, or any other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(v) any new laws, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a

prospective change in, or in the interpretation or application by any court or other competent authority of, existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of Hong Kong Dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

(viii) any proceedings of any third party being threatened or instigated against any member of the Group; or

(ix) any change or development or event involving a prospective change, or a materialization of, any of the risk set out in the section headed "Risk Factors" in this prospectus; or

(x) any valid demands by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity; or

(xi) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or

(xii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xiii) a contravention by any member of the Group of the Listing Rules or applicable laws in any material respects; or

(xiv) any event, act or omission which gives or is likely to give rise to any liability of the Company in relation to indemnity pursuant to the Hong Kong Underwriting Agreement; or

(xv) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or

(xvi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings given by the Company in the Hong Kong Underwriting Agreement;

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xviii) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives and the Joint Sponsors:

(a) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, Shareholders' equity, profits, losses, results of operations, positions or conditions, financial or otherwise, or performance of the Group as a whole; or

(b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(c) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or

(d) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Joint Representatives and the Joint Sponsors:

(a) the chairman or chief executive officer of our Company vacating his office; or

(b) an authority or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director; or

(c) a prohibition on our Company for whatever reason from offering, allotting, issuing, selling or delivering any of the Offer Shares (including the Option Shares (as defined in the Hong Kong Underwriting Agreement)) pursuant to the terms of the Global Offering; or

(d) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices or announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained therein is not fair and honest and based on reasonable assumptions taken as a whole; or

(e) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(f) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(g) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(h) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(i) that any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawal of its consent to being named in, or to the issue of, any of the offering documents as defined in the Hong Kong Underwriting Agreement; or

(j) a material portion of the orders in the book-building process or the investment commitments by any cornerstone investors after signing of the Cornerstone Investment Agreements, have been withdrawn, terminated or cancelled.

Undertakings to the Hong Kong Stock Exchange Pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Hong Kong Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for certain circumstances provided under Rule10.08 of the Listing Rules.

Undertakings by our single largest Shareholder

Pursuant to paragraph 5.3(ii) of Guidance Letter HKEX-GL89-16 and Rule10.07(1) of the Listing Rules, GL Capital Group, our single largest Shareholder, has undertaken to the Hong Kong Stock Exchange that, it shall not, unless in compliance with the requirements of the Listing Rules, in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it is shown by this prospectus to be the beneficial owner.

Note 2 to Rule 10.07(2) of the Listing Rules provides that Rule 10.07 does not prevent GL Capital Group from using the Shares beneficially owned by it as security (including a charge or pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a *bona fide* commercial loan.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, GL Capital Group has further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, it shall:

(i) when it or the relevant registered holders pledge or charge any Shares beneficially owned by its in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a *bona fide* commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it or the relevant registered holders receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the matters referred to in paragraph(i) and (ii) above (if any) by GL Capital Group and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company, has undertaken to each of the Joint Global Coordinators, the Joint Representatives the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months from the Listing Date (the "**First Six-Month Period**"), our Company will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements set out in the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing), or deposit any Shares or other equity securities of our Company, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by the delivery of Shares or such other equity securities of our Company, or, in cash or otherwise (whether or not the issue of such Shares or other shares or equity securities will be completed within the First Six-Month Period). In the event that, at any time during the period of six months immediately following the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in sub-paragraph (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the securities of our Company.

Indemnity

We have agreed to indemnify, among the others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Undertakings from GL Trade Investment L.P. and GL Glee Investment Limited

To facilitate the Global Offering, each of GL Trade Investment L.P. and GL Glee Investment Limited has agrees and undertakes, severally and jointly, to each of the Company, the Joint Sponsors, the Joint Representatives, the Joint Bookrunners, the Joint Lead Managers and the Underwriters that, during the First Six-Month Period, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement (where applicable), without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters) and unless in compliance with the requirements of the Listing Rules, it will not:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by it as at the Listing Date (the "**Locked-up Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer to or agree to, or announce any intention to effect any transaction specified in sub-paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions specified in sub-paragraph (i), (ii) or (iii) above is to be settled by the delivery of Shares or such other equity securities of our Company, or, in cash or otherwise (whether or not the issue of such Shares or other shares or equity securities will be completed within the First Six-Month Period).

Undertakings by Certain of Our Shareholders

Each of Avengers Limited, Ascendent Silver (Cayman) Limited, Ocean Falcon Limited, Boying Investments Limited, Convergence International Holdings Ltd. and Corto Co., Ltd. (the "**Undersigned Shareholders**") has agreed to enter into a lock-up undertaking deed (each a "**Lock-up Undertaking Deed**" and altogether the "**Lock-up Undertaking Deeds**") in favor of the Joint Sponsors and the Joint Representatives (on behalf of the Underwriters). Pursuant to the Lock-up Undertaking Deeds (which are in largely similar form, except certain special circumstances), each of the Undersigned Shareholders agrees that, it will not, from the date of the respective Lock-up Undertaking Deed and ending on, and including, the date that is six months after the Listing Date (the "**Six-Month Period**"), dispose of any Relevant Shares or any interest in any company or entity holding or controlling (directly or indirectly) any Relevant Shares or, permit or cause a change in control of any company or entity holding or controlling (directly or indirectly) any Relevant Shares (the "**Lock-up Undertaking**").

"**Relevant Shares**" mean any and all Shares, as reclassified, redesignated and subdivided from the Shares as held by the relevant Undersigned Shareholder on the date of the Lock-up Undertaking Deed it signed, in the manner as set out in the prospectus as if the reclassification, redesignation and subdivision has been completed on the date of the relevant Lock-up Undertaking Deed.

The Lock-up Undertaking does not apply to situations including:

(a) any transfer with the prior written consent of the Company and the Joint Representatives, having due regard to any applicable requirements of the Stock Exchange;

(b) any shares acquired by the Undersigned Shareholder or its affiliate in open market transactions after the completion of the Global Offering;

(c) any transfer to any of the Undersigned Shareholder's wholly-owned subsidiaries, provided that, prior to such transfer, such wholly-owned subsidiary gives a written undertaking (addressed to and in favor of the Joint Representatives and the Joint Sponsors in terms satisfactory to them and substantially the same as the relevant Lock-up Undertaking Deed) agreeing to, and the Shareholder undertake to procure that such wholly-owned subsidiary will, be bound by the provisions of the relevant Lock-up Undertaking Deed; and

(d) in respect of the Relevant Shares held by Boying Investments Limited, preventing the Undersigned Shareholder from using the Shares beneficially owned by it as security

(including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) or a securities firm licensed to conduct regulated activities under the SFO for a bona fide commercial loan, provided that (i) the Undersigned Shareholder immediately informs the Company and the Joint Representatives of such pledge or charge together with the number of Shares so pledged or charged, and (ii) when the Undersigned Shareholder receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform the Company and the Joint Representatives of such indications.

For the purpose of the Lock-up Undertaking Deeds, "dispose of" means:

(a) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them; or

(b) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares; or

(c) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) agree or contract to effect any transaction specified in paragraph (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the aforesaid period).

Hong Kong Underwriters' Interests in our Company

Except for its obligations under the Hong Kong Underwriting Agreement, the Hong Kong Underwriters do not have any shareholding interest in our Company or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company or any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Joint Representatives and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would agree to purchase, or procure subscribers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, amongst others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Representatives at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 17,397,500 Shares, representing no more than 15.0% of the initial Offer Shares under the Global Offering, at the Offer Price, to cover over- allocations in the International Offering, if any.

Commissions and Expenses

The Hong Kong Underwriters will receive a gross underwriting commission equal to 3.0% of the Offer Price in respect of all the Hong Kong Offer Shares (excluding any International Offer Shares reallocated to and from the Hong Kong Public Offering). Our Company may also in our sole discretion pay one or more of the Hong Kong Underwriters an additional discretionary incentive fee of up to 1.0% of the Offer Price for each Hong Kong Offer Share.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering (in such proportion as the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) in their sole discretion consider appropriate), the underwriting commission regarding such Hong Kong Offer Shares shall be reallocated to the International Underwriters (in such proportion as the Joint Representatives in their sole discretion consider appropriate).

Our Company expects to pay the International Underwriters a gross underwriting commission equal to 3.0% of the Offer Price for each International Offer Share (including any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, each International Offer Share reallocated to the Hong Kong Public Offering and each Share to be issued pursuant to the Over-allotment Option, if any). Our Company may also in our sole and absolute discretion pay one or more of the International Underwriters an additional discretionary incentive fee of up to 1.0% of the Offer Price for each of the International Offer Shares.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Hong Kong Stock Exchange listing fees, SFC transaction levy and Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering, which are currently estimated to amount in aggregate to approximately HK$137.3 million (assuming an Offer Price of HK$18.00 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus), are payable and borne by our Company.

INDEPENDENCE OF THE JOINT SPONSORS

Each of Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited and Credit Suisse (Hong Kong) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. For further details, please refer to the section headed "Statutory and general information – E. Other information – 4. Joint Sponsors" in Appendix V to this prospectus.

MINIMUM PUBLIC FLOAT

Our Directors and the Joint Global Coordinators will ensure that there will be a minimum of 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Global Offering.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/ or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "The Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(a) the Hong Kong Public Offering of 11,599,000 Shares (subject to adjustment as mentioned below) for subscription by the public in Hong Kong as described in "Structure of the Global Offering — The Hong Kong Public Offering" below; and

(b) the International Offering of 104,385,500 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States only to QIBs in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act as described in "— The International Offering" below.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 17.11% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.50% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in "— The International Offering — Over-allotment Option" below.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares under the International Offering. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in "— The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares Initially Offered

We are initially offering 11,599,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10.0% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.7% of the enlarged issued share capital of our Company immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than the others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purpose only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking into account any adjustment in the number of the Offer Shares allocated between the Hong Kong Public Offering and the International Offering) is to be divided into two pools: Pool A and Pool B. Accordingly, the maximum number of Hong Kong Offer Shares initially in Pool A and Pool B will be 5,799,500 and 5,799,500, respectively. The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therein (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools.

Multiple or suspected multiple applications and any application for more than 5,799,500 Hong Kong Offer Shares (being 50% of the 11,599,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Offer Shares under the Hong Kong Public Offering to a certain percentage of the International Offer Shares are fully subscribed or oversubscribed and the total number of the Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering so that the total number of Offer Shares available under the Hong Kong Public Offering will be 34,796,000 Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 46,394,000 Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of Offer Shares available under the Hong Kong Public Offering will be 57,993,000 Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives. In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules for:

- if the International Offer Shares are fully subscribed or oversubscribed, and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering

- if the International Offer Shares are undersubscribed, and the Hong Kong Offer Shares are fully subscribed or oversubscribed (irrespective of the extent of over-subscription)

the maximum total number of Shares that may be reallocated to the Hong Kong Public Offering shall be not more than 23,198,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the number of Offer Shares initially available under the Global Offering; and the final Offer Price shall be fixed at HK$17.20 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustments of the number of the Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

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 in their sole discretion consider appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$18.80 per Offer Share in addition to the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the

maximum price of HK$18.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

THE INTERNATIONAL OFFERING

Number of International Offer Shares Initially Offered

Subject to reallocation as described in this section and the exercise of the Over-allotment Option, the International Offering will consist of an initial offering of 104,385,500 Offer Shares, representing approximately 90.0% of the total number of Offer Shares initially available under the Global Offering subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering and assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the International Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the International Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of the Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the reallocation arrangement described in "— The Hong Kong Public Offering — Reallocation," the exercise of the Over-allotment Option in whole or in part and/or any

reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering to the International Offering.

Over-allotment Option

Our Company expects to grant to the International Underwriters, exercisable in whole or in part by the Joint Representatives at their sole and absolute discretion (on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue, up to an aggregate of 17,397,500 Shares, representing no more than 15.0% of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional International Offer Shares will represent approximately 2.50% of our Company's enlarged issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement in due course.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to reduce and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager, on behalf of the Underwriters, may to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if commenced, may be discontinued at any time, and is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. Should stabilizing transactions be effected in connection with the Global Offering, this will be effected at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it.

Stabilizing action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong), as amended, includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-

allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty regarding the extent to which and the time or period for which the Stabilizing Manager, or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Joint Representatives, their affiliates or any person acting for it may cover such over-allocation by, amongst other methods, exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, or through the stock borrowing arrangement mentioned below or by a combination of these means. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. The number of Shares which can be over-allocated will not exceed the number of the Shares which may be allotted and/or issued pursuant to the exercise in full of the Over-allotment Option, being 17,397,500 Shares, representing approximately 15.0% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager, or any person acting for it may choose to borrow up to 17,397,500 Shares from GL Trade Investment L.P. pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangement under the Stock Borrowing Agreement complies with the requirements set forth in Rule 10.07(3) of the Listing Rules and thus is not subject to the restrictions of Rule 10.07(1) of the Listing Rules.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Offer Price is expected to be fixed by agreement between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Wednesday, February 24, 2021 and in any event no later than Thursday, February 25, 2021 by agreement among the Joint Representatives (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$18.80 per Offer Share and is expected to be not less than HK$17.20 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Underwriters) and us by Thursday, February 25, 2021 the Global Offering will not proceed and will lapse.

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Representatives (on behalf of the Underwriters) considers it appropriate and together with our Company's consent, the number of Offer Shares and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering.

In such a case, our Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

(a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the indicative Offer Price together with an update of all financial and other information in connection with such change;

(b) extend the period under which the Global Offering was open for acceptance to allow potential investors the sufficient time to consider their subscriptions or reconsider their existing subscriptions; and

(c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set outside the Offer Price range indicated in this prospectus. If the number of Offer Shares and/or the indicative Offer Price range is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10.0% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings solely in the discretion of the Joint Representatives but the number of Offer Shares to be offered in the Hong Kong Public Offering shall not in any event be less than 10.0% of the total number of Offer Shares available under the Global Offering.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such applications can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK$1,950.4 million, assuming an Offer Price of HK$18.00 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK$17.20 to HK$18.80.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Offer Shares under the Hong Kong Public Offering are expected to be announced on Tuesday, March 2, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.sciclone.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**).

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on the Price Determination Date.

We expect that our Company will enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting."

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares will be conditional on:

(a) the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as described in this prospectus (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn;

(b) the Offer Price having been agreed between our Company and the Joint Representatives (on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

In each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (on behalf of the Underwriters) on or before Thursday, February 25, 2021, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will as soon as possible publish or cause to be published a notice of the lapse of the Hong Kong Public Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of our Company (**www.sciclone.com**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**). In such eventuality, all application monies will be returned, without interest, on the terms set forth "How to Apply for Hong Kong Offer Shares — 14. Dispatch/ Collection of Share Certificates and Refund Monies." In the meantime, all application monies will be held in a separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended.

Share certificates issued in respect of the Hong Kong Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional in all respects (including the Underwriting Agreements not having been terminated in accordance with their terms) at any time prior to 8:00 a.m. on the Listing Date.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and as mentioned in this prospectus.

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

All necessary arrangements have been made to enable the Shares to be admitted into CCASS. If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we

comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, March 3, 2021, it is expected that dealings in the Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, March 3, 2021. The Shares will be traded on the Main Board of the Hong Kong Stock Exchange in board lots of 500 Shares each. The stock code of the Shares will be 6600.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretions.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number; and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his/her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of any Shares in the Company and/or any of its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or the designated website at **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, February 19, 2021 until 12:00 noon on Wednesday, February 24, 2021 from:

(i) ***any of the following offices of the Hong Kong Underwriters*:**

Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Nomura International (Hong Kong) Limited	30th Floor, Two International Finance Centre 8 Finance Street Central Hong Kong
BOCI Asia Limited	26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
ABCI Securities Company Limited	10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
Zhongtai International Securities Limited	19/F, Li Po Chun Chambers 189 Des Voeux Road Central Central Hong Kong

(ii) ***any of the following branches of the receiving bank*:**

Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
	Johnston Road Branch	152-158 Johnston Road, Wan Chai, Hong Kong
Kowloon	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East, Kowloon
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories
	Castle Peak Road (Yuen Long) Branch	162 Castle Peak Road, Yuen Long, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, February 19, 2021 until 12:00 noon on Wednesday, February 24, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED—SCICLONE PHARMACEUTICALS PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the designated branches of the receiving banks listed above, at the following times:

Friday, February 19, 2021 – 9:00 a.m. to 4:00 p.m.
Saturday, February 20, 2021 – 9:00 a.m. to 12:00 noon
Monday, February 22, 2021 – 9:00 a.m. to 4:00 p.m.
Tuesday, February 23, 2021 – 9:00 a.m. to 4:00 p.m.
Wednesday, February 24, 2021 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, February 24, 2021, the last application day or such later time as described in "—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the Application Forms, in the **IPO App** and on the designated website under the **HK eIPO White Form** service and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Sponsors, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, the Hong Kong Share Registrar, receiving banks, the Joint Sponsors, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus, in the Application Forms, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (a) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/ or any e-Auto Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "— 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection'' in this section to collect the Share certificate(s) and/or refund check(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (b) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for the YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "— 2. Who Can Apply" may apply through the **HK eIPO White Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** or on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website at **www.hkeipo.hk**, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or on the designated website at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, February 19, 2021 until 11:30 a.m. on Wednesday, February 24, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, February 24, 2021 or such later time under "—10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and the Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, have not indicated or will not indicate an interest for, any Offer Shares under the International Offering nor otherwise participate in the International Offering;
- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, the Hong Kong Share Registrar, receiving banks, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by

debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum number of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions(1)

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, February 19, 2021 – 9:00 a.m. to 8:30 p.m.
Monday, February 22, 2021 – 8:00 a.m. to 8:30 p.m.
Tuesday, February 23, 2021 – 8:00 a.m. to 8:30 p.m.
Wednesday, February 24, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, February 19, 2021 until 12:00 noon on Wednesday, February 24, 2021 (24 hours daily, except on Wednesday, February 24, 2021 the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, February 24, 2021, the last application day or such later time as described in "— 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists."

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will

be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, February 24, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

See "Structure of the Global Offering — Pricing and Allocation" for further details on the Offer Price.

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and /or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, February 24, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, February 24, 2021 or if there is a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, March 2, 2021 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the Company's website at **www.sciclone.com** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.sciclone.com** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Tuesday, March 2, 2021;
- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** (or **www.hkeipo.hk/IPOResult**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, March 2, 2021 to 12:00 midnight on Monday, March 8, 2021;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, March 2, 2021 to Friday, March 5, 2021 on a business day (excluding Saturday, Sunday and Hong Kong public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, March 2, 2021 to Thursday, March 4, 2021 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of

the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or our agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website at **www.hkeipo.hk**;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$18.80 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, March 2, 2021.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by a **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund check(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed

on your refund check, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund check(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund check(s).

Subject to the arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund checks and Share certificates are expected to be posted on or before Tuesday, March 2, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, March 3, 2021 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund check(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 2, 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund check(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, March 2, 2021 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting the refund check(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund check(s) will be sent to the address on the relevant Application Form on or before Tuesday, March 2, 2021 by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, March 2, 2021 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "—11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 2, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, March 2, 2021 or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund checks.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, March 2, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply

and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund check(s) by ordinary post at your own risk.

(iv) If you apply via electronic application instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, March 2, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "— 11. Publication of Results" above on Tuesday, March 2, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, March 2, 2021 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, March 2, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per

Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, March 2, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

pwc 羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SCICLONE PHARMACEUTICALS (HOLDINGS) LIMITED, MORGAN STANLEY ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CREDIT SUISSE (HONG KONG) LIMITED

Introduction

We report on the historical financial information of SciClone Pharmaceuticals (Holdings) Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-93, which comprises the consolidated balance sheets as at December 31, 2017, 2018 and 2019 and September 30, 2020, the balance sheet of the Company as at September 30, 2020, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-93 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated February 19, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at September 30, 2020 and the consolidated financial position of the Group as at December 31, 2017, 2018 and 2019 and September 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended September 30, 2019 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 16 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
February 19, 2021

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Revenue	8	1,212,966	1,408,869	1,708,068	1,290,771	1,584,173
Cost of revenue	12	(181,178)	(302,999)	(393,141)	(292,745)	(346,063)
Gross profit		1,031,788	1,105,870	1,314,927	998,026	1,238,110
Sales and marketing expenses	12	(395,965)	(389,046)	(460,332)	(316,009)	(298,430)
Administrative expenses	12	(332,170)	(143,491)	(118,385)	(92,052)	(146,243)
Research and development ("R&D") expenses	12	(82,665)	(77,463)	(87,688)	(59,370)	(48,717)
Other income	9	13,313	37,085	6,795	6,755	65,624
Other expenses	9, 12	—	—	—	—	(55,310)
Other gains/(losses) — net	10	26,459	(38,599)	(5,128)	(17,535)	7,979
Operating profit		260,760	494,356	650,189	519,815	763,013
Finance income	11	1,498	2,659	12,171	8,211	9,189
Finance costs	11	(1,744)	(1,742)	(1,189)	(1,101)	(17,381)
Finance income/(cost), net		(246)	917	10,982	7,110	(8,192)
Profit before income tax		260,514	495,273	661,171	526,925	754,821
Income tax (expense)/credit	14	(240,932)	39,809	(46,567)	(39,747)	(65,065)
Profit for the year/period attributable to owners of the Company		19,582	535,082	614,604	487,178	689,756
Other comprehensive (loss)/income						
Items that will not be reclassified to profit or loss						
Changes in the fair value of equity investments at fair value through other comprehensive income ("FVOCI")	26	3,914	835	17,679	17,554	83,860
Items that may be subsequently reclassified to profit or loss						
Currency translation differences	33	(72,928)	57,536	27,578	47,100	22,684
Total comprehensive (loss)/income for the year/period		(49,432)	593,453	659,861	551,832	796,300
Total comprehensive (loss)/income attributable to:						
Owners of the Company		(49,432)	593,453	659,861	551,832	796,300
Earnings per share attributable to owners of the Company (RMB)	15					
Basic earnings per share		0.04	0.99	1.13	0.90	1.26
Diluted earnings per share		0.04	0.99	1.13	0.90	1.25

CONSOLIDATED BALANCE SHEETS

	Note	As at December 31, 2017	As at December 31, 2018	As at December 31, 2019	As at September 30, 2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Right-of-use assets	17	38,494	39,125	26,082	11,419
Property, plant and equipment	18	9,283	13,312	9,021	4,956
Intangible assets	19	127,067	143,468	169,251	567,911
Financial assets at fair value through profit or loss ("FVPL")	25, 26	5,120	15,871	24,971	25,209
Financial assets at FVOCI	25, 26	17,538	19,285	37,491	165,980
Other assets	20	87,141	9,387	6,991	5,003
		284,643	240,448	273,807	780,478
Current assets					
Inventories	21	143,795	145,401	140,199	123,837
Trade receivables	22, 25	351,349	603,169	362,900	410,081
Other current assets	23	36,747	22,599	25,666	75,837
Financial assets at FVPL	25, 26	129,488	8,698	123,761	100,102
Cash and cash equivalents	24, 25	481,629	275,962	919,490	1,151,967
Restricted cash	24, 25	—	—	—	170,253
		1,143,008	1,055,829	1,572,016	2,032,077
Total assets		1,427,651	1,296,277	1,845,823	2,812,555
Equity and liabilities					
Liabilities					
Non-current liabilities					
Borrowings	30	—	—	—	1,631,447
Deferred tax liabilities	31	2,975	4,938	6,240	8,289
Lease liabilities	25, 29, 34(c)	19,642	17,354	6,992	3,005
Other non-current liabilities		579	800	815	202
		23,196	23,092	14,047	1,642,943
Current liabilities					
Trade and other payables	28	171,679	165,744	224,321	504,548
Lease liabilities	25, 29, 34(c)	19,140	22,206	19,466	8,895
Borrowings	30	—	—	—	408,460
Current tax liabilities		253,738	42,364	62,812	81,699
		444,557	230,314	306,599	1,003,602
Total liabilities		467,753	253,406	320,646	2,646,545
Net assets		959,898	1,042,871	1,525,177	166,010
Equity attributable to owners of the Company					
Share capital	32	—	—	—	192
Other reserves	33	1,662,676	1,214,150	1,296,133	73,172
(Accumulated losses)/retained earnings		(702,778)	(171,279)	229,044	92,646
Total equity		959,898	1,042,871	1,525,177	166,010

BALANCE SHEET OF THE COMPANY

	Note	As at September 30, 2020
		RMB'000
Assets		
Non-current assets		
Investment in subsidiaries		6,534,345
Current assets		
Other current assets		7,487
Cash and cash equivalents		24,907
		32,394
Total assets		6,566,739
Equity and liabilities		
Current liabilities		
Trade and other payables		25,512
Total liabilities		25,512
Net assets		6,541,227
Equity attributable to owners of the Company		
Share capital	32	192
Other reserves	33	6,560,012
Accumulated losses		(18,977)
Total equity		6,541,227

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017		—	2,129,018	(721,708)	1,407,310
Comprehensive loss					
Profit for the year		—	—	19,582	19,582
Changes in the fair value of equity investments at FVOCI	26	—	3,914	—	3,914
Foreign currency translation	33	—	(72,928)	—	(72,928)
Total comprehensive loss		—	(69,014)	19,582	(49,432)
Transactions with equity holders of the Group					
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SciClone Pharmaceuticals, Inc. ("SPI")		—	19,169	—	19,169
Appropriation to statutory reserves	33	—	652	(652)	—
Share based compensation expenses	27(a)	—	54,598	—	54,598
Repurchase of common stock of SPI	33	—	(471,747)	—	(471,747)
Total transactions with equity holders of the Group		—	(397,328)	(652)	(397,980)
Balance at December 31, 2017		—	1,662,676	(702,778)	959,898

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Accumulated losses	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2018		—	1,662,676	(702,778)	959,898
Comprehensive income					
Profit for the year		—	—	535,082	535,082
Changes in the fair value of equity investments at FVOCI	26	—	835	—	835
Foreign currency translation	33	—	57,536	—	57,536
Total comprehensive income		—	58,371	535,082	593,453
Transactions with equity holders of the Group					
Appropriation to statutory reserves	33	—	3,583	(3,583)	—
Share based compensation expenses	27(b)	—	7,592	—	7,592
Contributions from equity holders	33	—	45,347	—	45,347
Dividends	16	—	(563,419)	—	(563,419)
Total transactions with equity holders of the Group		—	(506,897)	(3,583)	(510,480)
Balance at December 31, 2018		—	1,214,150	(171,279)	1,042,871

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019		—	1,214,150	(171,279)	1,042,871
Comprehensive income					
Profit for the year		—	—	614,604	614,604
Changes in the fair value of equity investments at FVOCI	26	—	17,679	—	17,679
Foreign currency translation	33	—	27,578	—	27,578
Total comprehensive income		—	45,257	614,604	659,861
Transactions with equity holders of the Group					
Appropriation to statutory reserves	33	—	2,685	(2,685)	—
Share based compensation expenses	27(b)	—	34,041	—	34,041
Dividends	16	—	—	(211,596)	(211,596)
Total transactions with equity holders of the Group		—	36,726	(214,281)	(177,555)
Balance at December 31, 2019		—	1,296,133	229,044	1,525,177

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	Retained earnings	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		—	1,296,133	229,044	1,525,177
Comprehensive income					
Profit for the period		—	—	689,756	689,756
Changes in the fair value of equity investments at FVOCI	26	—	83,860	—	83,860
Foreign currency translation	33	—	22,684	—	22,684
Total comprehensive income		—	106,544	689,756	796,300
Transactions with equity holders of the Group					
Issuance of ordinary shares	32	192	25,193	—	25,385
Share based compensation expenses	27(b)	—	40,781	—	40,781
Contribution from shareholders	33	—	8,761	—	8,761
Dividends	16	—	(1,404,240)	(826,154)	(2,230,394)
Total transactions with equity holders of the Group		192	(1,329,505)	(826,154)	(2,155,467)
Balance at September 30, 2020		192	73,172	92,646	166,010

	Note	Attributable to owners of the Company			
		Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total
		RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Balance at January 1, 2019		—	1,214,150	(171,279)	1,042,871
Comprehensive income					
Profit for the period		—	—	487,178	487,178
Changes in the fair value of equity investments at FVOCI	26	—	17,554	—	17,554
Foreign currency translation	33	—	47,100	—	47,100
Total comprehensive income		—	64,654	487,178	551,832
Transactions with equity holders of the Group					
Share based compensation expenses	27(b)	—	25,646	—	25,646
Total transactions with equity holders of the Group		—	25,646	—	25,646
Balance at September 30, 2019		—	1,304,450	315,899	1,620,349

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Cash flows from operating activities						
Cash generated from operations	34	166,684	349,181	1,046,547	882,139	847,425
Interest received		1,498	2,659	11,964	7,602	7,063
Interest paid		(1,744)	(1,742)	(1,189)	(1,101)	(15,090)
Income tax paid		(12,611)	(182,657)	(25,696)	(20,867)	(29,511)
Net cash generated from operating activities		153,827	167,441	1,031,626	867,773	809,887
Cash flows from investing activities						
Cash received from repayment of loan receivables		—	82,187	—	—	—
Interest received from loan receivables		6,024	3,566	—	—	—
Payments for property, plant and equipment		(6,293)	(12,447)	(1,947)	(1,724)	(2,310)
Payments for intangible assets		(4,435)	(12,324)	(30,695)	(30,695)	(314,643)
Acquisition of financial assets at FVPL_debt investments		—	(13,726)	(6,976)	—	—
Acquisition of financial assets at FVOCI _equity investments		—	—	—	—	(49,557)
Acquisition of financial assets at FVPL_structured deposits		—	—	(620,000)	(320,000)	(887,000)
Proceeds from disposal of financial assets at FVPL_structured deposits		—	—	501,590	270,849	909,284
Increase in restricted cash	24(a)	—	—	—	—	(170,253)
Proceeds from disposal of financial assets at FVPL_money market funds		—	127,455	5,538	4,075	3,453
Net cash (used in)/generated from investing activities		(4,704)	174,711	(152,490)	(77,495)	(511,026)
Cash flows from financing activities						
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SPI		19,169	—	—	—	—
Issuance of ordinary shares	32	—	—	—	—	25,385
Repurchase of common stock of SPI	33	(471,747)	—	—	—	—
Principal elements of lease payments	17	(23,948)	(24,557)	(22,993)	(17,345)	(16,937)
Payment of debt issuance cost		—	—	—	—	(3,123)
Proceeds from bank borrowing		—	—	—	—	2,123,850
Contributions from shareholders	33	—	45,347	—	—	—
Payment of listing expenses		—	—	—	—	(2,646)
Dividends paid	16	—	(563,419)	(211,596)	—	(2,173,758)
Net cash used in financing activities		(476,526)	(542,629)	(234,589)	(17,345)	(47,229)
Net (decrease)/increase in cash and cash equivalents		(327,403)	(200,477)	644,547	772,933	251,632
Cash and cash equivalents at beginning of year/period		795,633	481,629	275,962	275,962	919,490
Effects of exchange rate changes on cash and cash equivalents		13,399	(5,190)	(1,019)	(169)	(19,155)
Cash and cash equivalents at end of year/period		481,629	275,962	919,490	1,048,726	1,151,967

II. NOTES TO THE FINANCIAL INFORMATION

1 General information and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands on May 13, 2020 as an exempted company with limited liability under the Companies Act, Cap 22 (Law 3 of 1961 as combined and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in developing and commercializing a portfolio of marketed products as well as pipeline with potential in its focused therapeutic areas including oncology and severe infection (the "Listing Business"). The ultimate shareholders of the Group are GL Trade Investment L.P., GL GLEE Investment Limited, Ocean Falcon Limited, Avengers Limited, Ascendent Silver (Cayman) Limited and Boying Investments Limited (collectively, the "Ultimate Shareholders").

1.2 History and reorganization of the Group

(a) **History of the Group**

Immediately prior to the Reorganization (as described in Note 1.2(b)) and during the Track Record Period, the Listing Business was operated by SciClone Pharmaceuticals, Inc. ("SPI"), SciClone Pharmaceuticals International Limited ("SPIL"), a company incorporated in the Cayman Islands, and its subsidiaries (collectively, the "Operating Entities"). SPIL was directly wholly owned by SPI, a company incorporated in the United States of America (the "U.S.") in 1990.

Prior to October 13, 2017, SPI was a publicly-traded US SEC domestic registrant with NASDAQ-listed common stock under ticker "SCLN". On October 13, 2017, pursuant to an agreement and plan of merger consummated on June 7, 2017 with a consortium of investors (the "Shareholders"), SPI was privatized and ceased to be a public corporation, with the trading of its common shares terminated (the "Privatization").

With the express purpose of carrying out the acquisition of SPI, Silver Biotech Holding Limited ("SBH") was incorporated in the Cayman Islands on December 13, 2016. SBH is wholly owned by Silver Biotech Elements Limited ("SBE"), a company incorporated in the Cayman Islands and owned by the Shareholders.

Silver Delaware Investment Limited (the "Merger Sub"), a United States (Delaware) corporation and transitory acquisition vehicle, which was wholly owned by Silver Biotech Investment Limited ("SBI"), a Cayman Islands exempted company wholly owned by SBH, was merged with and into SPI, with SPI continuing as the sole surviving corporation.

As a result of the Privatization, SPI became a direct wholly owned subsidiary of SBI, while SBH and SBE became the parent companies of SPI.

After the Privatization in October 2017, a series of restructuring steps were taken to streamline the Group's global business structure. During the restructuring, SBI established SciClone Pharmaceuticals Limited ("SPL") and SciClone Pharmaceuticals Management Limited ("SPML", formerly known as SciClone Pharmaceuticals Holding Limited) as its wholly owned subsidiaries incorporated in Hong Kong in 2018. Supply chain and executive management businesses in SPI which comprised part of the Listing Business were transferred and incorporated into SPL and SPML, respectively.

As a result of the restructuring, 57% and 43% of the equity interests of SPIL were held by SBH and Silver New Cayman Holding Limited ("Silver New Cayman"), a company incorporated in the Cayman Islands, which was 50% and 50% held by SBH and SPI, respectively.

(b) **Reorganization**

In preparing for the initial public offering ("IPO") and listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Listing"), the Group underwent a reorganization (the "Reorganization") pursuant to which the Listing Business was transferred to the Company.

The Reorganization involved the following steps:

(i) On April 6, 2020, SPI transferred the entire equity interests of SciClone Pharmaceuticals Italy S.R.L. ("SP Italy") to SPIL at cost. As a result, SP Italy became a wholly owned subsidiary of SPIL;

(ii) On May 13, 2020, the Company was incorporated in the Cayman Islands with one share being allotted and issued to the initial subscriber. On the same date, the subscriber share of the Company was transferred at par value of USD0.00005 to GL GLEE Investment Limited, one of the Ultimate Shareholders, for the purpose of handling corporate reorganization and secretarial matters;

(iii) On June 16, 2020, SPI made distribution in specie of its 50% equity interests of Silver New Cayman to SBI. On June 18, 2020, SBI made distribution in specie of all its equity interests of Silver New Cayman to SBH, and then Silver New Cayman transferred all its equity interests of SPIL to SBH;

(iv) On June 18, 2020, SBI transferred its entire equity interests of SPL and SPML to SPIL at nil consideration. Following the transfer, SPL and SPML became wholly owned subsidiaries of SPIL;

(v) On June 18, 2020, SBH made a distribution in specie of its entire equity interests of SPIL to SBE; and

(vi) On June 24, 2020, SBE transferred its entire equity interests of SPIL to the Company. The Company allotted and issued 543,135,509 ordinary shares in total at par value of USD0.00005 each to the Ultimate Shareholders in proportion to their shareholdings in SBE as the fully paid consideration.

Upon the completion of the Reorganization, the Company became the holding company of the companies now comprising the Group.

As part of the Reorganization, all the relevant intellectual properties held by SPI are being transferred to SPIL. In light of the long time frame for the transfer, on May 28, 2020, SPI and SPIL entered into an intellectual property license agreement, pursuant to which SPI agreed to grant a perpetual, exclusive and royalty-free license to SPIL and its certain affiliates with respect to such relevant intellectual properties held by SPI.

1.3 Information about subsidiaries

Upon the completion of the Reorganization on June 24, 2020 and as of the date of this report, the Company had direct or indirect interests in the following subsidiaries:

				Attributable equity interests of the Group					
				As at December 31,			As at September 30,		
Company name	Place and date of incorporation	Issued and paid-in capital	Principal activities/ place of operation	2017	2018	2019	2020	As at date of this report	Note
Directly held									
SPIL	Cayman Islands, 11/16/1992; Registered in Hong Kong on July 19, 1993	USD 900,000	Product sales, manufacturing, business development and investment holding Cayman Islands	100%	100%	100%	100%	100%	(a)
Indirectly held									
SP Italy	Italy, December 14, 2000	EUR 10,000	License holding in Italy / Italy	100%	100%	100%	100%	100%	(a)
SciClone Pharmaceuticals International China Holding Ltd.	Cayman Islands, September 19, 2005	USD 50,000	Investment holding and product sales / Cayman Islands	100%	100%	100%	100%	100%	(a)
SciClone Pharmaceuticals Hong Kong Ltd.	Hong Kong, September 14, 2010	USD 61,828,872	Product sales / Hong Kong	100%	100%	100%	100%	100%	(b)
NovaMed Pharmaceuticals Inc.	Cayman Islands, May 19, 2006	USD 50,000	Dormant investment holding / Cayman Islands	100%	100%	100%	100%	100%	(a)

Company name	Place and date of incorporation	Issued and paid-in capital	Principal activities/ place of operation	Attributable equity interests of the Group					Note
				As at December 31,			As at September 30,		
				2017	2018	2019	2020	As at date of this report	
SciClone Pharmaceuticals Pty Ltd.	Australia April 29, 2019	USD 1	Dormant Company / Australia	—	—	100%	100%	100%	(a)
SciClone Pharmaceuticals Development (Suzhou) Co., Ltd. (蘇州蘇生醫藥研發有限公司)	People's Republic of China ("PRC"), April 2, 2020	RMB 10,500,000	R&D services / PRC	—	—	—	100%	100%	(f)
NovaMed Pharmaceuticals (Shanghai) Co., Ltd. (諾凡麥醫藥貿易(上海)有限公司)	PRC, March 2, 2007	USD 14,000,000	Dormant company / PRC	100%	100%	100%	100%	100%	(c)
SciClone Pharmaceuticals (China) Co., Ltd. (賽生醫藥(中國)有限公司)	PRC, October 15, 2014	RMB 50,000,000	Marketing and promotional support services / PRC	100%	100%	100%	100%	100%	(c)
SciClone Pharmaceuticals (Jiangsu) Co., Ltd. (賽生醫藥江蘇有限公司) . . .	PRC, September 24, 2015	RMB 30,000,000	Products distribution and administration support / PRC	100%	100%	100%	100%	100%	(c)
Pu Duo Medical Technology Huangpu Shanghai (上海普多醫藥科技有限公司)	PRC, May 16, 2018	RMB 1,000,000	Clinical research service / PRC	—	100%	100%	100%	100%	(d)
SciClone Pharmaceuticals (Beijing) Co., Ltd. (賽生醫藥科技(北京)有限公司)	PRC, July 23, 2018	RMB 1,000,000	Various support services / PRC	—	100%	100%	100%	100%	(d)
SciClone Pharmaceuticals (China) Ltd. (賽生貿易(上海)有限公司)	PRC, February 7, 2006	USD 250,000	Marketing and promotion services / PRC	100%	100%	100%	100%	100%	(c)
SciClone Pharmaceuticals International (Cayman) Development Ltd.	Cayman Islands, June 11, 2008	USD 50,000	Pre-clinical R&D services / Cayman Islands	100%	100%	100%	100%	100%	(a)

Company name	Place and date of incorporation	Issued and paid-in capital	Principal activities/ place of operation	Attributable equity interests of the Group					Note
				As at December 31,			As at September 30,		
				2017	2018	2019	2020	As at date of this report	
SciClone Pharmaceuticals (HK) Development Co., Ltd.	Hong Kong, October 21, 2015	USD 1,000	Pre-clinical R&D services / Hong Kong	100%	100%	100%	100%	100%	(b)
SciClone Pharmaceuticals Development (Shanghai) Co., Ltd. (賽生醫藥研發(上海)有限公司)	PRC, May 12, 2015	USD 1,400,000	R&D services / PRC	100%	100%	100%	100%	100%	(c)
SPL	Hong Kong, September 19, 2018	Hong Kong Dollar ("HKD") 10,000	Supply chain and quality assurance services / Hong Kong	—	100%	100%	100%	100%	(e)
SPML	Hong Kong, September 19, 2018	HKD 10,000	Management services / Hong Kong	—	100%	100%	100%	100%	(e)
SciClone Supply Chain Management (Shanghai) Co., Ltd. (賽生供應鏈管理(上海)有限公司)	PRC, July 8, 2020	RMB 5,000,000	Product sales / PRC	—	—	—	100%	100%	(f)

(a) No audited financial statements have been prepared as these companies had no statutory audit requirements during the years ended December 31, 2017, 2018 and 2019 under the rules and regulations in the place of registration.

(b) The audited financial statements of these companies for the years ended December 31, 2017, 2018 and 2019 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(c) The audited financial statements of these companies for the years ended December 31, 2017, 2018 and 2019 were audited by Shanghai Jinhang Accountant Office Co., Ltd. (上海錦航會計師事務所), Certified Public Accountants in the PRC.

(d) The audited financial statements of these companies for the years ended December 31, 2018 and 2019 were audited by Shanghai Jinhang Accountant Office Co., Ltd. (上海錦航會計師事務所), Certified Public Accountants in the PRC.

(e) The audited financial statements of these companies for the period from September 19, 2018 (date of incorporation) to December 31, 2019 were audited by PricewaterhouseCoopers, Certified Public Accountants in Hong Kong.

(f) No audited financial statements have been prepared since this company was newly incorporated during the nine months ended September 30, 2020.

1.4 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business is conducted through the Operating Entities. Pursuant to the Reorganization, the Listing Business held through the Operating Entities are transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and does not meet the definition of a business. The steps as described in Note 1.2 above are merely a Reorganization of the Operating Entities and did not change the business substance and management of the Listing Business conducted through the Operating Entities.

Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business under the Operating Entities and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of the Operating Entities, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the Listing Business as recorded in the consolidated financial statements of the Operating Entities for all periods presented. Intercompany transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

The financial information of SPI that relates to the Listing Business for the Track Record Period was included in the Historical Financial Information in the following manner:

(i) Retrospective presentation method is adopted by the Group that SPI's business was incorporated as if it had always been consolidated with the Listing Business. Transactions and balances of SPI were consolidated in the Historical Financial Information at carrying values.

(ii) Upon completion of the Reorganization, assets and liabilities of SPI relating to the Listing Business which were not transferred to the Group (mainly included cash and cash equivalents, current tax liabilities, other current assets and other payables) were accounted for as a deemed distribution to or contribution from the shareholders.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVPL or FVOCI which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 6.

The Historical Financial Information has been prepared based on the consolidated financial statements of the Group. Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2020, are consistently applied by the Group for the Track Record Period.

IFRS 9, "Financial instruments" and IFRS 15, "Revenue from contracts with customers" are effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. IFRS 16, "Leases" is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. The Group has early adopted IFRS 9, IFRS 15 and IFRS 16 and applied consistently throughout the Track Record Period.

Details about the Group's accounting policies in relation to revenue, financial instruments and leases are discussed in Note 2.24, Note 2.8 and Note 2.25, respectively.

— New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Track Record Period are as follows:

Standards	Effective for annual periods beginning on or after
IFRS 17, "Insurance Contracts"	January 1, 2023
Amendments to IFRS 10 and IAS 28, "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined
Amendments to IAS 1, "Classification of Liabilities as Current and Non-current"	January 1, 2023
Amendments to IFRS 3, "Reference to the Conceptual Framework"	January 1, 2022
Amendments to IAS 37, "Onerous Contracts – Cost of Fulfilling a Contract"	January 1, 2022
Annual improvements to IFRS standards 2018-2020	January 1, 2022
Amendment to IAS 16, "Property, Plant and Equipment: Proceeds before intended use"	January 1, 2022
Amendment to IFRS 16, "COVID-19 - Related Rent Concessions"	June 1, 2020

The directors have performed assessment on the new standards and amendments, and has concluded on a preliminary basis that these new standards and amendments would not have a significant impact on the Group's consolidated financial statements when they become effective.

2.2 Subsidiaries

(a) **Consolidation**

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains/losses on transactions between the companies within the Group are eliminated on consolidation.

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognized in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognized in profit or loss.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income ("OCI") in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in OCI are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries in the separate financial statements of the Company are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for

allocating resources and assessing performance of the operating segments, has been identified as executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currencies of the Company and its subsidiaries incorporated outside of Mainland China are USD, EUR or HKD, while the functional currencies of the Company's subsidiaries established in Mainland China are Renminbi ("RMB"). As the major business of the Group are within Mainland China, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation when items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statements of comprehensive income.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statements of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income on a net basis within "Other gains/(losses) — net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at FVPL are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at FVOCI are recognized in OCI.

(c) **Group companies**

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognized in OCI.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognized in OCI.

(d) **Disposal of foreign operation and partial disposal**

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group's losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.5 Property, plant and equipment

Property, plant and equipment ("PP&E") is stated at historical cost less depreciation. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation of PP&E is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Estimated useful lives
— Office furniture and equipment	3 – 5 years
— Vehicle	4 years
— Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals of PP&E are determined by comparing proceeds with carrying amount and are recognized in "Other gains/(losses) — net" in the consolidated statements of comprehensive income.

2.6 Intangible assets

(a) **R&D expenditures**

Research expenditure on research activities is recognized as an expense as incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- it is technically feasible to complete the intangible assets so that it will be available for use;
- management intends to complete the intangible assets and use or sell it;
- there is an ability to use or sell the intangible assets;
- it can be demonstrated how the intangible assets will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible assets are available; and
- the expenditure attributable to the intangible assets during its development can be reliably measured.

During the Track Record Period, the Group's R&D expenditures incurred did not meet the capitalization principle above and were expensed as incurred.

(b) **Licenses**

Payments made to third parties to in-license or acquire intellectual property rights, compounds and products include initial non-refundable upfront payments, subsequent milestone payments and

royalty payments. Upfront and milestone payments are capitalized as intangible assets when incurred, unless these payments are for outsourced R&D work which follow the capitalization principle in Note 2.6 (a). Royalty payments incurred along with the underlying sales are expensed as incurred and charged to cost of revenue.

Additional payments for purchase of intangible assets contingent on future events are not considered on initial recognition of the assets, but are added to the costs of the assets initially recorded when incurred, or when related liabilities are remeasured for changes in cash flows, if such payments are related to the costs of the assets.

Subsequent internal R&D expenses in relation to in-license intellectual property rights, compounds and products are expensed or capitalized in accordance with the accounting policy as mentioned in Note 2.6 (a). During the Track Record Period, the Group's R&D expenditures incurred did not meet the capitalization principle for any products and were expensed as incurred.

Intangible assets associated with in-license arrangements that have an indefinite useful life or not available for use are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired (Note 2.7).

Intangible assets recognized related to in-license arrangements are amortized on the straight-line basis over their useful economic lives when they become available for use (Note 6 (c)).

Estimated useful lives of available-for-use intangible assets are as follows:

	Estimated useful lives
Licenses	5 – 10 years (based on the terms of the in-license arrangements or the estimated duration of product sales, whichever is shorter)

(c) **Software**

Costs incurred to acquire and bring to use of software are capitalized as intangible assets and amortized over their estimated useful lives (generally 3 years).

2.7 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Investments and other financial assets

(a) **Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

See Note 25 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) **Recognition and derecognition**

Regular way purchases and sales of financial assets are recognized on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

(c) **Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments into the following measurement categories:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in "Other gains/(losses) — net" together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in "Other gains/(losses) — net". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Other gains/(losses) — net" and impairment expenses are presented as a separate line item in the consolidated statements of comprehensive income.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within "Other gains/(losses) — net" in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in "Other gains/(losses) — net" in the consolidated statements of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

(e) **Impairment**

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost, including loan receivables, trade receivables and other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables) on a forward-looking basis, and with the exposure arising from financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Impairment on other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables) and loan receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.9 Inventories

Inventories, mainly consisting of raw materials, work in progress and finished goods, are stated at the lower of cost and net realizable value. Cost comprises amounts related to direct materials, direct labor and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore all classified as current.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and the calculation of the loss allowance are disclosed in Note 2.8.

2.11 Loan receivables

Loan receivables held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are recognized initially at fair value plus transaction costs that are attributable to the acquisition of the assets and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of

transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Financial guarantee contract

Financial guarantee contract is recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 - Financial Instruments, and

- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15 - Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

2.18 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the Company and its subsidiaries, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) **Deferred income tax**

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable profit will be available to utilize those temporary differences and losses.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure. The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

2.20 Employee benefits

(a) **Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) **Pension obligations**

The Group's subsidiaries operating in Mainland China have to make contribution to staff retirement scheme managed by local government authorities in accordance with the relevant rules and regulations. Contributions to these schemes are charged to the consolidated statements of comprehensive income as and when incurred. The Group has no legal or constructive obligations to pay further contributions.

The Group participates a Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Group and the employees are required to contribute to the scheme monthly. The Group has no further payment obligations once the contributions have been paid. The Group's contributions to the MPF Scheme are expensed as incurred.

(c) **Housing funds, medical insurances and other social insurances**

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(d) **Employee leave entitlements**

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(e) **Bonus plans**

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(f) **Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.21 Share-based payment

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (restricted shares units ("RSUs") and options) of the Company.

The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense in the consolidated statements of comprehensive income with a corresponding increase in equity.

In terms of the RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-marketing performance and service conditions are included in calculation of the number of RSUs and options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of RSUs and options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

2.22 Earnings per share

(a) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.23 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for further operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.24 Revenue recognition

The Group principally derives revenue from sales of products and provision of promotion services.

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods sold or services performed, stated net of discounts, returns and value-added taxes. The Group recognizes revenue when the specific criteria have been met for each of the Group's activities, as described below.

(a) **Product sales**

The Group recognizes product revenue at the point in time when the performance obligation under the terms of a contract with the customer is satisfied and control of the product has been

transferred to the customer. The Group recognizes product revenue from selling its proprietary product, Zadaxin, at the shipping point and recognizes product revenue from selling promotion products for business partners and in-licensed products when the products have been delivered to the customers.

The Group's contractual arrangement with its exclusive China importer and distributor for Zadaxin, contains variable considerations in connection with the price mechanism that if the provincial tender price is below or above a reference price (baseline price), the Group may owe price compensation payable to or is due price compensation receivable from the distributor. The provincial tender price is the ultimate end-point sales price approved by provincial authorities in China. The Group estimates the variable consideration using the expected value method and takes into consideration the tender price as at the report date as well as the recent market trend. The variable consideration (whether price compensation payable or receivable), under the principles of IFRS 15, is recognized at the time when the underlying originating sale is recognized.

(b) **Promotion service revenue**

The Group generated promotion service revenue from the provision of promotion services to customers. The Group recognizes promotion services revenue for designated pharmaceutical products over time in the period in which its customers simultaneously receive and consume the benefits provided by the promotion and marketing services as specified in promotion service contract.

2.25 Leases

The Group leases office and buildings as lessee. Rental contracts are typically made for fixed periods of 1 to 5 years with no extension option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

- variable lease payment that are based on an index or a rate

- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and leases with a remaining term of 12 months or less as of the date of initial adoption of IFRS 16.

The right-of-use assets and the lease liabilities are present separately on the consolidated balance sheets.

Lease transaction is considered as a single transaction in which the asset and liability are integrally linked, there is no net temporary difference recognition at inception. Subsequently, as differences arise on settlement of the liability and the amortization of the leased asset, there will be a net temporary difference on which deferred tax is recognized. The Group's deferred tax balances related to lease transactions were minimal as at December 31, 2017, 2018 and 2019 and September 30, 2020.

2.26 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all required conditions.

Government grants related to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to PP&E are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets. Interest income on financial assets at amortized cost and financial assets at FVOCI calculated using the effective interest method is recognized in the consolidated statements of comprehensive income as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance of the Group.

(a) **Market risk**

(i) Foreign exchange risk

The transactions of the Company are denominated and settled in its functional currency, USD. The Group's subsidiaries in the Cayman Islands and Hong Kong are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to RMB. Foreign exchange risk primarily arose from recognized assets and liabilities in the Company's subsidiaries incorporated in the Cayman Islands when receiving or to receive foreign currencies from, or paying or to pay foreign currencies to business partners.

For the Group's subsidiaries whose functional currency is USD, if RMB had strengthened/weakened by 5% against USD with all other variables held constant, the impacts on the profit before income tax for the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019 and 2020 would have been approximately RMB26,227,000, RMB27,951,000, RMB20,533,000, RMB37,970,000 and RMB16,699,000 higher/lower, respectively, mainly as a result of net foreign exchange gains or losses on translation of net monetary assets denominated in RMB.

(ii) Interest rate risk

The Group's interest rate risks arise from long-term borrowings. Borrowings obtained in June 2020 (Note 30) at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

If the interest rate of borrowings with floating rate had been 50 basis points higher/lower, the profit before income tax for nine months ended September 30, 2020 would have been approximately RMB2,975,000 lower/higher. There existed no borrowing with floating rate for the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019.

(b) **Credit risk**

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted cash, trade receivables, other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables), loan receivables and financial guarantee contracts. The carrying amounts of cash and cash equivalents, trade receivables, other receivables (including receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables), loan receivables and financial guarantee contracts represent the Group's maximum exposure to credit risk in relation to financial assets. The Group did not record any significant credit losses during the Track Record Period.

(i) Credit risk of cash and cash equivalents and restricted cash

To manage this risk arising from cash and cash equivalents and restricted cash, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is close to zero.

(ii) Credit risk of trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivable has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of at least 24 months before the balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, or significant adverse changes in the market environment, including, among others, the economic impact of the unprecedented COVID-19 on the customers.

The expected credit loss was minimal at December 31, 2017, 2018 and 2019 and September 30, 2020 as the trade receivables were considered to be of low credit risk.

As at December 31, 2017 and 2018, approximately 90% and 93% of the Group's trade receivables were due from a customer ("Customer A"), a subsidiary of a sizable state-owned pharmaceutical product distributor. As at December 31, 2019 and September 30, 2020, approximately 80% and 81% of the Group's trade receivables were due from another customer ("Customer B"), a fellow subsidiary of Customer A. The credit period granted to the Group's customers is usually no more than 90 days and the credit quality of these customers is assessed based on the financial positions of the customers, past experience and other factors. In view of the sound collection history of receivables due from the customers, management believes that the credit risk inherent in the Group's outstanding trade receivables balances due from the customers is not significant. In addition, there was no unfavorable current conditions and forecast of future economic conditions as at December 31, 2017, 2018 and 2019. The Group considered the impact of COVID-19, incorporated related forward-looking factors to measure expected credit losses, and determined that the expected credit loss remained to be minimal as at September 30, 2020.

The following table summarized customers with balances greater than 10% of trade receivables:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
Customer A	90%	93%	—	—
Customer B	—	—	80%	81%

(iii) Credit risk of other receivables

Other receivables mainly comprise receivables from licensing income, purchase rebate receivables, rental deposits and interest receivables. The Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations;

- actual or expected significant changes in the operating results of the counter party;

- significant changes in the expected performance and behavior of the counter party, including changes in the payment status of the counter party.

As at December 31, 2017, 2018 and 2019 and September 30, 2020, there was no significant increase in credit risk since initial recognition. The Group assessed that the expected credit losses for these receivables within the next 12 months are not material.

The following table summarized third parties with balances greater than 10% of other current assets:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
Company C	54%	14%	41%	11%
Company D	30%	79%	50%	16%
Company E	—	—	—	68%

(iv) Credit risk of loan receivables

The Group implemented expected credit loss model for loan receivables as summarized below:

- The loan receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

- If a significant increase in credit risk since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.

- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

- In Stages 1 and 2, interest income is calculated on the gross carrying amount (without deducting the loss allowance). If a financial asset subsequently becomes credit-impaired (Stage 3), the Group is required to calculate the interest income by applying the effective interest method in subsequent reporting periods to the amortized cost of the financial asset (the gross carrying amount net of loss allowance) rather than the gross carrying amount.

The Group had loan receivables with the amount of RMB78,334,000 as at December 31, 2017 (Note 20), all of these loan receivables were collected in 2018 and the Group had no outstanding loan receivables as at December 31, 2018 and 2019 and September 30, 2020. As at December 31, 2017, there was no significant increase in credit risk since initial recognition. The Group assessed that the expected credit losses for loan receivables within the next 12 months were not material.

(v) Credit risk of financial guarantee arrangement

For the financial guarantee arrangement, the Group has taken measures to manage credit risk, including credit examination, fraud examination and risk monitoring alert. The maximum credit risk from financial guarantee contracts is USD176 million (equivalent to RMB1,150,019,000), USD132 million (equivalent to RMB905,942,000), USD300 million (equivalent to

RMB2,092,860,000) and nil as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively (Note 35 (b)(iv)). Based on the financial conditions of the guarantee, the Group assessed that the credit risk in relation to the financial guarantee arrangement since initial recognition was minimal and therefore, the expected credit losses within the next 12 months were not material during the Track Record Period.

(c) **Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through adequate committed credit facilities. The Group's primary cash requirements are for payments for acquisition of license arrangements, purchases of inventories, payments for operating expenses, capital injections into subsidiaries, and unexpected cash outflow due to other unforeseen crisis.

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The cash and cash equivalents, trade receivables and other current assets (excluding prepayments) held by the Group are expected to readily generate cash inflows for managing liquidity risk.

At December 31, 2017, 2018, and 2019 and September 30, 2020, the Group had net current assets of RMB698,451,000, RMB825,515,000, RMB1,265,417,000 and RMB1,028,475,000, respectively. With the consideration of anticipated operation cash inflows, and the ability of adjusting the pace of its operation expansion and expenditures, the directors are of the opinion that the Group has sufficient cash flows in the near future to manage the liquidity risks.

The table below analyzes the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheets date to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2017					
Trade and other payables (excluding salaries and bonus payables)	108,617	—	—	—	108,617
Lease liabilities	19,412	13,446	7,392	—	40,250
	128,029	13,446	7,392	—	148,867
At December 31, 2018					
Trade and other payables (excluding salaries and bonus payables)	110,099	—	—	—	110,099
Lease liabilities	22,632	16,048	2,431	—	41,111
	132,731	16,048	2,431	—	151,210
At December 31, 2019					
Trade and other payables (excluding salaries and bonus payables)	159,083	—	—	—	159,083
Lease liabilities	19,820	5,542	2,017	—	27,379
	178,903	5,542	2,017	—	186,462
At September 30, 2020					
Trade and other payables (excluding salaries and bonus payables)	443,690	—	—	—	443,690
Borrowings	469,677	456,918	1,305,137	—	2,231,732
Lease liabilities	9,052	2,843	381	—	12,276
	922,419	459,761	1,305,518	—	2,687,698

As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Group did not have derivative financial liability.

4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group considers its capital structure as the aggregate of total equity and long-term debt less cash and cash equivalents. The Group manages its capital structure and makes adjustments to it in order to have funds available to support the business activities which the directors intend to pursue in addition to maximizing the return to shareholders. The directors do not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Group's management to sustain future development of the business.

In order to carry out current operations and pay for administrative costs, the Group will spend its existing working capital and raise additional amounts as needed. The Group reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

5 Fair value estimation

The table below analyzes the Group's financial instruments carried at fair value as of each balance sheet date, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value as at December 31, 2017, 2018 and 2019 and September 30, 2020:

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2017				
Financial assets at FVPL — Current_money market funds (Note 26)	129,488	—	—	129,488
Financial assets at FVOCI — Non-Current_equity investments (Note 26)	—	—	17,538	17,538
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	5,120	—	—	5,120
	134,608	—	17,538	152,146
As at December 31, 2018				
Financial assets at FVPL — Current_money market funds (Note 26)	8,698	—	—	8,698
Financial assets at FVOCI — Non-Current_equity investments (Note 26)	—	—	19,285	19,285
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	2,084	—	—	2,084
Financial assets at FVPL — Non-Current_ debt investments (Note 26)	—	—	13,787	13,787
	10,782	—	33,072	43,854
As at December 31, 2019				
Financial assets at FVPL — Current_money market funds (Note 26)	3,397	—	—	3,397
Financial assets at FVPL — Current_structured deposits (Note 26)	—	120,364	—	120,364
Financial assets at FVOCI — Non-current_equity investments (Note 26)	—	—	37,491	37,491
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	3,571	—	—	3,571
Financial assets at FVPL — Non-Current_ debt investments (Note 26)	—	—	21,400	21,400
	6,968	120,364	58,891	186,223
As at September 30, 2020				
Financial assets at FVPL — Current_structured deposits (Note 26)	—	100,102	—	100,102
Financial assets at FVOCI — Non-Current_equity investments (Note 26)	118,309	—	47,671	165,980
Financial assets at FVPL — Non-Current_ equity investments (Note 26)	4,302	—	—	4,302
Financial assets at FVPL — Non-Current_ debt investments (Note 26)	—	—	20,907	20,907
	122,611	100,102	68,578	291,291

(a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value of an instrument are observable, the instrument is included in level 2.

(c) **Financial instruments in level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate and expected volatility, etc.

Level 3 instruments of the Group's assets and liabilities include long-term equity and debt investments measured at FVPL and long-term equity investment measured at FVOCI (Note 26).

The following table presents the changes in level 3 instruments of long-term debt investments measured at FVPL for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At beginning of the year/period	—	—	13,787	13,787	21,400
Addition	—	13,726	6,976	—	—
Changes in fair value	—	61	405	192	14
Exchange differences	—	—	232	428	(507)
At the end of the year/period	—	13,787	21,400	14,407	20,907

The following table presents the changes in level 3 instruments of equity investment measured at FVOCI for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020.

	Year ended December 31,			Nine months ended September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
At beginning of the year/period	14,592	17,538	19,285	19,285	37,491
Addition	—	—	—	—	49,557
Transfer to Level 1	—	—	—	—	(68,017)
Changes in fair value	3,914	835	17,679	17,554	29,300
Exchange differences	(968)	912	527	1,154	(660)
At the end of the year/period	17,538	19,285	37,491	37,993	47,671

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts are involved when necessary.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended December 31, 2017, 2018, 2019 and nine months ended September 30, 2019. Financial instruments with the amount of USD9,566,000 (equivalent to RMB68,017,000) was transferred from level 3 to level 1 upon the public listing of the corresponding investee during the nine months ended September 30, 2020.

The valuation of the level 3 instruments mainly included long-term debt investments measured at FVPL in unlisted companies (Note 26), short-term investments measured at FVPL (Note 26) and equity investments measured at FVOCI (Note 26). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows approach etc.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at				Unobservable inputs	Range of inputs				Relationship of unobservable inputs to fair value
	December 31,			September 30,		December 31,			September 30,	
	2017	2018	2019	2020		2017	2018	2019	2020	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*						
Debt investments measured at FVPL	—	13,787	21,400	20,907	Expected volatility	N/A	47.1%	46.5%	54.5%	The higher the expected volatility, the lower the fair value
Equity investments measured at FVOCI	17,538	19,285	37,491	47,671	Expected volatility	46.0%	43.5%	50.0%	N/A	The higher the expected volatility, the higher the fair value

If the expected volatility had decreased/increased by 5% with all other variables held constant, the fair value of debt investments measured at FVPL would have been increased/decreased by approximately nil, RMB179,000, RMB165,000 and RMB182,000 as of December 31, 2017, 2018 and 2019 and September 30, 2020, respectively.

If the expected volatility had decreased/increased by 5% with all other variables held constant, the fair value of equity investments measured at FVOCI would have been decreased/increased by approximately RMB155,000, RMB93,000, RMB14,000 and nil as of December 31, 2017, 2018, 2019 and September 30, 2020, respectively.

If the fair values of the long-term investments measured at FVPL held by the Group had been 10% higher/lower, the profit before income tax for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2020 would have been approximately nil, RMB1,379,000, RMB2,140,000 and RMB2,091,000, respectively.

The carrying amounts of the Group's financial assets that are not measured at fair value, including cash and cash equivalents, trade receivables, other current assets (excluding prepayments), other assets (excluding prepayments and tax receivables) and the Group's financial liabilities that are not measured at fair value, including trade and other payables and lease liabilities approximate their fair values due to short maturities or the interest rates are close to the market interest rates.

6 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) **Fair value of measurement**

Fair value of financial assets, in the absence of an active market, is estimated by using appropriate valuation techniques. Such valuations were based on certain assumptions about credit risk, volatility and liquidity risks associated with the instruments, which are subject to uncertainty and might materially differ from the actual results. Further details are disclosed in Note 5.

(b) **Share-based compensation expenses**

The fair values of share options granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those share options expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of the share options and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

(c) **R&D expenses**

R&D expenditures incurred on the Group's R&D activities, including conducting pre-clinical studies and clinical trials, manufacturing development efforts and activities related to regulatory

filings for the Group's drug candidates, are capitalized as intangible asset only when the Group can demonstrate i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, ii) the Group's intention to complete the intangible asset and use or sell it, iii) the Group's ability to use or sell the intangible asset, iv) how the intangible asset will generate probable future economic benefits, v) the Group's availability of adequate technical, financial and other resources to complete and vi) the ability to measure reliably the expenditure attributable to the intangible asset. Expenditures that do not meet these capitalization principles are recognized as R&D expenses. During all periods presented, the Group's R&D expenditures incurred did not meet these capitalization principles for any products and were expensed as incurred.

Payments made to third parties to in-license or acquire intellectual property rights, compounds and products, including initial upfront and subsequent milestone payments, are capitalized, unless these payments are for outsourced R&D work which follow the capitalization principle in the preceding paragraph.

(d) **Useful lives of intangible assets**

The Group's finite life intangible assets generated from its in-license arrangements are amortized on a straight-line basis over their useful economic lives, which are estimated to be the period of the in-license arrangement. If the Group's estimate of the duration of sale of product is shorter than the arrangement period, then the shorter period is used. Additional amortization is recognized if the estimated useful economic lives are different from the previous estimation. Useful lives are reviewed at the end of the year based on changes in circumstances.

(e) **Current and deferred income taxes**

The Group is subject to income taxes in different jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

For temporary differences which give rise to deferred tax assets, the Group assesses the likelihood that the deferred income tax assets could be recovered. Deferred tax assets are recognized based on the Group's estimates and assumptions that they will be recovered from taxable income arising from continuing operations in the foreseeable future.

(f) **Variable arrangement in contract with customers**

When the consideration in a contract with customers includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods

or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

7 Segment information

The chief operating decision-maker has been identified as the executive directors of the Group, who reviews the Group's consolidated results as a whole when making decisions about allocating resources and assessing performance. Therefore, it is determined that the Group's operations represent a single operating segment.

For the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, the geographical information on the total revenues is as follows:

	Year ended December 31,						Nine months ended September 30,			
	2017		2018		2019		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Mainland China	1,141,200	94	1,306,123	93	1,611,835	94	1,228,706	95	1,501,932	95
Others	71,766	6	102,746	7	96,233	6	62,065	5	82,241	5
	1,212,966		1,408,869		1,708,068		1,290,771		1,584,173	

The total of non-current assets other than financial instruments, broken down by location of the assets, are shown as follows:

	As at December 31,						As at September 30,	
	2017		2018		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	15,222	8	25,415	13	23,035	11	21,470	4
Others	165,305	92	176,527	87	184,876	89	562,816	96
	180,527		201,942		207,911		584,286	

The customers which contributed over 10% of the total revenue of the Group for the years ended December 31, 2017, 2018, and 2019 and the nine months ended September 30, 2019 and 2020 are listed as below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	%	*%*	*%*	*%*	*%*
				(Unaudited)	
Customer A*	88%	78%	—	—	—
Customer B*	—	—	72%	73%	80%

* Customer A and Customer B are fellow subsidiaries under common control.

8 Revenue

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Recognized at a point in time					
— Product sales	1,185,143	1,406,215	1,708,068	1,290,771	1,584,173
Recognized over time					
— Promotion service revenue (a)	27,823	2,654	—	—	—
	1,212,966	1,408,869	1,708,068	1,290,771	1,584,173

(a) Prior to 2018, the Group provided promotion services to Baxter, a business partner of the Group, and recorded the promotion service income as revenue. From 2018, the Group adjusted the business model, in addition to the provision of promotion services, the Group has also been engaging in the sales of the promotion products of Baxter, and the remuneration for the promotion services rendered by the Group is reflected as an adjustment to the cost of revenue from the promotion products for Baxter, rather than being presented as promotion service revenue.

9 Other income and other expenses

(i) Other income

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants (a)	7,289	8,342	6,795	6,755	9,754
Licensing income (b)	—	—	—	—	55,870
Refund of upfront payment (c)	—	25,177	—	—	—
Interest income from loan receivables (Note 20)	6,024	3,566	—	—	—
	13,313	37,085	6,795	6,755	65,624

(ii) Other expenses

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Amortization of intangible assets associated with licensing (b)	—	—	—	—	55,310

(a) Government grants are all income related and there exist no unfulfilled conditions or other contingencies attaching to these government grants.

(b) In February 2020, the Group entered into several agreements with Novartis AG and Novartis Pharma AG (collectively "Novartis") to purchase all of the rights, title and interests in, to and under the assets of (i) marketing authorization, including but not limited to the import drug license ("IDL") of Zometa product in the PRC and (ii) trademarks, domain names, commercial information, medical information, records and marketing authorization data, in each case relating solely and exclusively to Zometa product in the PRC, from Novartis. The total purchase consideration of USD60,000,000 (equivalent to RMB424,770,000) was recorded as intangible assets and amortized over 5 years on a straight-line basis from February 2020. The related amortization expense of RMB55,310,000 was recognized in the profit and loss for the nine months ended September 30, 2020. As at September 30, 2020, the outstanding payable of the purchase consideration was US$25,000,000 (equivalent to RMB170,253,000) (Note 28).

Prior to the Group obtains the IDL of Zometa product in the PRC, as a transitional arrangement, it was agreed that Novartis would continue to sell Zometa product in the PRC and pay the profit of the sales to the Group during the period from February 24, 2020 until the earlier of (a) the date of obtaining the IDL for Zometa product in the PRC by the Group and (b) one year from February 24, 2020. The profit to be paid by Novartis to the Group is recorded as licensing income in "Other income". For the nine months ended September 30, 2020, the Group recognized the licensing income with an amount of RMB55,870,000.

(c) In 2013, the Group made upfront payment of USD3,500,000 to Zensun (Shanghai) Science & Technology Co., Ltd. ("Zensun"), a licensing partner of the Group. Intangible assets associated with the upfront payment were fully impaired prior to 2017 as a result of expected failure of the drug candidate. In 2018, the Group terminated the collaboration and Zensun refunded all the upfront payment in cash to the Group. The refund of the upfront payment with the amount of RMB23,218,000 was recorded as "Other income" in the Group's consolidated statements of comprehensive income for the year ended December 31, 2018.

10 Other gains/(losses) — net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Gain on sales of raw materials	—	—	2,206	2,193	—
Loss on disposal of PPE and software	(52)	(93)	(192)	(192)	(107)
Change in fair value of financial assets at FVPL — money market funds	758	145	94	84	6
Change in fair value of financial assets at FVPL — equity investments	(70)	(3,294)	1,458	218	839
Change in fair value of financial assets at FVPL — structured deposits	—	—	1,954	1,041	2,022
Change in fair value of financial assets at FVPL — debt investments	—	61	405	192	14
Net foreign exchange gains/(losses)	25,825	(35,727)	(10,883)	(20,762)	4,495
Others	(2)	309	(170)	(309)	710
	26,459	(38,599)	(5,128)	(17,535)	7,979

11 Finance income/(cost), net

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest income from bank deposits	1,498	2,659	12,171	8,211	9,189
Finance income	1,498	2,659	12,171	8,211	9,189
Interest expenses on borrowings	—	—	—	—	(16,586)
Interest expenses on lease liabilities (Note 17)	(1,744)	(1,742)	(1,189)	(1,101)	(795)
Finance costs	(1,744)	(1,742)	(1,189)	(1,101)	(17,381)
Finance income/(cost), net	(246)	917	10,982	7,110	(8,192)

12 Expenses by nature

	Notes	Year ended December 31,			Nine months ended September 30,	
		2017	2018	2019	2019	2020
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Changes in inventories of finished goods and work in process		(24,688)	26,057	(6,102)	4,317	10,322
Raw materials and trading merchandise consumed		171,597	235,505	328,653	243,184	277,928
Write-downs of inventories	21	1,685	—	93	93	112
Transportation expense		14,016	19,886	28,416	20,655	30,624
Employee benefit expenses	13	361,617	280,294	330,894	241,609	266,270
Amortization of right-of-use assets	17	24,841	24,716	22,895	17,211	16,895
Depreciation of property, plant and equipment	18	8,472	8,793	6,265	5,058	6,156
Amortization of intangible assets	19	1,602	2,320	7,213	4,736	63,013
Market development and business promotion expenses		126,260	135,633	157,749	99,388	81,682
Professional service fees		119,090	34,842	17,139	12,462	22,098
Testing and clinical trial fees for R&D		57,053	44,238	45,380	28,656	17,308
Travel and meeting expenses		54,140	46,662	59,751	40,954	25,939
Utilities and office expense		15,112	12,683	10,864	5,894	6,483
Auditors' remuneration		12,202	3,741	3,146	2,360	177
Listing expense		—	—	—	—	23,400
Impairment losses of intangible assets	19	—	—	—	—	20,968
Others		48,979	37,629	47,190	33,599	25,388
		991,978	912,999	1,059,546	760,176	894,763

13 Employee benefit expenses

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries, bonuses	260,261	225,096	249,426	182,107	203,020
Share-based payments (Note 27)	54,598	7,592	34,041	25,646	41,164
Contributions to pension plans (a)	26,308	28,975	24,831	18,282	2,096
Housing funds, medical insurance and other social welfare contributions (b)	20,450	18,631	22,596	15,574	19,990
	361,617	280,294	330,894	241,609	266,270

(a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at approximately 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 16% to 20% of such relevant income, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees. The local governments in the PRC exempt the Group's portion of contribution on the post-retirement benefits during the period from February to

December 2020 in view of COVID-19 Pandemic. During the nine months ended September 30, 2020, the exempted post-retirement benefits were RMB18,594,000.

(b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance, unemployment insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 21% to 24% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. The local governments in the PRC exempt the Group's portion of contribution on the medical insurance and unemployment insurance during the period from February to December 2020 in view of COVID-19 Pandemic. During the nine months ended September 30, 2020, the exempted medical insurance and unemployment insurance were RMB1,716,000.

(c) Benefits and interests of directors

— Directors' emoluments

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2017 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discretionary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2017								
Executive Director								
Mr. ZHAO Hong (i)	6,329	—	88	112	—	—	6,492	13,021
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2018 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discretionary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2018								
Executive Director								
Mr. ZHAO Hong (i)	5,386	—	95	129	—	—	2,080	7,690
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the year ended December 31, 2019 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discretionary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended December 31, 2019								
Executive **Director**								
Mr. ZHAO Hong (i)	6,145	—	100	130	—	—	8,152	14,527
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the nine months ended September 30, 2020 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discretionary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended September 30, 2020								
Executive **Director**								
Mr. ZHAO Hong (i)	5,537	—	38	109	—	—	12,061	17,745
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

The remuneration of each director of the Company paid/payable by the Group for the nine months ended September 30, 2019 are set out as follows:

	Wages, salaries, bonuses	Pension costs-defined contribution plans	Housing funds, medical insurance and other social welfare contributions	Other employee benefits	Director's fees	Discretionary bonus	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the nine months ended September 30, 2019 (Unaudited)								
Executive **Director**								
Mr. ZHAO Hong (i)	4,609	—	75	97	—	—	6,975	11,756
Non-executive directors								
Ms. CHOU Hui Hu (ii)	—	—	—	—	—	—	—	—
Mr. LI Zhenfu (iii)	—	—	—	—	—	—	—	—
Mr. VASELLA Daniel Luzius (iv)	—	—	—	—	—	—	—	—
Mr. BRANDGAARD Jesper (iv)	—	—	—	—	—	—	—	—
Mr. CEN Shi (iii)	—	—	—	—	—	—	—	—
Ms. WANG Xiaozhuo (iii)	—	—	—	—	—	—	—	—
Ms. LI Quan (iii)	—	—	—	—	—	—	—	—
Ms. LIN Shirley Yi-Hsien (v)	—	—	—	—	—	—	—	—
Ms. JIN Lihua (v)	—	—	—	—	—	—	—	—
Independent Non-executive Directors								
Mr. GU Alex Yushao (vi)	—	—	—	—	—	—	—	—
Mr. CHEN Ping (vi)	—	—	—	—	—	—	—	—
Mr. LIU Guoen (vi)	—	—	—	—	—	—	—	—
Ms. HAYES Wendy (vi)	—	—	—	—	—	—	—	—

(i) Mr. ZHAO Hong was appointed as the executive director of the Company on June 24, 2020.

(ii) Ms. CHOU Hui Hu was appointed as a non-executive director of the Company on May 13, 2020 and resigned on June 24, 2020.

(iii) Mr. LI Zhenfu, Mr. CEN Shi, Ms. WANG Xiaozhuo and Ms. LI Quan were appointed as non-executive directors of the Company on June 24, 2020.

(iv) Mr. VASELLA Daniel Luzius and Mr. BRANDGAARD Jesper were appointed as non-executive directors of the Company on August 27, 2020.

(v) Ms. LIN Shirley Yi- Hsien and Ms. JIN Lihua were appointed as non-executive directors of the Company on June 24, 2020 and resigned on August 26, 2020.

(vi) Mr. GU Alex Yushao, Mr. CHEN Ping, Mr. LIU Guoen and Ms. HAYES Wendy were appointed as independent non-executive directors of the Company on August 27, 2020.

— Directors' retirement benefits and termination benefits

None of the directors received or receive any retirement benefits or termination benefits during the Track Record Period.

— Consideration provided to third parties for making available directors' services

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors' services.

— Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and controlled entities with such directors

As at December 31, 2017, 2018 and 2019 and September 30, 2020, there are no loans, quasi-loans and other dealings arrangement in favor of directors, controlled bodies corporate by and controlled entities with such directors.

— Directors' material interest in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business in which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the Track Record Period.

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Track Record Period include one director whose emoluments are reflected in the analysis above. The emoluments payable to the remaining four individuals during the Track Record Period are as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries, bonuses	44,252	13,731	11,272	8,474	10,385
Share-based payments (Note 27)	22,641	826	6,244	4,629	5,646
Housing funds, medical insurance and other social welfare contributions	303	272	427	279	250
Other employee benefits	—	51	674	498	542
	67,196	**14,880**	**18,617**	**13,880**	**16,823**

Excluding the director, the number of highest paid individuals whose remunerations for each year fell within the following band is as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
				(Unaudited)	
Emolument band					
Nil to RMB5,000,000	—	3	3	4	4
RMB5,000,000 to RMB10,000,000	2	1	1	—	—
RMB10,000,000 to RMB35,000,000	2	—	—	—	—

14 Income tax expense/(credit)

The income tax expense/(credit) of the Group for the Track Record Period are analyzed as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current income tax	240,831	(41,772)	45,265	38,320	63,016
Deferred income tax	101	1,963	1,302	1,427	2,049
Income tax expense /(credit)	240,932	(39,809)	46,567	39,747	65,065

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate applicable to profit of the entities comprising the Group as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	260,514	495,273	661,171	526,925	754,821
Calculated at applicable tax rate (a)	3,284	10,325	40,919	37,778	62,346
PRC withholding tax (b)	101	1,963	1,302	1,427	2,049
Expenses not deductible for income tax purposes (d)	26,818	13,821	14,398	10,118	2,834
U.S. tax reform (c)	216,734	(60,288)	—	—	—
Tax losses for which no deferred income tax assets was recognized	3,116	855	606	874	1,198
Utilization of previously unrecognized tax losses	(2,100)	—	(8,866)	(8,036)	(256)
Over provision in prior years	(7,021)	(6,485)	(1,792)	(2,414)	(3,106)
Income tax expense	240,932	(39,809)	46,567	39,747	65,065

(a) Current income tax

The income tax provision of the Group in respect of its operations in Mainland China was calculated at tax rate of 25% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

The Company and some of its subsidiaries are incorporated in the Cayman Islands as exempted companies with limited liability under the Companies Act of the Cayman Islands and accordingly, are exempted from Cayman Islands income tax.

Entities incorporated in Hong Kong are subject to Hong Kong profits tax of which the tax rate was 16.5% up to April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits in the first HKD 2 million and 16.5% for any assessable profits in excess.

(b) **PRC withholding tax**

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 5% or 10% withholding income tax, depending on the country incorporation of the foreign investors. The Group has recognized deferred tax liabilities at 5% withholding tax rate for undistributed profits of its subsidiaries in the PRC in accordance with the double taxation treaty arrangement between the PRC and Hong Kong (Note 31).

(c) **U.S. Tax Reform**

On December 22, 2017, the United States enacted the 2017 Tax Cuts and Jobs Act (the "2017 Tax Act") that included major provisions (1) imposing a repatriation tax on accumulated earnings of foreign subsidiaries, (2) implementing prospectively a territorial tax system together with certain current taxes on foreign earnings, and (3) lowering, with effect from January 1, 2018, the general corporate income tax rate to 21%.

The repatriation tax is based primarily on the accumulated foreign earnings and profits ("E&P") of the subsidiaries of SPI, a U.S. incorporated entity, excluding amounts for which taxes were previously recognized, such as for dividend distributions from SPIL, a subsidiary of SPI. The repatriation tax is assessed regardless of whether the earnings are repatriated to a U.S. shareholder, and the undistributed foreign E&P was included proportionately in the U.S. shareholder' gross income in its tax year that began before January 1, 2018. The Group accrued an overall amount of USD33,984,000 (equivalent to RMB216,734,000) for the repatriation tax and charged it as a current income tax expense in the year ended December 31, 2017.

In 2018, the Group reassessed the above tax accrual for the repatriation tax made in 2017 based on the clarification on its R&D credits and orphan drug credits from the tax authorities and the amended returns filed in 2018. An over accrual of USD11,377,000 (equivalent to RMB75,473,000) was noted and reversed in the year ended December 31, 2018.

In addition, the 2017 Tax Act included a new provision designed to tax global intangible low-taxed income ("GILTI") earned by foreign subsidiaries beginning after December 31, 2017. The GILTI tax imposes a current tax on foreign income of the subsidiaries of SPI, in excess of a deemed return on tangible assets of the foreign subsidiaries. Accordingly, the Group made a provision for GILTI with an amount of USD2,289,000 (equivalent to RMB15,185,000) in the year ended December 31, 2018.

(d) **Expenses not deductible for income tax purposes**

The Group's non-deductible expenses during the Track Record Period mainly represented (i) non-deductible transaction costs incurred in relation to the Privatization pursuant to the income tax rules and regulations of the United States; and (ii) non-deductible meals and entertainment expenses pursuant to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China.

15 Earnings per share

(a) Basic earnings per share for the years ended December 31, 2017, 2018 and 2019 and nine months ended September 30, 2019 and 2020 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue. In determining the weighted average number of ordinary shares deemed to be in issue during the Track Record Period, 543,135,510 ordinary shares, being the number of issued ordinary shares of the Company upon completion of the Reorganization, were deemed to have been issued and allocated on January 1, 2017 as if the Company has been incorporated by then.

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	19,582	535,082	614,604	487,178	689,756
Weighted average number of ordinary shares in issue (thousand shares)	543,136	543,136	543,136	543,136	545,557
Basic earnings per share (expressed in RMB per share)	0.04	0.99	1.13	0.90	1.26

(b) Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assumed conversion of all dilutive potential ordinary shares. Because the Company had no diluted instruments outstanding, diluted earnings per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 were same as basic earnings per share of respective years/period. For the nine months ended September 30, 2020, diluted earnings per share was calculated by considering the ordinary shares issuable upon the exercise of outstanding share options (using the treasury stock method).

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit for the year/period attributable to owners of the Company	19,582	535,082	614,604	487,178	689,756
Weighted average number of ordinary shares in issue (thousand shares)	543,136	543,136	543,136	543,136	545,557
Diluted impact of share option	—	—	—	—	5,271
Weighted average number of ordinary shares for diluted earnings per share (thousand shares)	543,136	543,136	543,136	543,136	550,828
Diluted earnings per share	0.04	0.99	1.13	0.90	1.25

16 Dividends

No dividend has been paid or declared by the Company since its incorporation and up to September 30, 2020.

Dividends during the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020 represented dividends declared by SPI and the companies now comprising the Group to the then owners of the companies for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, after eliminating intra-group dividends. The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividends payable at beginning of the year/period	—	—	—	—	—
Declaration of dividends during the year/period	—	563,419	211,596	—	2,230,394
Dividends paid during the year/period	—	(563,419)	(211,596)	—	(2,173,758)
Exchange differences	—	—	—	—	(2,155)
Dividends payable at end of the year/period	—	—	—	—	54,481

17 Right-of-use assets

	Leased Properties
	RMB'000
At January 1, 2017	
Cost	86,223
Accumulated amortization	(32,919)
Net book amount	53,304
Year ended December 31, 2017	
Opening net book amount	53,304
Exchange differences	(2,921)
Additions	12,952
Amortization charge	(24,841)
Closing net book amount	38,494
At December 31, 2017	
Cost	93,700
Accumulated amortization	(55,206)
Net book amount	38,494
Year ended December 31, 2018	
Opening net book amount	38,494
Exchange differences	1,965
Additions	23,382
Amortization charge	(24,716)
Closing net book amount	39,125
At December 31, 2018	
Cost	120,175
Accumulated amortization	(81,050)
Net book amount	39,125

	Leased Properties
	RMB'000
Year ended December 31, 2019	
Opening net book amount	39,125
Exchange differences	613
Additions	9,239
Amortization charge	(22,895)
Closing net book amount	26,082
At December 31, 2019	
Cost	88,253
Accumulated amortization	(62,171)
Net book amount	26,082
Nine months ended September 30, 2020	
Opening net book amount	26,082
Exchange differences	(776)
Additions	3,008
Amortization charge	(16,895)
Closing net book amount	11,419
At September 30, 2020	
Cost	84,474
Accumulated amortization	(73,055)
Net book amount	11,419
(Unaudited)	
At January 1, 2019	
Cost	120,175
Accumulated amortization	(81,050)
Net book amount	39,125
Nine months ended September 30, 2019	
Opening net book amount	39,125
Exchange differences	926
Additions	3,378
Amortization charge	(17,211)
Closing net book amount	26,218
At September 30, 2019	
Cost	82,392
Accumulated amortization	(56,174)
Net book amount	26,218

The consolidated statements of comprehensive income and the consolidated statements of cash flows contain the following amounts relating to leases:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Amortization of right-of-use assets	24,841	24,716	22,895	17,211	16,895
Interest expenses	1,744	1,742	1,189	1,101	795
Expenses relating to short-term leases	102	136	149	147	43
Cash outflow for leases as operating activities	(1,846)	(1,878)	(1,338)	(1,248)	(838)
Cash outflow for leases as financing activities	(23,948)	(24,557)	(22,993)	(17,345)	(16,937)

18 Property, plant and equipment

	Office furniture and equipment	Vehicle	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2017				
Cost	33,205	564	10,494	44,263
Accumulated depreciation	(25,943)	(12)	(6,084)	(32,039)
Net book amount	7,262	552	4,410	12,224
Year ended December 31, 2017				
Opening net book amount	7,262	552	4,410	12,224
Exchange differences	(422)	(32)	(256)	(710)
Additions	3,813	—	2,480	6,293
Disposals	(49)	(3)	—	(52)
Depreciation charge	(6,422)	(141)	(1,909)	(8,472)
Closing net book amount	4,182	376	4,725	9,283
At December 31, 2017				
Cost	33,358	528	12,365	46,251
Accumulated depreciation	(29,176)	(152)	(7,640)	(36,968)
Net book amount	4,182	376	4,725	9,283
Year ended December 31, 2018				
Opening net book amount	4,182	376	4,725	9,283
Exchange differences	211	19	238	468
Additions	12,263	—	184	12,447
Disposals	(93)	—	—	(93)
Depreciation charge	(6,669)	(135)	(1,989)	(8,793)
Closing net book amount	9,894	260	3,158	13,312
At December 31, 2018				
Cost	49,188	559	13,240	62,987
Accumulated depreciation	(39,294)	(299)	(10,082)	(49,675)
Net book amount	9,894	260	3,158	13,312

	Office furniture and equipment	Vehicle	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019				
Opening net book amount	9,894	260	3,158	13,312
Exchange differences	163	4	52	219
Additions	1,947	—	—	1,947
Disposals	(192)	—	—	(192)
Depreciation charge	(4,214)	(140)	(1,911)	(6,265)
Closing net book amount	7,598	124	1,299	9,021
At December 31, 2019				
Cost	50,221	569	13,388	64,178
Accumulated depreciation	(42,623)	(445)	(12,089)	(55,157)
Net book amount	7,598	124	1,299	9,021
Nine months ended September 30, 2020				
Opening net book amount	7,598	124	1,299	9,021
Exchange differences	(132)	1	19	(112)
Additions	2,310	—	—	2,310
Disposals	(107)	—	—	(107)
Depreciation charge	(4,736)	(102)	(1,318)	(6,156)
Closing net book amount	4,933	23	—	4,956
At September 30, 2020				
Cost	43,726	561	2,751	47,038
Accumulated depreciation	(38,793)	(538)	(2,751)	(42,082)
Net book amount	4,933	23	—	4,956
Unaudited				
At January 1, 2019				
Cost	49,188	559	13,240	62,987
Accumulated depreciation	(39,294)	(299)	(10,082)	(49,675)
Net book amount	9,894	260	3,158	13,312
Nine months ended September 30, 2019				
Opening net book amount	9,894	260	3,158	13,312
Exchange differences	14	7	96	117
Additions	1,724	—	—	1,724
Disposal	(192)	—	—	(192)
Depreciation charge	(3,454)	(105)	(1,499)	(5,058)
Closing net book amount	7,986	162	1,755	9,903
At September 30, 2019				
Cost	50,172	555	13,563	64,290
Accumulated depreciation	(42,186)	(393)	(11,808)	(54,387)
Net book amount	7,986	162	1,755	9,903

Depreciation expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of revenue	1,580	3,693	5,200	4,092	3,821
Sales and marketing expenses	5,900	4,290	891	809	1,902
Administrative expenses	700	495	81	72	209
R&D expenses	292	315	93	85	224
	8,472	8,793	6,265	5,058	6,156

19 Intangible assets

	Licenses	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2017			
Cost	130,230	5,875	136,105
Accumulated amortization	—	(4,213)	(4,213)
Net book amount	130,230	1,662	131,892
Year ended December 31, 2017			
Opening net book amount	130,230	1,662	131,892
Exchange differences	(7,562)	(96)	(7,658)
Additions	—	4,435	4,435
Amortization charge	—	(1,602)	(1,602)
Closing net book amount	122,668	4,399	127,067
At December 31, 2017			
Cost	122,668	9,969	132,637
Accumulated amortization	—	(5,570)	(5,570)
Net book amount	122,668	4,399	127,067
Year ended December 31, 2018			
Opening net book amount	122,668	4,399	127,067
Exchange differences	6,176	221	6,397
Additions	8,579	3,745	12,324
Amortization charge	—	(2,320)	(2,320)
Closing net book amount	137,423	6,045	143,468
At December 31, 2018			
Cost	137,423	13,967	151,390
Accumulated amortization	—	(7,922)	(7,922)
Net book amount	137,423	6,045	143,468
Year ended December 31, 2019			
Opening net book amount	137,423	6,045	143,468
Exchange differences	2,201	100	2,301
Additions	30,695	—	30,695
Amortization charge	(5,240)	(1,973)	(7,213)
Closing net book amount	165,079	4,172	169,251

	Licenses	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
At December 31, 2019			
Cost	170,381	12,981	183,362
Accumulated amortization	(5,302)	(8,809)	(14,111)
Net book amount	165,079	4,172	169,251
Nine months ended September 30, 2020			
Opening net book amount	165,079	4,172	169,251
Exchange differences	(2,280)	25	(2,255)
Additions[(1)]	483,517	1,379	484,896
Amortization charge	(61,291)	(1,722)	(63,013)
Impairment losses	(20,968)	—	(20,968)
Closing net book amount	564,057	3,854	567,911
At September 30, 2020			
Cost	649,842	14,360	664,202
Accumulated amortization	(65,355)	(10,506)	(75,861)
Impairment losses	(20,430)	—	(20,430)
Net book amount	564,057	3,854	567,911
(Unaudited)			
At January 1, 2019			
Cost	137,423	13,967	151,390
Accumulated amortization	—	(7,922)	(7,922)
Net book amount	137,423	6,045	143,468
Nine months ended September 30, 2019			
Opening net book amount	137,423	6,045	143,468
Exchange differences	4,520	101	4,621
Additions	30,695	—	30,695
Amortization charge	(3,255)	(1,481)	(4,736)
Closing net book amount	169,383	4,665	174,048
At September 30, 2019			
Cost	172,743	13,967	186,710
Accumulated amortization	(3,360)	(9,302)	(12,662)
Net book amount	169,383	4,665	174,048

(1) Addition of intangible assets in the nine months ended September 30, 2020 was primarily due to the Group's acquisition of the license of Zometa (Note (9)).

Amortization expenses have been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cost of revenue	—	—	5,240	3,255	5,981
Sales and marketing expenses	1,371	1,951	1,651	1,226	1,434
Administrative expenses	163	226	150	107	137
R&D expenses	68	143	172	148	151
Other expenses (Note 9)	—	—	—	—	55,310
	1,602	2,320	7,213	4,736	63,013

Impairment test

Intangible assets not yet available for use are tested annually based on the recoverable amount of the cash-generating unit ("CGU") to which the intangible asset is related. The appropriate CGU is at the product level. The annual impairment test is performed for each pipeline product by engaging an independent appraiser to estimate fair value less cost to sell as the recoverable amount of each pipeline product. The fair value is based on the multi-period excess earnings method and the Group estimated the forecast period till the year from 2030 to 2035 for its pipeline products based on the timing of clinical development and regulatory approval, commercial ramp up to reach expected peak revenue potential, and the length of exclusivity for each pipeline product. The estimated revenue of each pipeline product is based on management's expectations of timing of commercialization. The costs and operating expenses are estimated as a percentage over the revenue forecast period based on the current margin levels of comparable companies with adjustments made to reflect the expected future price changes. The discount rates used are post-tax and reflect general risks relating to the relevant products that would be considered by market participants.

The key assumptions used for recoverable amount calculations as at December 31, 2017, 2018 and 2019 are as follows:

PT-112

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	18.2-80.7%	18.2-80.7%	18.2-80.7%
Recoverable amount (in RMB thousand)	20,714	29,490	45,707
Carrying amount (in RMB thousand)	16,335	24,021	24,417

ABTL-0812

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	1.0-36.7%	1.0-36.7%	1.0-36.7%
Recoverable amount (in RMB thousand)	37,823	60,176	70,950
Carrying amount (in RMB thousand)	14,854	17,317	17,602

SGX-942

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	0.7-63.1%	0.7-63.1%	0.7-63.1%
Recoverable amount (in RMB thousand)	70,953	83,723	98,823
Carrying amount (in RMB thousand)	19,603	20,590	20,929

Vibativ

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	0.7-23.2%	0.7-23.2%	0.7-23.2%
Recoverable amount (in RMB thousand)	308,491	363,482	428,821
Carrying amount (in RMB thousand)	19,603	20,590	20,929

Oravig

	As at December 31,		
	2017	2018	2019
Discount rate	18%	18%	18%
Revenue growth rate	3.4-47.3%	3.4-47.3%	3.4-47.3%
Recoverable amount (in RMB thousand)	68,441	78,845	91,513
Carrying amount (in RMB thousand)	6,534	6,863	6,976

Angiomax

	As at December 31,		
	2017	2018	2019[1]
Discount rate	18%	18%	NA
Revenue growth rate	10.8-1111.9%	10.8-1111.9%	NA
Recoverable amount (in RMB thousand)	182,659	214,029	NA
Carrying amount (in RMB thousand)	45,739	48,042	NA

Note:

(1) Angiomax was approved by the National Medical Products Administration ("NMPA") for sales in China, became available for use and commenced amortization from 2019. The Group did not identify any indication that the intangible assets in relation to Angiomax would be impaired as at December 31, 2019.

(2) Discount rates represented our general business and market risk and were derived from capital asset pricing model by taking applicable market data into account, such as risk free rate, market premium, beta, company specific risk and size premium. The discount rates applied as of December 31, 2017, 2018 and 2019 were around 18% as the input to the model in determining the discount rate remained similar.

(3) Revenue growth rates were based on the key inputs, such as the estimated market penetration rates and market sizes etc., of each intangible asset from the expected commercialization for each of the individual intangible asset of license not yet available for use. As there were no significant changes noted in above key inputs, the revenue growth rates estimated as of each Financial Reporting Date remained within the same range throughout the Track Record Period.

Based on the result of above assessment, there was no impairment for the intangible assets as at December 31, 2017, 2018 and 2019.

As at September 30, 2020, there was no impairment indicator for the above intangible assets except for SGX-942, the Group did not perform quantitative impairment test for the above intangible assets, as the Group's policy is to perform impairment test annually as at December 31, or more frequently if events or changes in circumstances indicate that they might be impaired in accordance with IAS 36 Impairment of Assets.

For SGX-942, it was reported that SGX-942 failed to achieve its Phase III clinical endpoint. As a result, the Group provided full impairment to related intangible assets with the amount of RMB20,968,000 (USD3 million) as at September 30, 2020. The impairment losses were recognized as administrative expenses in the consolidated statements of comprehensive income for the nine months ended September 30, 2020.

Impairment test—sensitivity

The Company performed sensitivity test by increasing 1% of discount rate or decreasing 1% of revenue growth rate, which are the key assumptions determining the recoverable amount of each intangible asset, with all other variables held constant. The impacts on the amount by which the intangible asset's recoverable amount above its carrying amount (headroom) are as below:

PT-112

	As at December 31,		
	2017	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*
Headroom	4,379	5,469	21,290
Impact by increasing discount rate	(2,601)	(2,862)	(4,095)
Impact by decreasing revenue growth rate	(1,189)	(1,407)	(2,184)

ABTL-0812

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	22,969	42,859	53,348
Impact by increasing discount rate	(3,973)	(5,696)	(6,174)
Impact by decreasing revenue growth rate	(1,562)	(2,416)	(2,853)

SGX-942

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	51,350	63,133	77,894
Impact by increasing discount rate	(6,469)	(6,987)	(7,478)
Impact by decreasing revenue growth rate	(2,522)	(2,979)	(3,516)

Vibativ

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	288,888	342,892	407,892
Impact by increasing discount rate	(23,647)	(25,037)	(26,161)
Impact by decreasing revenue growth rate	(12,350)	(14,571)	(17,196)

Oravig

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	61,907	71,982	84,537
Impact by increasing discount rate	(5,155)	(5,298)	(5,379)
Impact by decreasing revenue growth rate	(3,058)	(3,507)	(4,018)

Angiomax

	As at December 31,		
	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*
Headroom	136,920	165,987	NA
Impact by increasing discount rate	(14,120)	(14,962)	NA
Impact by decreasing revenue growth rate	(6,528)	(8,867)	NA

Considering there was still sufficient headroom based on the assessment, the Company believes that a reasonably possible change in any of the key assumptions, on which the Company has based its determination of each intangible asset's recoverable amount, would not cause its carrying amount to exceed its recoverable amount.

20 Other assets

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments at amortized costs:				
— Loan receivable (a)	78,334	—	—	—
— Rental deposits	3,124	3,350	3,434	5,003
Others:				
— Long-term tax receivables	—	1,303	—	—
— Prepaid insurance	5,683	4,734	3,557	—
	87,141	9,387	6,991	5,003

(a) The Group provided loans to Zensun during the year from 2014 to 2015 which were pledged with Zensun's entire equity interests in one of its subsidiaries. These borrowings bore interest at a fixed rate of 7.5% per annum payable annually in arrears at each interest payment date.

In 2018, Zensun early repaid all of the outstanding secured loans to the Group. Interest income of the loans was RMB6,024,000 and RMB3,566,000 for the years ended December 31, 2017 and 2018, respectively, and was included in "Other income" in the consolidated statements of comprehensive income.

21 Inventories

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	42,523	68,501	57,290	51,362
Finished goods	95,743	73,757	82,493	72,472
Work in progress	5,529	3,143	416	3
	143,795	145,401	140,199	123,837

Write-downs of inventories were recognized for the amount by which the carrying amount of the inventories exceeds its net realizable value and was recorded in "cost of revenue" in the consolidated statements of comprehensive income. Write-downs of inventories were RMB1,685,000, nil, RMB93,000, RMB93,000 and RMB112,000 for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2019 and 2020, respectively.

22 Trade receivables

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	351,349	603,169	362,900	410,081
Less: allowance for impairment of trade receivables	—	—	—	—
Trade receivables — net	351,349	603,169	362,900	410,081

As at December 31, 2017, 2018 and 2019 and September 30, 2020, fair values of the trade receivables of the Group approximated their carrying amounts.

(a) Aging analysis of trade receivables based on the invoice date is as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	351,349	603,169	362,900	394,028
6 to 12 months	—	—	—	16,053
	351,349	603,169	362,900	410,081

The Group's trade receivables are generally collectible within 90 days from the invoice date. No interest is charged on the trade receivables.

(b) Trade receivables were denominated in following currencies:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	336,758	578,402	337,546	386,701
USD	13,391	23,719	24,069	22,749
HKD	1,200	1,048	1,285	631
	351,349	603,169	362,900	410,081

(c) The Group applies the IFRS 9 simplified approach to measuring expected credit losses of trade receivables, which requires expected lifetime losses to be recognized from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

As at December 31, 2017, 2018 and 2019, the expected credit loss was minimal as these receivables had no history of default, most amount of trade receivables were subsequently settled,

and there was no unfavorable current condition and forecast future economic condition identified. The Group considered the impact of COVID-19 and incorporated related forward-looking factors to measure expected credit losses as at September 30, 2020, and determined that the expected credit loss remained to be minimal as at September 30, 2020.

23 Other current assets

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial instruments at amortized costs:				
— Receivables from licensing income	—	—	—	43,198
— Purchase rebate receivables	12,735	10,261	16,120	16,834
— Rental deposits	2,473	775	1,254	1,098
— Interest receivables	—	—	207	2,126
Others:				
— Prepaid raw material costs	8,429	—	—	—
— Prepaid clinical trial fee	7,397	6,424	5,695	2,971
— Prepaid insurance	2,142	1,235	1,255	926
— Advance to employee	1,069	408	229	51
— Prepaid listing expenses	—	—	—	7,487
— Others	2,502	3,496	906	1,146
	36,747	22,599	25,666	75,837

As at December 31, 2017, 2018, 2019 and September 30, 2020, the carrying amounts of other current assets were primarily denominated in RMB and approximated their fair values at each of the reporting dates. Other receivables that are measured at amortized costs included receivables from licensing income, purchase rebate receivables from the suppliers, rental deposits and interest receivables were considered to be of low credit risk, and thus the impairment provision recognized during the years ended December 31, 2017, 2018 and 2019, and the nine months ended September 30, 2020 was limited to 12 months expected losses. The expected credit losses were minimal as these receivables had no history of default, certain amount of receivables were subsequently settled, and there was no unfavorable current conditions and forecast future economic conditions identified as at December 31, 2017, 2018 and 2019 and September 30, 2020.

24 Cash and cash equivalents and restricted cash

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash in bank and in hand	481,629	275,962	919,490	1,322,220
Less: restricted cash[(a)]	—	—	—	(170,253)
Cash and cash equivalents	481,629	275,962	919,490	1,151,967

Denominated in:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
USD	211,841	161,377	687,428	1,081,478
RMB	267,162	112,004	227,542	41,884
HKD	2,510	2,581	4,480	28,534
EUR	116	—	40	71
	481,629	275,962	919,490	1,151,967

(a) Restricted cash

As at September 30, 2020, the cash in bank and in hand balances disclosed above included a deposit of USD25,000,000 (equivalent to RMB170,253,000) for the bank guarantee provided for the Group's acquisition of intangible assets.

25 Financial instruments by category

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets as per consolidated balance sheet				
Financial assets at amortized costs:				
— Trade receivables	351,349	603,169	362,900	410,081
— Other current assets (excluding prepayments)	15,208	11,036	17,581	63,256
— Cash and cash equivalents	481,629	275,962	919,490	1,151,967
— Restricted cash	—	—	—	170,253
— Other assets (excluding prepayments and tax receivables)	81,458	3,350	3,434	5,003
Financial assets at FVOCI:				
— Long-term investments measured at FVOCI	17,538	19,285	37,491	165,980
Financial assets at FVPL:				
— Short-term investments measured at FVPL	129,488	8,698	123,761	100,102
— Long-term investments measured at FVPL	5,120	15,871	24,971	25,209
	1,081,790	937,371	1,489,628	2,091,851
Liabilities as per consolidated balance sheet				
Financial liabilities at amortized costs:				
— Trade and other payables (excluding salaries and bonus payables)	108,617	110,099	159,083	443,690
— Lease liabilities-current	19,140	22,206	19,466	8,895
— Lease liabilities-non-current	19,642	17,354	6,992	3,005
	147,399	149,659	185,541	455,590

26 Financial assets and investments

(a) Financial assets at FVPL

The financial assets at FVPL comprise the following investments:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
— Equity investments_Listed (i)	5,120	2,084	3,571	4,302
— Debt investments (ii)	—	13,787	21,400	20,907
	5,120	15,871	24,971	25,209
Current assets				
Short-term investments measured at FVPL (iii)				
— Money market funds	129,488	8,698	3,397	—
— Structured Deposits	—	—	120,364	100,102
	129,488	8,698	123,761	100,102

(b) Financial assets at FVOCI

The financial assets at FVOCI comprise the following investments:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
— Equity investments_Listed (i)	—	—	—	118,309
— Equity investments_Unlisted	17,538	19,285	37,491	47,671
	17,538	19,285	37,491	165,980

(i) Equity investments_Listed

The fair value of listed securities is determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices without any deduction for transaction costs.

(ii) Debt investments

As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Group made debt investments with embedded derivatives of nil, RMB13,787,000, RMB21,400,000 and RMB20,907,000, respectively. These investees are principally engaged in pharmaceutical business.

These investments including: (a) redeemable preferred shares that the Group has the right to require and demand the investees to redeem all of the shares held by the Group at guaranteed predetermined fixed amount upon redemption events which are out of control of the investee, (b) loan receivables embedded with a warrant to acquire preferred shares of the investee at an assigned price and (c) loan receivables that can be converted into preferred shares of the investee upon conversion events which are out of control of the investee. Debt investment with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. Hence, these investments are accounted for as debt instruments and are measured at financial assets at FVPL.

(iii) Short-term investments measured at FVPL

The short-term investments measured at FVPL are structured deposits and money market funds, denominated in RMB and USD, with expected rates of return ranging from 0.55% to 2.00%, 1.48% to 5.00%, 1.48% to 5.00%, 1.48% to 5.00% and 0.55% to 5.00%, per annum for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2019 and 2020, respectively. The returns on all of these investments are not guaranteed, hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at FVPL. None of these investments were past due.

The fair values are based on cash flow discounted using the expected return based on management judgment and the fair value of structured deposits and money market funds are within level 2 and level 1 of the fair value hierarchy, respectively.

(iv) Amounts recognized in profit or loss

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fair value changes on equity investments	(70)	(3,294)	1,458	218	839
Fair value changes on debt investments	—	61	405	192	14
Fair value changes on short-term investments measured at FVPL					
— Money market funds	758	145	94	84	6
— Structured deposits	—	—	1,954	1,041	2,022

(v) Amounts recognized in OCI

	For the year ended December 31,			For the nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Fair value changes on equity investments measured at FVOCI	3,914	835	17,679	17,554	83,860

27 Share-based payments

(a) Prior to the Privatization in October 2017

From June 11, 2015, SPI started to adopt its 2015 Equity Incentive Plan (the "2015 Plan"), which permitted the grant of incentive stock options, non-statutory stock options, restricted stock unites ("RSU"), performance restricted stock unites ("PSU") and other forms of equity compensation. Under the 2015 Plan, options were exercisable upon conditions determined by the Board of Directors of SPI and expired ten years from the date of grant. Options had exercise prices equal to the grant date fair market value of a share of publicly traded common stock and vested over time, generally four years, or on achievement of certain performance condition of SPI. Certain stock option awards were subject to accelerated vesting upon a change in control.

SPI also provided employee stock purchase plan ("ESPP") under which eligible employees could choose to have their salaries withheld to purchase SPI's common stocks. The purchase price of the stock issued under the ESPP was equal to 85% of the fair market value of SPI's common stock.

Following the Privatization on October 13, 2017, all then-outstanding vested but unexercised share-based awards (including those share-based awards which vested as a result of accelerated vesting provisions) were settled in cash by the consortium of investors based upon the intrinsic value of their awards computed by reference to the per share acquisition price. Accordingly, all share based awards under SPI's equity incentive plans were extinguished as a result of the Privatization. For the year ended December 31, 2017, the Group recorded share-based compensation expenses in relation to the outstanding vested but unexercised share-based awards under the 2015 Plan with the amount of RMB54,598,000.

(b) After the Privatization

In June 2018, SBE adopted its 2018 Incentive Plan (the "2018 Plan"), which permits the grant of stock options to the employees and directors of the Group. Under the plan, a total of 4.22 million, representing 7.78% of 53.41 million common stocks of SBE were initially reserved for issuance. The stock options of under the 2018 Plan have a contractual term of eight years from the grant date. Stock based compensation expenses related to the stock options granted to the Group's employees were pushed down and recorded in the consolidated financial statements of the Group.

In December 2018, April 2019, April 2020 and July 2020, SBE granted 3,878,500, 339,000, 936,121 and 650,000 stock options to the Group's employees, respectively. All of the stock options were granted with performance conditions of which vesting is contingent upon meeting company-wide performance goals and respective individual's personal performance goals, compensation cost is recognized over the requisite service period if it is probable that the performance target will be achieved. The Group reassesses the probability of achieving the performance conditions at the end of each reporting period and records cumulative catch-up adjustments for any changes to its assessment.

SBE distributed dividends to its shareholders in November 2019, exercise prices for the share options granted under the 2018 Plan in December 2018 and April 2019 were automatically adjusted from USD8 to USD5.24 based on the proportion of dividend distribution. No incremental share-based compensation expense was recognized as a result of the exercise price adjustment.

In June 2020, together with the Reorganization, the Company adopted its 2020 Option Incentive Plan (the "2020 Plan") to replace the 2018 plan, and its terms and conditions remain the same as the 2018 Plan of SBE except that each share of SBE proportionally splits into 10 shares of the Company. The Company's proportion of equity remained the same as SBE after the Reorganization. No incremental share-based compensation expense was recognized as a result of this modification.

The following table summarizes activities of stock options granted to the Group's employees under the 2018 Plan for the years ended December 31, 2018 and 2019 and the nine months ended September 30, 2019:

	Year ended December 31,				Nine months ended September 30,	
	2018		2019		2019	
					(unaudited)	
	Average exercise price per option (USD)	Number of options	Average exercise price per option (USD)	Number of options	Average exercise price per option (USD)	Number of options
As at beginning of year/period	—	—	5.24	3,878,500	5.24	3,878,500
Granted during the year/period	5.24	3,878,500	5.24	339,000	5.24	339,000
Forfeited during the year/period	—	—	5.24	(54,700)	5.24	(54,700)
As at year/period end	5.24	3,878,500	—	4,162,800	—	4,162,800
Vested and exercisable at year/period end	—	—	5.24	1,078,800	5.24	1,078,800

The following table summarizes activities of stock options granted to the Group's employees under the 2018 Plan, which was replaced by the 2020 Plan in September 2020, for the nine months ended September 30, 2020:

	Nine months ended September 30, 2020	
	Average exercise price per option (USD)	Number of options
As at beginning of period	5.24	4,162,800
Granted before June 2020	5.24	936,121
Forfeited before June 2020	5.24	(271,050)
Share splits in June 2020	0.524	43,450,839
Granted after June 2020	0.524	6,500,000
As at period end	0.524	54,778,710
Vested and exercisable at period end	0.524	21,363,500

Share options outstanding at the end of the year/period have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	Share options December 31, 2018	Share options December 31, 2019
December 15, 2018	December 15, 2026	USD 5.24	3,878,500	3,823,800
April 1, 2019	April 1, 2027	USD 5.24	—	339,000
April 1, 2020	April 1, 2028	USD 5.24	—	—
Total			3,878,500	4,162,800
Weighted average remaining contractual life of options outstanding at end of year			8.00 years	7.08 years

Grant Date	Expiry date	Exercise price	Share options September 30, 2020
December 15, 2018	December 15, 2026	USD 0.524	35,976,500
April 1, 2019	April 1, 2027	USD 0.524	2,941,000
April 1, 2020	April 1, 2028	USD 0.524	9,361,210
July 1, 2020	July 1, 2028	USD 0.524	6,500,000
Total			54,778,710
Weighted average remaining contractual life of options outstanding at end of period			6.63 years

Fair value of options granted

The fair value of each option granted under the 2018 Plan during the Track Record Period were estimated on the date of each grant using the binomial option pricing model with the assumptions (or ranges thereof) in the following table:

	Year ended December 31,		Nine months ended September 30,	
	2018	2019	2019	2020
			(unaudited)	
Exercise price	USD 8	USD 8	USD 8	USD 5.24
Option life	8 years	8 years	8 years	8 years
Expected price volatility of the underlying shares	43.94%	46.75%	46.75%	48.50%-48.66%
Risk-free interest rate	2.67%	2.55%	2.55%	0.69%
Fair value per option at grant date (USD)	1.27-2.05	1.81-2.07	1.81-2.07	8.77-11.17

Stock subscription

On June 24, 2018, SBE adopted an executive investment plan, pursuant to which, on December 15, 2018 and January 1, 2019, certain executives and directors of the Group were permitted to subscribe 791,420 and 415,009 of its common stocks with a designated subscription price, respectively. Stock based compensation expenses generated from the differences between the designated subscription price and the fair value of SBE's common stocks with the amount of RMB5,302,000, RMB2,890,000, RMB2,890,000 and nil were pushed down and recorded in the consolidated financial statements of the Group during the year ended December 31, 2018 and 2019 and the period ended September 30, 2019 and 2020, respectively. On August 7, 2020, the Company issued and allotted 12,064,290 shares to these executives and directors at the consideration of USD3,657,000 (equivalent to RMB25,385,000).

Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognized during the Track Record Period as part of employee benefit expense were as follows:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000*
Recognized in:					
Cost of revenue	1,125	130	1,784	1,289	500
Sales and marketing expenses	8,709	1,122	16,201	11,682	10,841
Administrative expenses	41,489	6,099	12,336	9,955	23,881
R&D expenses	3,275	241	3,720	2,720	5,559
Total share-based compensation expenses	54,598	7,592	34,041	25,646	40,781

28 Trade and other payables

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables (a)	38,252	52,576	66,047	83,670
Payables for marketing and promotion expenses	52,505	45,966	71,633	55,124
Salaries and bonus payable	63,062	55,645	65,238	60,858
Payables for professional service fee	12,662	10,186	8,278	2,596
Payables for listing expenses	—	—	—	19,972
Payables for purchase of a license (Note 9(b))	—	—	—	170,253
Termination compensation received in advance (b)	—	—	—	34,168
Dividends payable	—	—	—	54,481
Others	5,198	1,371	13,125	23,426
	171,679	165,744	224,321	504,548

(a) Aging analysis of the trade payables based on invoice date at the respective balances sheet dates are as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	38,252	52,576	66,047	83,670

(b) In April 2020, a licensing partner of the Group early terminated the Group's distributorship of an in-licensed product, and the Group will receive compensations for the termination with the total amount of approximately USD7,300,000. As of September 30, 2020, the Group has

received prepaid compensations with the amount of USD4,847,000 (equivalent to RMB34,168,000), which was recorded as a payable. The compensation was fully settled and recognized as other income upon completion of the transfer of prescribed registrations and documents in December 2020.

29 Lease liabilities

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Minimum lease payments due				
– Within 1 year	19,412	22,632	19,820	9,052
– Between 1 and 2 years	13,446	16,048	5,542	2,843
– Between 2 and 5 years	7,392	2,431	2,017	381
	40,250	41,111	27,379	12,276
Less: future finance charges	(1,468)	(1,551)	(921)	(376)
Present value of lease liabilities	38,782	39,560	26,458	11,900
Within 1 year	19,140	22,206	19,466	8,895
Between 1 and 2 years	12,956	15,443	5,356	2,756
Between 2 and 5 years	6,686	1,911	1,636	249
	38,782	39,560	26,458	11,900

30 Borrowings

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Long-term borrowings due after one year	—	—	—	1,631,447
Current assets				
Long-term borrowings due within one year	—	—	—	408,460

In June 2020, SPIL, a wholly owned subsidiary of the Company, obtained a bank facility (the "Facility") with a total amount of USD300 million from China Minsheng Banking Corp., Ltd. Hong Kong Branch (the "Lender") with substantially all of SPIL's (and its subsidiaries', as applicable) assets and common stocks pledged as security for the Facility.

In June 2020, a five-year loan of USD300 million (equivalent to RMB2,123,850,000) (the "Loan") with floating rate was drawn down from the Facility. The first installment of 20% principal amount shall be repaid according to the following schedule: (i) if the Company has not yet submitted its initial public offering ("IPO") application or has completed its IPO by November 4, 2020, the first installment shall be made on November 4, 2020; (ii) if the Company has submitted IPO application but not yet completed its IPO before November 4, 2020, the first installment shall be made until the earlier of (a) one month after the Company's IPO and (b) March 31, 2021.

The remaining repayment installments of the Loan are as follows:

	Dates	Required Principal Payments
		USD'000
2nd installment	November 4, 2021	60,000
3rd installment	November 4, 2022	60,000
4th installment	November 4, 2023	60,000
5th installment	November 4, 2024	60,000

In addition, the Lender has a right to ask SPIL to repay at least USD40 million (equivalent to RMB283,180,000) of the principal amount in advance out of the IPO proceeds within one month after the consummation of the Company's IPO.

Debt Issuance Costs and Interest Expense

SPIL incurred transaction costs of USD795,000 (equivalent to RMB5,601,000) in connection with the Facility, and the costs were recorded as debt issuance costs offsetting the carrying value of the borrowings. The debt issuance costs are being amortized to interest expense over the life of the debt using the effective interest method.

For the nine months ended September 30, 2020, interest expenses in connection with the Facility Agreement was USD2,373,000 (equivalent to RMB16,586,000).

31 Deferred income taxes

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at December 31,			As at September 30,
	2017	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax liabilities:				
– Deferred tax liabilities to be settled after 12 months	(2,975)	(4,938)	(6,240)	(8,289)

The movements in deferred income tax assets and liabilities for the years ended December 31, 2017, 2018, 2019 and the nine months ended September 30, 2020 without taking into consideration the offsetting of balances within the same jurisdiction, are as follows:

	Deferred tax liabilities-withholding tax
	RMB'000
As of January 1, 2017	(2,874)
Charged to profit or loss	(101)
At December 31, 2017	(2,975)
As of January 1, 2018	(2,975)
Charged to profit or loss	(1,963)
At December 31, 2018	(4,938)
As of January 1, 2019	(4,938)
Charged to profit or loss	(1,302)
At December 31, 2019	(6,240)
As of January 1, 2020	(6,240)
Charged to profit or loss	(2,049)
At September 30, 2020	(8,289)
(Unaudited)	
As of January 1, 2019	(4,938)
Charged to profit or loss	(1,427)
At September 30, 2019	(6,365)

Deferred income tax assets are recognized for tax losses carrying forwards and deductible temporary differences to the extent that realization of the related tax benefits through the future taxable profits is probable. As at December 31, 2017, 2018 and 2019 and September 30, 2020, the Group did not recognize deferred income tax assets in respect of losses of RMB866,298,000, RMB61,743,000, RMB28,746,000 and RMB32,939,000, respectively. Tax losses of the Group's subsidiaries established in Mainland China will expire from 2021 to 2025. Tax losses of the Group's subsidiaries incorporated in Hong Kong will be carried forward indefinitely.

32 Share capital

The Company was incorporated on May 13, 2020 with an authorized share capital of USD50,000 divided into 1,000,000,000 ordinary shares with a par value of USD0.00005 each. On the same date, 1 ordinary share was issued to one of the shareholders of SBE. On June 24, 2020, the Company issued 543,135,509 shares to the shareholders of SBE in proportion to their shareholdings in SBE (Note 1.2(b)). On August 7, 2020, the Company issued and allotted 12,064,290 shares to the executives and directors at the consideration of USD3,657,000 (equivalent to RMB25,385,000).

	Number of ordinary shares issued	Equivalent nominal value of ordinary shares
		RMB'000
At May 13, 2020 (date of incorporation)	1	—
Issuance of ordinary shares in exchange for the entire equity interests of SPIL	543,135,509	188
Issuance of ordinary shares to the executives and directors (Note 27)	12,064,290	4
At September 30, 2020	555,199,800	192

33 Other reserve

Group

	Financial asset at FVOCI	Share-based compensation reserve	Currency translation differences	Statutory surplus reserve	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2017	14,592	—	—	1,067	2,113,359	2,129,018
Foreign currency translation	—	—	(72,928)	—	—	(72,928)
Appropriation to statutory reserves (i)	—	—	—	652	—	652
Issuance of common stock from exercise of stock options, restricted stock units, and employee stock purchase plan of SPI	—	—	—	—	19,169	19,169
Changes in the fair value of equity investments at FVOCI	3,914	—	—	—	—	3,914
Share based compensation expenses	—	54,598	—	—	—	54,598
Repurchase of common stock of SPI (ii)	—	—	—	—	(471,747)	(471,747)
Balance at December 31, 2017	18,506	54,598	(72,928)	1,719	1,660,781	1,662,676
Balance at January 1, 2018	18,506	54,598	(72,928)	1,719	1,660,781	1,662,676
Foreign currency translation	—	—	57,536	—	—	57,536
Appropriation to statutory reserves (i)	—	—	—	3,583	—	3,583
Changes in the fair value of equity investments at FVOCI	835	—	—	—	—	835
Share-based compensation expenses	—	7,592	—	—	—	7,592
Contribution from shareholders (iii)	—	—	—	—	45,347	45,347
Dividends	—	—	—	—	(563,419)	(563,419)
Balance at December 31, 2018	19,341	62,190	(15,392)	5,302	1,142,709	1,214,150

	Financial asset at FVOCI	Share-based compensation reserve	Currency translation differences	Statutory surplus reserve	Capital reserve	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2019	19,341	62,190	(15,392)	5,302	1,142,709	1,214,150
Foreign currency translation	—	—	27,578	—	—	27,578
Appropriation to statutory reserves (i)	—	—	—	2,685	—	2,685
Changes in the fair value of equity investments at FVOCI	17,679	—	—	—	—	17,679
Share-based compensation expenses	—	34,041	—	—	—	34,041
Balance at December 31, 2019	37,020	96,231	12,186	7,987	1,142,709	1,296,133
Balance at January 1, 2020	37,020	96,231	12,186	7,987	1,142,709	1,296,133
Issuance of ordinary shares	—	—	—	—	25,193	25,193
Foreign currency translation	—	—	22,684	—	—	22,684
Changes in the fair value of equity investments at FVOCI	83,860	—	—	—	—	83,860
Share-based compensation expenses	—	40,781	—	—	—	40,781
Contribution from shareholders (iv)	—	—	—	—	8,761	8,761
Dividends	—	—	—	—	(1,404,240)	(1,404,240)
Balance at September 30, 2020	120,880	137,012	34,870	7,987	(227,577)	73,172

	Financial asset at FVOCI	Share-based compensation reserve	Currency translation differences	Statutory surplus reserve	Capital reserve	Total
	RMB'000 (unaudited)	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Balance at January 1, 2019	19,341	62,190	(15,392)	5,302	1,142,709	1,214,150
Foreign currency translation	—	—	47,100	—	—	47,100
Changes in the fair value of equity investments at FVOCI	17,554	—	—	—	—	17,554
Share based compensation expenses	—	25,646	—	—	—	25,646
Balance at September 30, 2019	36,895	87,836	31,708	5,302	1,142,709	1,304,450

(i) In accordance with the Company Law of the People's Republic of China and the stipulated provisions of the articles of association of subsidiaries with limited liabilities in Mainland China, appropriation of net profits (after offsetting accumulated losses from prior years) should be made by these companies to their respective statutory surplus reserve funds and discretionary reserve funds before distributions are made to the owners. The percentage of appropriation to statutory surplus reserve fund is 10%. The amount to be transferred to discretionary reserve fund is determined by the equity owners of these companies. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital, such transfer needs not to be made. Both statutory surplus reserve fund and discretionary reserves fund can be capitalized as capital of an enterprise, provided that the remaining statutory surplus reserve fund shall not be less than 25% of the registered capital.

In addition, in accordance with the Law of the People's Republic of China on Enterprises with Foreign Investments and the stipulated provisions of the articles of association of wholly owned foreign subsidiaries in Mainland China, appropriation from net profits (after offsetting

accumulated losses brought forward from prior years) should be made by these companies to their respective reserve fund. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not to be made. With approvals obtained from respective boards of directors of these companies, the Reserve Fund can be used to offset accumulated deficit or to increase capital.

(ii) To facilitate the Privatization, SPIL acquired common stock of SPI at purchase price of USD71,600,000 (equivalent to RMB471,747,000).

(iii) In October 2018, SBI, the immediate holding company of SPI, made a capital contribution to SPI in cash of USD6,511,000 (equivalent to RMB45,347,000).

(iv) Upon completion of the Reorganization, net liabilities of SPI which were not transferred to the Group were accounted for as a deemed contribution from the Shareholders. The following table summarizes the assets and liabilities of SPI upon the completion of the Reorganization:

	Contribution from shareholders
	RMB'000
Cash and cash equivalents	1,948
Other current assets	4,526
Current tax liabilities	(14,683)
Trade and other payables	(552)
	(8,761)

Company

	Currency translation differences	**Capital reserve**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Balance at May 13, 2020 (date of incorporation)	—	—	—
Foreign currency translation	(258,017)	—	(258,017)
Issuance of ordinary shares in exchange for the entire equity interests of SPIL	—	6,792,648	6,792,648
Issuance of ordinary shares to the executives and directors (Note 27)	—	25,381	25,381
Balance at September 30, 2020	(258,017)	6,818,029	6,560,012

34 Cash flow information

(a) Cash generated from operations

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before income tax	260,514	495,273	661,171	526,925	754,821
Adjustments for:					
Depreciation of property, plant and equipment	8,472	8,793	6,265	5,058	6,156
Amortization of intangible assets	1,602	2,320	7,213	4,736	63,013
Amortization of right-of-use assets	24,841	24,716	22,895	17,211	16,895
Change in fair value of financial assets at FVPL	(688)	3,088	(3,911)	(1,535)	(2,881)
Write-downs of inventories	1,685	—	93	93	112
Impairment losses of intangible assets	—	—	—	—	20,968
Share based compensation	54,598	7,592	34,041	25,646	40,781
Interest income	(7,522)	(6,225)	(12,171)	(8,211)	(9,189)
Loss on sale of property, plant and equipment and intangible assets	52	93	192	192	107
Interest expense	1,744	1,742	1,189	1,101	17,381
Foreign exchange (gains)/losses	(13,399)	5,190	1,019	169	591
Change in working capital:					
(Increase)/decrease in inventories	(37,096)	(1,481)	7,503	44,596	13,061
(Increase)/decrease in trade receivables	(129,111)	(193,294)	265,389	273,922	(65,370)
(Increase)/decrease in other current assets and other assets	(34,935)	15,953	(189)	(1,417)	(46,180)
Increase/(decrease) in trade and other payables	35,927	(14,579)	55,848	(6,347)	37,159
Cash generated from operations	166,684	349,181	1,046,547	882,139	847,425

(b) Non-cash investing and financing activities

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Deemed contributions from shareholders with derecognition of net liabilities (excluding cash) of SPI upon the Reorganization (Note 33(iv))	—	—	—	—	10,709
Acquisition of right-of-use assets through lease arrangements (Note 17)	12,952	23,382	9,239	3,378	3,008

(c) Net cash/(debt) reconciliation

Set out below is an analysis of net cash and the movements in net cash for each of the years/periods presented.

	As at December 31,			As at September 30,	
	2017	**2018**	**2019**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Cash and cash equivalents	481,629	275,962	919,490	1,048,726	1,151,967
Borrowings – repayable within one year	—	—	—	—	(408,460)
Borrowings – repayable after one year	—	—	—	—	(1,631,447)
Lease liabilities – due within one year	(19,140)	(22,206)	(19,466)	(19,446)	(8,895)
Lease liabilities – due after one year	(19,642)	(17,354)	(6,992)	(7,355)	(3,005)
Net cash/(debt)	442,847	236,402	893,032	1,021,925	(899,840)
Cash and cash equivalents	481,629	275,962	919,490	1,048,726	1,151,967
Gross debt – floating interest rates	—	—	—	—	(2,039,907)
Gross debt – fixed interest rates	(38,782)	(39,560)	(26,458)	(26,801)	(11,900)
Net cash/(debt)	442,847	236,402	893,032	1,021,925	(899,840)

	Other assets	Liabilities from financing activities		
	Cash and cash equivalents	Lease liabilities	Borrowings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash as at January 1, 2017	795,633	(52,847)	—	742,786
Cash flows	(327,403)	25,692	—	(301,711)
Increase of right-of-use assets	—	(12,952)	—	(12,952)
Accrual interests	—	(1,744)	—	(1,744)
Foreign exchange adjustments	13,399	3,069	—	16,468
Net cash as at December 31, 2017	481,629	(38,782)	—	442,847
Net cash as at January 1, 2018	481,629	(38,782)	—	442,847
Cash flows	(200,477)	26,299	—	(174,178)
Increase of right-of-use assets	—	(23,382)	—	(23,382)
Accrual interests	—	(1,742)	—	(1,742)
Foreign exchange adjustments	(5,190)	(1,953)	—	(7,143)
Net cash as at December 31, 2018	275,962	(39,560)	—	236,402
Net cash as at January 1, 2019	275,962	(39,560)	—	236,402
Cash flows	644,547	24,182	—	668,729
Increase of right-of-use assets	—	(9,239)	—	(9,239)
Accrual interests	—	(1,189)	—	(1,189)
Foreign exchange adjustments	(1,019)	(652)	—	(1,671)
Net cash as at December 31, 2019	919,490	(26,458)	—	893,032
Net cash as at January 1, 2020	919,490	(26,458)	—	893,032
Cash flows	251,632	17,732	(2,123,850)	(1,854,486)
Increase of right-of-use assets	—	(3,008)	—	(3,008)
Accrual interests	—	(795)	—	(795)
Other changes	—	—	3,123	3,123
Foreign exchange adjustments	(19,155)	629	80,820	62,294
Net debt as at September 30, 2020	1,151,967	(11,900)	(2,039,907)	(899,840)
(Unaudited)				
Net cash as at January 1, 2019	275,962	(39,560)	—	236,402
Cash flows	772,933	18,446	—	791,379
Increase of right-of-use assets	—	(3,378)	—	(3,378)
Accrual interests	—	(1,101)	—	(1,101)
Foreign exchange adjustments	(169)	(1,208)	—	(1,377)
Net cash as at September 30, 2019	1,048,726	(26,801)	—	1,021,925

35 Significant related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The following companies are related parties of the Group that had balances and/or transactions with the Group.

(a) Names and relationships with related parties

Name	Relationship
SBH	Intermediate holding company

(b) Significant transactions with related parties

(i) Payments on behalf of a related party

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
SBH	—	—	246	—	—

(ii) Contribution from equity holders

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
SBH	—	45,347	—	—	8,761

(iii) Dividends to the Company's shareholders

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
SBH	—	563,419	211,596	—	2,230,394

(iv) Financial guarantee provided to the Company's shareholder

Prior to June 2020, the Group had provided guarantee for a bank loan facility to SBH. In the event that SBH fails to perform its obligations under the bank loan facility or otherwise defaults thereunder, the Group will become liable for SBH's obligations under the bank loan facility, which

amounted to USD176,000,000 (equivalent to RMB1,150,019,000), USD132,000,000 (equivalent to RMB905,942,000) and USD300,000,000 (equivalent to RMB2,092,860,000) as at December 31, 2017, 2018 and 2019. SBH repaid the bank loan in full in June 2020, upon which, the Group was released from the guarantee. Financial guarantee liability in relation to the guarantee provided to SBH was minimal at December 31, 2017, 2018 and 2019.

Balances due to/from the Group's related parties will be settled before the Listing.

(c) Key management personnel compensations

The compensations paid or payable to key management personnel for employee services are shown below:

	Year ended December 31,			Nine months ended September 30,	
	2017	2018	2019	2019	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Wages, salaries, bonuses	47,468	23,482	20,782	15,607	17,040
Share-based payments	20,503	3,574	17,410	14,185	17,209
Contributions to pension plans	581	593	615	511	365
Housing funds, medical insurance and other social welfare contributions	340	419	794	589	628
	68,892	28,068	39,601	30,892	35,242

36 Contingencies

The Group did not have any material contingent liabilities as at December 31, 2017, 2018, 2019 and September 30, 2020.

37 Subsequent Events

On February 5, 2021, the Company's board of directors approved its plan to declare a dividend of approximately US$120.0 million from its consolidated retained earnings as of December 31, 2020 to its existing shareholders.

On January 22, 2021, the Company's shareholders approved and adopted a share based payment scheme (the "Post-IPO RSU Plan"), under which a total number of 6,689,963 shares of the Company will be issued and granted to certain directors, officers, and other key contributors and employees of the Group subject to certain vesting conditions after the Listing.

In February 2021, an aggregate of 6,689,963 shares of the Company were issued and then directed to SCLN ESOP Management Limited, a company incorporated for the purpose of holding shares under the Post-IPO RSU Plan in trust for and on behalf of grantees to be determined after the Listing.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to September 30, 2020 and up to the date of this report.

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to the equity holders of the Company as of September 30, 2020 as if the Global Offering had taken place on September 30, 2020.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group had the Global Offering been completed as at September 30, 2020 or at any future dates following the Global Offering.

	Audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at September 30, 2020	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company as at September 30, 2020**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$17.20 per Share	(401,901)	1,572,868	1,170,967	1.73	2.08
Based on an Offer Price of HK$18.80 per Share	(401,901)	1,721,159	1,319,258	1.95	2.34

Notes:

(1) The audited consolidated net tangible liabilities of the Group attributable to the equity holders of the Company as at September 30, 2020 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to the equity holders of the Company as at September 30, 2020 of approximately RMB166,010,000, with adjustment for intangible assets as at September 30, 2020 of approximately RMB567,911,000.

(2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK$17.20 and HK$18.80 per share, being the low and high end of the indicative Offer Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB23,400,000 which have been accounted for in the consolidated statements of comprehensive income of the Group prior to September 30, 2020) paid/payable by the Company, and takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, the exercise of the outstanding options granted under the Option Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this prospectus.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraph and on the basis that 677,874,263 Shares were in issue, assuming that the Global Offering has been completed on September 30, 2020 but takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed 'Share Capital" in this prospectus.

(4) For the purpose of the unaudited pro forma adjusted net tangible assets per Share, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK$1.20. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to September 30, 2020. Specifically, the unaudited pro forma adjusted net tangible asset per Share presented above has not taken into account effect of the proposed dividend of US$120.0 million which was declared subsequent to September 30, 2020 on February 5, 2021. The unaudited pro forma adjusted net tangible asset per Share would have been RMB0.59 (HK$0.71) and RMB0.80 (HK$0.96) per Share based on the Offer Price of HK$17.20 and HK$18.80 per Share, respectively, if such proposed dividend had been accounted for.

B. UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended December 31, 2020 has been prepared in accordance with Rule 4.29(8) of the Listing Rules and on the basis set out in the note below for the purpose of illustrating the effect of the Global Offering as if it had taken place on January 1, 2020. The unaudited pro forma estimated earnings per Share has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group following the Global Offering or for any future periods.

Profit estimate for the year ended December 31, 2020

Estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020 *(Note 1)*	**Not less than RMB740 million** (approximately HK$888 million) *(Note 3)*
Unaudited pro forma estimated earnings per Share for the year ended December 31, 2020 *(Note 2)*	Not less than RMB1.09 (approximately HK$1.31) *(Note 3)*

Notes:

(1) The bases on which the above profit estimate has been prepared are summarized in Part A of Appendix III to this prospectus. The Directors have prepared the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020 based on the audited consolidated results for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2020.

(2) The unaudited pro forma estimated earnings per Share is calculated by dividing the estimated consolidated profit attributable to owners of the Company for the year ended December 31, 2020 by 677,874,263 Shares that had been assumed to be in issue throughout the year ended December 31, 2020. The calculation of the estimated earnings per Share does not take into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option, the exercise of the outstanding options granted under the Option Incentive Plan or any Shares which may be issued or repurchased by the Company pursuant to the general mandates given to the Directors for issue and allotment of Shares as described in the section headed "Share Capital" in this prospectus.

(3) For the purpose of the unaudited pro forma estimated earnings per Share, the amounts stated in RMB are converted into Hong Kong dollars at a rate of RMB1.00 to HK$1.20. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

C. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of SciClone Pharmaceuticals (Holdings) Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of SciClone Pharmaceuticals (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at September 30, 2020, the unaudited pro forma estimated earnings per share for the year ended December 31, 2020 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-3 of the Company's prospectus dated February 19, 2021, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-3 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at September 30, 2020 and the Group's estimated earnings per share for the year ended December 31, 2020 as if the proposed initial public offering had taken place at September 30, 2020 and January 1, 2020, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended September 30, 2020, on which an accountant's report has been published, while information about the Group's estimated earnings have been extracted by the Directors from the Group's profit estimate for the year ended December 31, 2020, on which a letter on profit estimate has been issued by us as set out in Appendix III of the Prospectus.

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Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars,* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at September 30, 2020 or January 1, 2020 respectively would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, February 19, 2021

Our estimate of the consolidated profit for the year ended December 31, 2020 is set out in ''Financial information — Profit estimate for the year ended December 31, 2020'' of this prospectus.

(A) BASES

Our Directors have prepared the estimate of the consolidated profit attributable to owners of the Company for the year ended December 31, 2020 (the ''Profit Estimate'') based on the audited consolidated results of our Group for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of our Group for three months ended December 31, 2020. The Profit Estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by our Group as summarized in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

(B) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

pwc 羅兵咸永道

The Board of Directors
SciClone Pharmaceuticals (Holdings) Limited

Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited
Credit Suisse (Hong Kong) Limited

February 19, 2021

Dear Sirs,
SciClone Pharmaceuticals (Holdings) Limited (the "Company")

Profit Estimate for Year Ended December 31, 2020

We refer to the estimate of the consolidated profit attributable to owners of the Company for the year ended December 31, 2020 (the "Profit Estimate") set forth in the section headed "Profit Estimate for the Year Ended December 31, 2020" in the prospectus of the Company dated February 19, 2021 (the "Prospectus").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2020.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Reporting Accountant's Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases adopted by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountant's report dated February 19, 2021, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE JOINT SPONSORS

Morgan Stanley CICC 中金公司 CREDIT SUISSE

The Board of Directors

SciClone Pharmaceuticals (Holdings) Limited 賽生藥業控股有限公司

February 19, 2021

Dear Sirs,

We refer to the profit estimate of the consolidated profit attributable to owners of SciClone Pharmaceuticals (Holdings) Limited (the **"Company"**) for the year ended December 31, 2020 (the **"Profit Estimate"**) set forth in the section headed "Financial Information — Profit estimate for the year ended December 31, 2020" in the prospectus of the Company dated February 19, 2021 (the "**Prospectus**").

The Profit Estimate, for which you as the Directors of the Company are solely responsible for, has been prepared by the Directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively, the **"Group"**) for the nine months ended September 30, 2020 and the unaudited consolidated results based on the management accounts of the Group for the three months ended December 31, 2020.

We have discussed with you the bases and assumptions made by the Directors of the Company as set forth in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered, and relied upon, the letter dated February 19, 2021 addressed to you and us from PricewaterhouseCoopers, the reporting accountant of the Company (the "**Reporting Accountant**"), regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountant, we are of the opinion that the Profit Estimate, for which you as the Directors of the Company are solely responsible for, has been made after due and careful enquiry.

Yours faithfully,

For and on behalf of
Morgan Stanley Asia Limited
Steven Li
Executive Director

For and on behalf of
China International Capital Corporation Hong Kong Securities Limited
Long Liang
Managing Director

For and on behalf of
Credit Suisse (Hong Kong) Limited
Kevin Rumjahn
Managing Director

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on January 22, 2021 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix VI in the section headed "Documents Available for Inspection."

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on January 22, 2021 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is USD50,000 divided into 1,000,000,000 shares of USD0.00005 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable

to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without

prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Act.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions

and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, the Company shall endeavor to cause a notice of such postponement to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of the Company.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favor of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the SFC. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the

Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has

caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 May 2020 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

(i) on or in respect of the shares, debentures or other obligations of the Company; or

(ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking is for a period of twenty years from 16 May 2020.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents Available for Inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

We were incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on May 13, 2020. We have established a principal place of business in 3401A, Windsor House, 311 Gloucester Road, Causeway Bay, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 22, 2020 under Part 16 of the Companies Ordinance. Mr. ZHAO Hong and Ms. PAN Rongrong have been appointed as our authorized representatives for the acceptance of service of process and notices on behalf in Hong Kong.

As we were incorporated in the Cayman Islands, our operations are subject to the Cayman Companies Act and to our constitution comprising our Memorandum and the Articles of Association. A summary of certain provisions of our constitution and relevant aspects of the Cayman Companies Act is set out in Appendix IV to this prospectus.

2. Changes in Our Share Capital

As of the date of incorporation of our Company, our authorized share capital was USD50,000 divided into 1,000,000,000 Shares of a par value of USD0.00005 each.

The following sets out the changes in our Company's share capital from the incorporation of the Company to the date of the issue of this prospectus.

(a) On May 13, 2020, our Company issued one Share with a par value of USD0.00005 to Mapcal Limited, which was subsequently transferred to GL GLEE Investment Limited on the same day;

(b) On June 24, 2020, our Company issued and allotted an aggregate of 543,135,510 Shares to the following persons:

Name	Number of Shares Allotted	Number of Shares Held	Consideration paid
GL Trade Investment L.P.	104,968,370	104,968,370	USD5,248.4185
GL Glee Investment Limited	90,135,690	90,135,689	USD4,506.7845
Ocean Falcon Limited	84,523,130	84,523,130	USD4,226.1565
Avengers Limited	106,536,790	106,536,790	USD5,326.8395
Ascendent Silver (Cayman) Limited	103,497,710	103,497,710	USD5,174.8855
Boying Investments Limited	53,473,820	53,473,820	USD2,673.6910

(c) On August 7, 2020, our Company issued and allotted 11,979,690 Shares and 84,600 Shares to Convergence International Holdings Ltd. ("**Convergence**") and Corto Co., Ltd. ("**Corto**") at the consideration of approximately USD3,630,800 and USD26,636, respectively;

(d) On February 10, 2021, our Company issued and allotted 6,689,963 Shares to Maples Trustee Services (Cayman) Limited with a par value of USD0.00005. On February 11, 2021, such number of Shares were directed to SCLN ESOP Management Limited for the purpose of holding Shares under the Post-IPO RSU Plan.

Save as disclosed above and as mentioned in the paragraph headed "— 4. Resolutions of our Shareholders" below, there has been no alteration in our share capital within the two years immediately preceding the date of this prospectus.

3. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are set out in the Accountant's Report in Appendix I to this prospectus.

The following subsidiaries have been incorporated within two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Suzhou SciClone Pharmaceuticals Research and Development Co., Ltd. (蘇州蘇生醫藥研發有限公司)	PRC	April 2, 2020
SciClone Supply Chain Management (Shanghai) Co., Ltd. (賽生供應鏈管理(上海)有限公司)	PRC	July 8, 2020
SciClone Pharmaceuticals Pty Ltd	Australia	April 29, 2019

There has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this prospectus.

4. Resolutions of Our Shareholders

Pursuant to a shareholders' resolution of our Company dated January 22, 2021,

(a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;

(b) conditional upon all the conditions set out in "The Structure the Global Offering — Conditions of the Global Offering" in this prospectus being fulfilled:

(i) the Global Offering, the Over-allotment Option and the Listing were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;

(ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and

(iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the Offer Price per Offer Share with the Joint Representatives;

(c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the Global Offering, a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by our Shareholders in general meeting, pursuant to any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, in the amount not exceeding 20% of the aggregate nominal value of our Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

(d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;

(e) the general mandate mentioned in paragraph (c) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (d) above; and

(f) the Post-IPO Option Plan and Post-IPO RSU Plan was approved and adopted and our Directors were authorized to grant rights to the eligible participants pursuant to the rules of the Post-IPO Option Plan and Post-IPO RSU Plan, respectively.

5. Corporate Reorganization

The companies comprising our Group underwent the Corporate Reorganization in preparation for the listing of our Shares on the Hong Kong Stock Exchange. See "History, Reorganization and Corporate Structure."

6. Particulars of our Subsidiaries

Particulars of our subsidiaries are set out in Note 1 of Section II to the Accountant's Report in Appendix I to this prospectus.

7. Repurchase of our own securities

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to buy back their securities on the Hong Kong Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed purchases of Shares (which must be fully paid up) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on January 22, 2021, a general unconditional mandate (the "**Buy-back Mandate**") was given to the Directors authorizing any purchase by us of Shares on the Hong Kong Stock Exchange or on any other approved stock exchange on which the securities may be listed and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering, such mandate to expire at the conclusion of our next annual general meeting, the date by which our next annual general meeting is required by our Articles of Association or any other applicable laws to be held or when revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever first occurs.

(ii) Source of funds

Purchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not buy back its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time. Under the Cayman Companies Act, the par value of any Shares bought back by us may be provided for out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the purchase or, if so authorized by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on a purchase over the par value of our Shares to be bought back must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital.

(iii) Trading restrictions

The total number of Shares which we may buy back is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). We may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a purchase of Shares, without the prior approval of the Hong Kong Stock Exchange. We are also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the purchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. We are required to procure that the broker appointed by us to effect a purchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the purchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(iv) Status of bought-back Shares

All bought-back Shares (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed. Under the Articles and as permitted under the Cayman Companies Act, the Shares we bought back shall be treated as canceled and the amount of the company's issued share capital shall be reduced by the aggregate par value of the bought back shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of buy back

Pursuant to the Listing Rules, we may not make any purchases of Shares after inside information has come to our knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of our results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for us to publish an announcement of our results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, we may not buy back Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, purchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange business day following any day on which we may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our annual report is required to disclose details regarding purchases of Shares made during the year, including a monthly analysis of the number of shares bought-back, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Hong Kong Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Hong Kong Stock Exchange.

(b) Reasons for purchases

The Directors believe that it is in the best interests of us and Shareholders for the Directors to have general authority from our Shareholders to enable the Directors to buy back Shares in the market. Such purchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such purchases will benefit us and our Shareholders.

(c) Funding of purchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Buy-back Mandate were to be exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or gearing levels which in the opinion of the Directors are from time to time appropriate for us.

The exercise in full of the Buy-back Mandate, on the basis of 677,874,263 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares

which may be issued pursuant to the exercise of the Over-allotment Option) could accordingly result in 67,787,426 Shares being bought back by us during the period prior to (1) the conclusion of our next annual general meeting; (2) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to us or our subsidiaries.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands. We have not bought back any Shares since our incorporation.

If, as a result of any purchase of Shares, a shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any purchases pursuant to the Buy-back Mandate. Any purchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Hong Kong Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

(a) the investment agreement entered into on April 3, 2020, among Beijing Convergence Management Consulting LLP (Limited Partnership) (北京諾盛衡康管理諮詢合夥企業(有限合夥)), SciClone Pharmaceuticals (Holdings) Limited, GL Trade Investment L.P. and GL Glee Investment Limited, pursuant to which Beijing Convergence Management

Consulting LLP (Limited Partnership) agreed to pay SciClone Pharmaceuticals (Holdings) Limited the consideration of USD3,630,800 to subscribe 11,979,690 Shares, and SciClone Pharmaceuticals (Holdings) Limited agreed to sell and issue 11,979,690 Shares to Beijing Convergence Management Consulting LLP (Limited Partnership);

(b) the investment agreement entered into on December 1, 2019, among ZANG YING QIN, SciClone Pharmaceuticals (Holdings) Limited, GL Trade Investment L.P. and GL Glee Investment Limited, pursuant to which ZANG YING QIN agreed to pay SciClone Pharmaceuticals (Holdings) Limited the consideration of USD26,636 to subscribe 84,600 Shares through Corto Co., Ltd., and SciClone Pharmaceuticals (Holdings) Limited agreed to sell and issue 84,600 Shares to Corto Co., Ltd.;

(c) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Shanghai Pharmaceutical Lin-gang Special Area Co.,Ltd. (上藥國際供應鏈有限公司) and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(d) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Daguan International Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(e) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, IDG Capital Investment 2020 Limited and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(f) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Huang Zhanxiong (黃展雄) and China International Capital Corporation Hong Kong Securities Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(g) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, China Post & Capital Global Asset Management Ltd (中郵創業國際資產管理有限公司), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and Nomura International (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(h) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Dazhong (Hong Kong) International Corporation Limited (大眾(香港)國際有限公司), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and Nomura International (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(i) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Bradbury Global Opportunity Fund SP,

Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, Nomura International (Hong Kong) Limited and BOCI Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(j) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Fortune Bright Investment Limited (祥輝投資有限公司), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, Nomura International (Hong Kong) Limited and BOCI Asia Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(k) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Taiping Assets Management (HK) Company Limited (太平資產管理(香港)有限公司), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited, Nomura International (Hong Kong) Limited and ABCI Capital Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(l) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, JMC Capital HK Limited (富喬鑫資本(香港)有限公司), Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and Nomura International (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus;

(m) the cornerstone investment agreement dated February 17, 2021 entered into among SciClone Pharmaceuticals (Holdings) Limited, Ding Asset Ltd, Morgan Stanley Asia Limited, China International Capital Corporation Hong Kong Securities Limited, Credit Suisse (Hong Kong) Limited and Nomura International (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this prospectus; and

(n) the Hong Kong Underwriting Agreement.

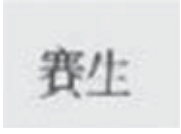
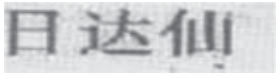
2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered the following intellectual property rights which, in the opinion of our Directors, are material to our business.

(a) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be or may be material to the business of our Group:

No	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
1		China	SPIL	5	757876	27/7/2025
2		China	SPIL	5	944610	13/2/2027
3		China	SPIL	5	757875	27/7/2025
4		China	SPIL	5	757877	27/7/2025
5		China	SPIL	5	904614	27/11/2026
6		China	SciClone China	5	737818B	25/5/2030
7		Indonesia	SPIL	5	IDM000620344	5/1/2027
8	ZADAXIN	Indonesia	SPIL	5	IDM000164817	29/9/2028
9		Indonesia	SPIL	5	IDM000164818	29/9/2028
10	자닥신	South Korea	SPIL	5	4002753120000	27/9/2023
11		South Korea	SPIL	5	4003752590000	22/9/2027
12	ZADAXIN	South Korea	SPIL	5	4002753110000	27/9/2023

No	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
13	SCICLONE PHARMACEUTICALS ITALY s.r.l.	Italy	SPIL	5	0001564840	3/11/2023
14	ZADAXIN (text)	Italy	SPIL	5	0001564842	3/11/2023
15	SCICLONE (text)	Italy	SPIL	5	0001564843	3/11/2023
16		Singapore	SPIL	5	T9603560C	12/4/2026
17	ZADAXIN	Singapore	SPIL	5	T9208734Z	10/7/2022
18	SCICLONE PHARMACEUTICALS	Singapore	SPIL	5	T9205742D	18/6/2022
19	SCICLONE PHARMACEUTICALS	Taiwan	SPIL	5	02061708	31/5/2030
20	ZADAXIN	Taiwan	SPIL	5	02058504	15/5/2030
21		Taiwan	SPIL	5	00752366	15/3/2027
22	日達 Zadaxin	Taiwan	SPIL	1	00597478	15/5/2023
23	SCICLONE	Taiwan	SPIL	1	00602498	15/5/2023
24	日達仙	Hong Kong	SPIL	5	305090959	21/10/2029
25		Hong Kong	SPIL	5	199704460	13/4/2023
26	ZADAXIN	Hong Kong	SPIL	5	199403960	10/7/2023
27	SCICLONE PHARMACEUTICALS	Hong Kong	SPIL	5	199510166	18/6/2023
28	賽生	Hong Kong	SPIL	5	199508858	13/8/2024

No	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
29	SCICLONE	Hong Kong	SPIL	5	199501911	19/5/2023
30	SciClone PHARMACEUTICALS	Australia	SPIL	5	582706	17/7/2029
31	SCICLONE (text)	Australia	SPIL	5	582707	17/7/2029
32	ZADAXIN (text)	Australia	SPIL	5	590485	16/11/2029
33		Australia	SPIL	5	706055	9/4/2026
34	ZADAXIN (text)	Cambodia	SPIL	5	11646	26/3/2029
35	SciClone PHARMACEUTICALS	Philippines	SPIL	5	5635	29/9/2027
36	EOTRIZ (text)	Switzerland	SPIL	5	720219	22/8/2028
37	XEPADO (text)	Switzerland	SPIL	5	698787	7/2/ 2027
38	ZOMETA	China	SciClone China	5	686355B	26/1/2028
39		Thailand	SPIL	5	Kor60061	2/5/2026
40	ZADAXIN	Thailand	SPIL	5	Kor59781	3/12/2022
41	SciClone PHARMACEUTICALS ไซโคลน ฟาร์มาซูติคอลส์	Thailand	SPIL	5	Kor13587	20/10/2022
42	择泰	China	SciClone China	5	1745414	13/4/2022

(ii) *Trademarks Licensed from SciClone US under the IP License Agreement*

As of the Latest Practicable Date, we were licensed to use the following trademarks which we consider to be or may be material to the business of our Group:

No	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
1		Argentina	SciClone US	5	3667858	27/12/2027
2	ZADAXIN (text)	Argentina	SciClone US	5	3706747	27/6/2028
3		Argentina	SciClone US	5	3705539	3/6/2028
4		Vietnam	SciClone US	5	4-0033652-000	17/10/2028
5	ZADAXIN Gia-Đa-Xin	Vietnam	SciClone US	5	4-0059881-000	19/08/2029
6		Vietnam	SciClone US	5	4-0033651-000	17/10/2028
7	安捷方 (text)	China	SciClone US	5	10481372	6/4/2023

(b) Copyrights

As of the Latest Practicable Date, we do not have copyrights which we consider to be or may be material to the business of our Group.

(c) Patents

(i) *Registered patents*

As of the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to the business of our Group:

No	Patent Name	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1	Thymosin Alpha 1 Peptide/ Polymer Conjugates	SPIL	China	ZL 02821872.8	01/11/2002	01/11/2022
2	Use of Thymosin Alpha 1 in The Preparation of Pharmaceutical Composition for Treating or Preventing an Aspergillus Infection in A Mammal	SPIL	China	ZL 200480008490.4	29/03/2004	29/03/2024
3	Alpha Thymosin Peptides as Cancer Vaccine Adjuvants	SPIL	China	ZL200580041799.8	06/12/2005	06/12/2025
4	Use of Thymosin Alpha 1 in The Preparation of Pharmaceutical Composition for Reducing Side Effects of Chemotherapy in Cancer Patients	SPIL	China	ZL 01808907.0	19/04/2001	19/04/2021
5	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	China	ZL201080030714.7	10/05/2010	10/05/2030
6	Treatment of Hepatitis c with Thymosin and Peptide Combination Therapy	SPIL	U.S.	7208167	7/2/2003	7/11/2021
7	Thymosin Alpha 1 Peptide/ Polymer Conjugates	SPIL	U.S.	7297676	1/11/2002	1/11/2022
8	Treatment of Aspergillus Infections with Alpha Thymosin Peptides	SPIL	U.S.	8207294	29/3/2004	12/1/2027
9	Treatment of Aspergillus Infections with Alpha Thymosin Peptides	SPIL	U.S.	8389680	29/5/2012	29/3/2024
10	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	U.S.	8716012	10/5/2010	20/12/2031
11	Use of Thymosin Alpha 1 for Preparing a Medicament for the Treatment of Stage IV Malignant Melanoma	SPIL	U.S.	8017129	12/4/2007	15/6/2026

No	Patent Name	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
12	Treatment of Cancer with Immune Stimulators	SPIL	U.S.	9724395	21/10/2015	21/10/2035
13	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	U.S.	10478474	4/2/2016	4/2/2036
14	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and The First Affiliated Hospital, Sun Yat-sen University ("the First Affiliated Hospital")	United Kingdom	2841088	29/3/2013	28/3/2033
15	Treatment of Aspergillus Infections with Thymosin Alpha 1	SPIL	United Kingdom	1613340	29/3/2004	29/3/2024
16	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	United Kingdom	2427213	10/5/2010	10/5/2030
17	Treatment of Cancer with Immune Stimulators	SPIL	Taiwan	I683667	21/10/2015	21/10/2035
18	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	Switzerland	2841088	28/03/2013	28/03/2033
19	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Switzerland	2427213	10/5/2010	10/5/2030
20	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Netherlands	2427213	10/5/2010	10/5/2030
21	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	Russian Federation	2724932	4/2/2016	4/2/2036
22	Treatment of Aspergillus Infections with Thymosin Alpha 1	SPIL	Japan	4629033	29/3/2004	29/3/2024
23	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Italy	2427213	10/05/2010	10/05/2030
24	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	Italy	2841088	28/03/2013	28/03/2033
25	Thymosin Alpha 1 for Use in Treatment and Prevention of inflammation in Cystic Fibrosis	SPIL	Italy	1428562	9/2/2015	9/2/2035
26	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	Germany	2841088	28/3/2013	28/3/2033

No	Patent Name	Patentee	Place of Registration	Patent Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
27	Treatment of Aspergillus Infections with Thymosin Alpha 1	SPIL	Germany	1613340	28/3/2004	28/3/2024
28	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Germany	2427213	10/5/2010	10/5/2030
29	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	France	2841088	28/03/2013	28/03/2033
30	Treatment of Aspergillus Infections with Thymosin Alpha 1	SPIL	France	1613340	29/3/2004	29/3/2024
31	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	France	2427213	10/5/2010	10/5/2030
32	Treatment of Aspergillus Infections with Thymosin Alpha 1	SPIL	Canada	2520400	29/3/2004	29/3/2024
33	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Belgium	2427213	10/5/2010	10/5/2030
34	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Hong Kong	HK1170669	10/05/2010	10/05/2030
35	Treatment of Cancer with Immune Stimulators	SPIL	South Africa	ZA201702111B	27/03/2017	27/03/2037
36	Alpha Thymosin Peptides as Vaccine Enhancers	SPIL	Spain	2427213	10/05/2010	10/05/2030
37	Treatment of Aspergillus Infections with Thymosin Alpha 1	SPIL	Italy	1613340	29/03/2004	29/03/2024
38	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	European Patent Office	EP3256150	09/12/2020	04/02/2036
39	Treatment of Cancer with Immune Stimulators	SPIL	Japan	JP6821560	08/01/2021	21/10/2035

(ii) *Patent applications pending*

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to the business of our Group:

No	Patent Name	Applicant	Place of Application	Application Date	Application Number
1	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL	U.S.	22/5/2020	16/881314
2	Treatment of Cancer with Immune Stimulators	SPIL	U.S.	7/1/2020	16/736211

No	Patent Name	Applicant	Place of Application	Application Date	Application Number
3	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	U.S.	4/10/2019	16/593226
4	Treatment of Cancer with Immune Stimulators	SPIL	Taiwan	21/10/2015	108147603
5	Treatment of Cancer with Immune Stimulators	SPIL	Singapore	21/10/2015	11201702558V
6	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	Russian Federation	4/2/2016	2020106652
7	Treatment of Cancer with Immune Stimulators	SPIL	New Zealand	21/10/2015	730409
8	A combination of Alpha Thymus and PD-1 Inhibitor is Beneficial in the Treatment of Cancer	SPIL	Israel	21/10/2015	251761
9	Treatment of Cancer with Immune Stimulators	SPIL	Hong Kong	21/10/2015	17110056.1
10	Treatment of Cancer with Immune Stimulators	SPIL	Hong Kong	21/10/2015	17110544.1
11	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	Hong Kong	28/03/2013	15108037.1
12	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	Hong Kong	28/03/2013	18106506.4
13	Treatment of Cancer with Immune Stimulators	SPIL	European Patent Office	21/10/2015	15852092.4
14	Treatment of Cancer with Immune Stimulators	SPIL	China	21/10/2015	201580057457.9
15	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	China	4/2/2016	201680009244.3
16	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	Canada	28/3/2013	2866435
17	Treatment of Cancer with Immune Stimulators	SPIL	Canada	21/10/2015	2962451
18	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	Canada	4/2/2016	2976062
19	Treatment of Cancer with Immune Stimulators	SPIL	Australia	21/10/2015	2015335979
20	Thymosin Alpha 1 for Use in Treatment of Cystic Fibrosis	SPIL	Australia	4/2/2016	2016217473
21	Use of Thymosin Alpha for The Treatment of Sepsis	SPIL and the First Affiliated Hospital	China	28/03/2013	201710735183.5

(iii) *Patents Licensed from SciClone US under the IP License Agreement*

As of the Latest Practicable Date, we were licensed to use the following patents which we consider to be or may be material to the business of our Group:

No	Patent Name	Patentee	Place of Registration	Application/ Registration Number	Application Date (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1	Treatment of Cancer with Immune Stimulators	SciClone US	Russian Federation	Application No. 2017117194	21/10/2015	N/A
2	Use of Thymosin Alpha for The Treatment of Sepsis	SciClone US and the First Affiliated Hospital	Japan	Application No. 2019-120721	28/03/2013	N/A
3	Alpha Thymosin Peptides as Vaccine Enhancers	SciClone US	Japan	Registration No. 5766894	10/05/2010	10/05/2030
4	Treatment of Cancer with Immune Stimulators	SciClone US	Brazil	Application No. BR112017007817-1	21/10/2015	N/A
5	Treatment of Cancer with Immune Stimulators	SciClone US	South Korea	Application No. 10-2017-7011825	21/10/2015	N/A
6	Treatment of Cancer with Immune Stimulators	SciClone US	Mexico	Application No. MX/A/2017/005134	21/10/2015	N/A

(d) Domain Names

As of the Latest Practicable Date, we have registered or have been licensed the following domain names which we consider to be or may be material to the business of our Group:

No	Domain Name	Registered Owner	Date of Registration (dd/mm/yyyy)	Expiry Date (dd/mm/yyyy)
1	sciclone.com	Company	08/09/1997	07/09/2022
2	zometa.cn	SciClone China	17/03/2003	17/03/2022
3	zometa.com.cn	SciClone China	24/01/2002	24/01/2023
4	sciclone.online	SciClone China	09/06/2017	10/06/2022
5	sclne-learning.com	SciClone China	28/02/2012	28/02/2024
6	sciclonecloud.com	SciClone Jiangsu	09/04/2018	09/04/2023

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations

Immediately following the completion of the Global Offering (without taking into account our Shares to be issued upon the exercise of the Over-allotment Option or under the Share Plans), the interests or short positions of our Directors or chief executives in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**"), once our Shares are listed will be as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director/ Chief Executive	Nature of interest	Number of Shares or underlying Shares	Approximate percentage of interest in our Company immediately after the Global Offering[1]
Mr. Li Zhenfu	Interest in controlled corporation[2]	195,104,060	28.78%
Mr. Zhao Hong	Interest in controlled corporation[3]	11,979,690	1.77%
	Beneficial owner[4]	11,256,210	1.66%

Note:

(1) calculated based on 677,874,263 Share in issue immediately after the Global Offering assuming the Over-allotment Option is not exercised.

(2) GL Trade Investment L.P. held 104,968,370 Shares, whose general partner was GL Capital Management GP II B.C. I Ltd., a company incorporated in Canada which was wholly owned by GL Capital Management Ltd. GL Capital Management Ltd was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. As GL Partners Capital Management Ltd was controlled by Mr. Li Zhenfu as to 70%, Mr. Li Zhenfu is deemed to be interested in 104,968,370 Shares held by GL Trade Investment L.P.

GL Glee Investment Limited held 90,135,690 Share. It was wholly owned by GL China Opportunities Fund L.P., whose general partner was GL Capital Management GP L.P., whose general partner was GL Capital Management GP Limited, which was held by GL Partners Capital Management Ltd as to 51% and Lion River I N.V. as to 49%. Lion River I N.V. was wholly owned by Assicurazioni Generali S.p.A, a company listed on Italian Stock Exchange. As GL Partners Capital Management Ltd was controlled by Mr. Li Zhenfu as to 70%, Mr. Li Zhenfu is deemed to be interested in 90,135,690 Shares held by GL Glee Investment Limited.

(3) Convergence held 11,979,690 Share. Convergence is wholly owned by Beijing Convergence Management Consulting Partnership Enterprise (Limited Partnership) (北京諾盛衡康管理諮詢合夥企業(有限合夥)), which was in turn owned by its

general partner, Juli Information, as to 0.000003957%, and its limited partner, Zhoushan Kangnuo Equity Investment Partnership Enterprise (Limited Partnership) (舟山康諾股權投資合夥企業(有限合夥), "**Zhoushan Kangnuo**"), as to 99.999996043%. As Mr. Zhao Hong is interested in 32.44% equity interests in Juli Information Consulting (Beijing) Co., Ltd. (炬力信息諮詢(北京)有限公司) and 40.96% partnership interests in Zhoushan Kangnuo, Mr. Zhao Hong is deemed to be interested in 11,979,690 Shares held by Convergence.

(4) Being options for 11,256,210 Shares granted to Mr. Zhao Hong under the Option Incentive Plan.

So far as our Directors are aware, immediately following the completion of the Global Offering, no Directors or the chief executive will, directly or indirectly, be interested in the shares or underlying shares of the associated corporations of our Company.

(b) Interests and short positions of the Substantial Shareholders in our Shares and Underlying Shares of our Company

For the information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see "Substantial Shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors or chief executive were not aware of any other person, who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Particulars of Service Contract and Letters of Appointment

(a) Executive Director

The executive Director has entered into a service contract with us under which he agreed to act as an executive Director for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either the executive Director or us.

The appointment of the executive Director is subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Directors and Independent Non-executive Directors

Each non-executive Director has signed an appointment letter with us for a term of three years with effect from the Listing Date and each independent non-executive Director has signed an appointment letter with us for a term of three years with effect from the Listing Date. Under their

respective appointment letters, each independent non-executive Director and Dr. VASELLA Daniel Luzius are entitled to a fixed Director's fee while the other non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Others

(i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(ii) During the year ended December 31, 2019, the aggregate of the remuneration and benefits in kind payable to the directors of the Company was approximately RMB14.53 million. Details of the Directors' remuneration are also set out in Note 13 of the Accountant's Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable, in respect of the year ended December 31, 2019 by us to the Directors.

(iii) Under the arrangement currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ended December 31, 2020 is estimated to be approximately RMB27.00 million.

(iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 (i) as an inducement to join or upon joining us or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

(v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020.

(vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, us, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option), have or deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, see "Substantial Shareholders" of this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the paragraph headed "E. Other Information — 8. Consents of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executives has any interests and short positions in our Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Companies to be notified to us and the Hong Kong Stock Exchange, in each case once our Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any of our Directors or chief executives, no person has an interest or short position in our Shares and underlying Shares which would fall to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" below is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to us;

(d) save as disclosed in this prospectus or in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed "E. Other Information — 7. Qualification of Experts" below: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors or their respective close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. SHARE PLANS

1. Option Incentive Plan

The following is a summary of the principal terms of the Option Incentive Plan as adopted by our Company on June 24, 2018 and as amended on November 13, 2019. The terms of the Option Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules.

We have applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix IA to the Listing Rules; and (ii) an exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers from Compliance with the Listing Rules and Exemptions from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in relation to the Option Incentive Plan."

(a) Purpose

The purpose of the Option Incentive Plan is to provide performance-driven, equitable and on-going option incentives for eligible management and key employees with the view to retaining key talents of our Company, aligning the interests of our Company and its employees and Shareholders, making its employees to attend to long-term development of our Company and to share increased value of our Company.

(b) Participants

The participants of the Option Incentive Plan shall an employee who has completed his or her probation period.

(c) Administration

The Shareholders' meeting shall be the highest authority to administer the Option Incentive Plan, and the Board is responsible to execute the Option Incentive Plan. Subject to due authorization

from the Shareholders' meeting, the Board may authorize the corporate executive committee and human resources department of our Company to perform daily administration of the Option Incentive Plan and to exercise other powers authorized by the Board.

The Board shall have the right to interpret and perform the Option Incentive Plan, and to evaluate the performance of participants thereunder. If any participant fails to meet vesting conditions provided thereunder, our Company shall have the right to cancel any unexercised options thereunder.

(d) Grant and adjustment of options

Any grant to chief executive officer of our Company shall be proposed by the chairman of the Board and subject to approval of the Board. Any grant to any participants (excluding chief executive officer) shall be considered by the corporate executive committee of our Company and subject to approval of chief executive officer of our Company.

Supplementary grants to the employees who are newly engaged, promoted, or have made special contributions to our Company and eligible under the Option Incentive Plan may be made subject to approval of the Board. In the event that any participant becomes ineligible under the Option Incentive Plan, or is transferred to any other position or terminates his or her employment with our Company, or dies, our Company may make adjustments to such participant pursuant to the Option Incentive Plan. Any adjustments in respect of chief executive officer of our Company shall be proposed by the chairman of the Board and subject to approval of the Board, whilst any adjustments in respect of any participants other than chief executive officer shall be considered by the corporate executive committee of our Company and subject to approval of the chief executive officer of our Company.

(e) Maximum number of shares subject to the Option Incentive Plan

The underlying shares of the options under the Option Incentive Plan shall be the Shares to be issued by our Company.

The maximum number of shares underlying the options under the Option Incentive Plan shall be no more than 54,778,710 Shares, representing 9.75% of the total issued Shares of our Company immediately before the Listing and 7.48% immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan).

(f) Exercise price and payment

The exercise price of options under the Option Incentive Plan shall be USD0.524. Upon confirmation by the Board or its authorized representatives on the application of exercising the options, the options shall be exercised upon the actual payment based on the exercise price by the grantees.

(g) Exercise and lapse of options

The term of options under the Option Incentive Plan shall be eight years since grant date. Subject to satisfaction of the exercising conditions, participants shall have the right to exercise the options vested to such participant under the Option Incentive Plan or to waive such right during the term. Any options not exercised during the term due to any reason of participants shall be automatically cancelled by the Board upon expiration of the term.

(h) Vesting schedule

For initial grants, 25% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a four-year term.

For supplementary grants during the year of 2019, 33%, 33% and 34% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a three-year term.

For supplementary grants during the year of 2020, 50% and 50% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a two-year term.

For supplementary grants during the year of 2021, 100% of options granted under the Option Incentive Plan shall be vested upon each anniversary first anniversary of grant date.

Participants who are key non-sales employees and winner of annual Top Staff awards of our Company may vest 100% of options granted to them at the first anniversary of grant date, subject to satisfaction of certain vesting conditions.

The number of options to be vested over participants under the Option Incentive Plan shall be determined based on annual performance evaluation results, and there is no vesting of options if none of annual performance targets is met.

(i) Voting right

No voting rights shall be exercisable in relation to any options or the underlying Shares of options that have not been exercised.

(j) Dividend rights

No dividends shall be payable in relation to any options or the underlying Shares of options that have not been exercised.

(k) Termination

Our Shareholders are entitled to terminate the Option Incentive Plan. In the case that any merger, division or any other material change of the Company which results in the dissolution of the Company, the Option Incentive Plan shall be terminated, the grantees shall have the right to exercise any options vested but unexercised under the Option Incentive Plan and liquidate the Shares received from such exercise at the liquidation proportion equal to that of the Shareholders. The arrangement of exercise and liquidation shall be determined by the Shareholders or the Board duly authorized by Shareholders at their discretion. Any unvested options under the Option Incentive Plan shall lapse.

(l) Transferability

Without consent of the Board, no options granted to the grantees during the term of the Option Incentive Plan shall be transferred, sold, exchanged, or used to secure or pay any debt (other than transfer of any part of the assets obtained upon exercise of the options under the Option Incentive Plan in compliance with applicable laws and the Company's requirements); if the grantees fail to comply with above, the Company may cancel any options unexercised by such grantees and disqualify such grantees from any future equity incentive plan of the Company.

(m) Tax

Any proceeds received by the grantees under the Option Incentive Plan shall be subject to payment of individual income taxes and other taxes and fees imposed under applicable tax laws. The grantees shall be liable for any fees and taxes arising from exercising, selling, transferring, using, purchasing and other circumstances relating to the options under the Option Incentive Plan; the Company shall withhold any individual income tax arising from the Option Incentive Plan under applicable tax laws.

(n) Outstanding grants

As of the Latest Practicable Date, options to subscribe for an aggregate of 54,778,710 Shares have been granted to a total of 130 eligible participants by our Company at nil consideration under the Option Incentive Plan, representing 9.75% of the total issued Shares of our Company immediately before the Listing and 7.48% immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan). All the options under the Share Option Incentive Plan were granted between December 15, 2018 and July 1, 2020 (both days inclusive) and the Company will not grant further options under the Option Incentive Plan after the Listing.

Below are the details of options granted to our Directors, other connected persons and grantees who have been granted 750,000 options or above under the Option Incentive Plan which are outstanding:

Grantee	Position/connected relationship	Address	Exercise Price (USD/ per option)	Date of grant	Option period	Number of outstanding Shares under the options granted (Note 1)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering (Note 2)	Vesting Schedule (Note 3)
Director								
Mr. ZHAO Hong (趙宏)	Executive Director, Chief Executive Officer and President	Room 503, No. 80 Lane 777, Lingling Road Xuhui District Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	5,925,000	1.54%	a
				April 1, 2020		831,210		c
				July 1, 2020		4,500,000		d
Senior Management								
Mr. WU Mingxiang (吳明祥)	Vice President	Room 201, No.619. Lane 7, North-Shang Hai Road Qing Shan Hu District, Nan Chang City Jiangxi province the PRC	0.524	December 15, 2018	8 years since the date of grant	1,580,000	0.22%	a
Mr. JIA Min (賈敏)	Vice President	Room 1301, No.21, Lane 88, Sanjiang Road Xuhui District Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	1,975,000	0.30%	a
				April 1, 2020		200,000		c
Mr. SHAO Peter Chihwen	Vice President	536 Anchor Circle, Redwood City CA 94065 USA	0.524	December 15, 2018	8 years since the date of grant	1,975,000	0.27%	a
Mr. WU Lianzong (武連宗)	Vice President	Room 301, Suite 2, Building 57, Yuxin Huayuan, Xisanqi East Road Haidian District Beijing the PRC	0.524	December 15, 2018	8 years since the date of grant	1,354,500	0.21%	a
				April 1, 2020		200,000		c
Mr. CHANG Yansong (常岩松)	Vice President	Room 401, No.6, Lane 811, Quxi Road Huangpu District Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	1,580,000	0.24%	a
				April 1, 2020		200,000		c

Grantee	Position/connected relationship	Address	Exercise Price (USD/ per option)	Date of grant	Option period	Number of outstanding Shares under the options granted (Note 1)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering (Note 2)	Vesting Schedule (Note 3)
Mr. GUO Xiaoning (郭曉寧)	Vice President	Room 903, No.39, Lane 825, Chenhui Road Pudong District Shanghai, the PRC	0.524	April 1, 2020	8 years since the date of grant	800,000	0.11%	c
Other connected persons								
Ms. PAN Rongrong (潘蓉容)	Director of SciClone China	Room 2402, No. 1, Lane 269 Chang Ning Road Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	2,370,000	0.53%	a
				July 1, 2020		1,500,000		d
Mr. LAI Chin Hung	Director of SciClone Pharmaceuticals Limited	Flat 10, 6/Floor, Yan Yuet House, Yan Shing Court, Fanling, New Territory Hong Kong	0.524	December 15, 2018	8 years since the date of grant	750,000	0.10%	a
Ms. LIN Huibin (林惠斌)	Director of SPIL, SPIL China and NovaMed Pharmaceuticals Inc.	Room 32-04, The Cosmopolitan, 200 Kim Seng Road 239471, Singapore	0.524	April 1, 2020	8 years since the date of	400,000	0.08%	c
				July 1, 2020	grant	150,000		d
Grantees who have been granted 750,000 options or above								
Ms. YU Zhongwen (俞仲文)	Vice President, Head of Strategic Planning and BD	Apt 702, No.1 South 3rd Street, Haidian District, Beijing the PRC	0.524	December 15, 2018	8 years since the date of grant	1,580,000	0.24%	a
				July 1, 2020		200,000		d
Ms. CHEN Xi (陳晞)	Vice President, Head of HR	Room 401, No.129, Hu Ma San Cun, Baoshan District, Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	1,185,000	0.16%	a
Mr. WANG Jinping (王錦平)	Director, Head of Compliance & Legal Affairs	Room 457-8-1706, Fahuazhen Road, Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	967,500	0.15%	a
				July 1, 2020		150,000		d

Grantee	Position/connected relationship	Address	Exercise Price (USD/ per option)	Date of grant	Option period	Number of outstanding Shares under the options granted (Note 1)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering (Note 2)	Vesting Schedule (Note 3)
Ms. ZHANG Hong (張虹)	Senior Area Director	Room 14-1-501, Binjiang Huajiachi Apartment, Kaixuan Street, Jianggan District, Hangzhou Zhejiang Province the PRC	0.524	December 15, 2018	8 years since the date of grant	1,000,000	0.14%	a
Mr. SUN Yi (孫毅)	Senior Director, Head of IT	Room 2903, No.1, Lane 99, Yiminhe Road, Hongkou District, Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	987,500	0.13%	a
Ms. Zang Ying Qin	Former Vice President, Head of R&D and CMO	Room 102, No.90, Lane 188, Mingyue Road, Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	975,000	0.13%	a
Ms. ZHU Lin (朱琳)	Senior Director, Head of Business Excellence	Room 501, No.9, Lane 377, Gumei Road, Minhang District, Shanghai the PRC	0.524	December 15, 2018	8 years since the date of grant	800,000	0.12%	a
				April 1, 2020		100,000		c
Total						**34,235,710**	**4.67%**	

Note 1: excluding options forfeited or cancelled.

Note 2: calculated based on 732,652,973 Share in issue immediately after the Global Offering assuming the Over-allotment Option is not exercised, the options granted under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan.

Note 3: please refer to different categories of vesting schedules below.

Category	Vesting schedule
a	25% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a four-year term.
b	33%, 33% and 34% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a three-year term.
c	50% and 50% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a two-year term.
d	100% of options granted under the Option Incentive Plan shall be vested upon first anniversary of grant date.

As of the Latest Practicable Date, other than the 10 members of our Directors, senior management and other connected persons disclosed above, no options were granted to any Directors, senior management or connected persons of the Group under the Option Incentive Plan.

Save as the 17 grantees disclosed above, the remaining 113 grantees who are not members of our Directors, senior management or other connected person of the Company have been granted less than 750,000 options under the Option Incentive Plan which are outstanding to subscribe for a total of 20,543,000 Shares, representing approximately 2.80% of the issued share capital of our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan). Please refer to below table for details.

Range of outstanding Shares under options granted (Note 1)	**Total number of grantees**	**Total number of outstanding Shares under options granted (Note 1)**	**Exercise Price (USD/ per option)**	**Date of grant**	**Option period**	**Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering (Note 2)**	**Vesting Schedule (Note 3)**
1 to 100,000 Shares	63	2,061,000	0.524	December 15, 2018 April 1, 2019 April 1, 2020	8 years since the date of grant	0.28%	a, d
100,001 to 200,000 Shares	10	1,850,000	0.524	December 15, 2018 April 1, 2019 April 1, 2020	8 years since the date of grant	0.25%	a, b, c, d
200,001 to 300,000 Shares	11	2,971,000	0.524	December 15, 2018 April 1, 2019 April 1, 2020	8 years since the date of grant	0.41%	a, b, c, d
300,001 to 400,000 Shares	16	6,240,000	0.524	December 15, 2018 April 1, 2019 April 1, 2020	8 years since the date of grant	0.85%	a, c, d
400,001 to 500,000 Shares	5	2,420,000	0.524	December 15, 2018 April 1, 2019 April 1, 2020	8 years since the date of grant	0.33%	a, c, d
500,001 to 600,000 Shares	5	2,901,000	0.524	December 15, 2018 April 1, 2019 April 1, 2020	8 years since the date of grant	0.40%	a, b, c, d
600,001 to 749,999 Shares	3	2,100,000	0.524	December 15, 2018 April 1, 2020	8 years since the date of grant	0.29%	a, c
Total	**113**	**20,543,000**				**2.80%**	

Note 1: excluding options forfeited or cancelled.

Note 2: calculated based on 732,652,973 Share in issue immediately after the Global Offering assuming the Over-allotment Option is not exercised, the options granted under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan.

Note 3: please refer to different categories of vesting schedules below.

Category	Vesting schedule
a	25% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a four-year term.
b	33%, 33% and 34% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a three-year term.
c	50% and 50% of options granted under the Option Incentive Plan shall be vested upon each anniversary of grant date during a two-year term.
d	100% of options granted under the Option Incentive Plan shall be vested upon first anniversary of grant date.

Assuming the full exercise of the options granted under the Option Incentive Plan, the shareholding of the Shareholders immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised, the options under the Option Incentive Plan are exercised and no Shares are issued pursuant to the Post-IPO Option Plan) would be diluted by approximately 7.48%. The dilutive impact of share options on the earnings per share for the years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020 is nil, nil, nil and RMB0.01, respectively.

Application has been made to the Stock Exchange for the listing of and permission to deal in the 54,778,710 Shares that will be allotted and issued pursuant to the options granted under the Option Incentive Plan.

(o) Establishment of trustee for the Option Incentive Plan

Our Company is in the process of engaging a professional trustee to hold and manage our Shares to be issued under the Option Incentive Plan. Upon establishment, our Company will issue up to 54,778,710 Share to the trustee.

2. Post-IPO Option Plan

The following is a summary of the principal terms of the Post-IPO Option Plan to be adopted by the resolutions in writing of our Shareholders.

(a) Purpose

The purpose of the Post-IPO Option Plan is to provide selected participants with the opportunity to acquire proprietary interests in our Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-IPO Option Plan will provide our Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of our Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to our Group is entitled to be offered and granted options. However, no individual who is resident in a place where the grant, acceptance or exercise of options pursuant to the Post-IPO Option Plan is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options.

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Option Plan and any other schemes shall be decided by our Shareholders upon adoption of the Post-IPO Option Plan and in no event shall such total number of Shares exceed 10% of our Shares in issue on the date our Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Incentive Plan). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Option Plan (or any other share option schemes of our Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit.

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Option Plan and any other share option schemes of our Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of our Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of our Company (or its subsidiaries) if this will result in the Option Scheme Limit being exceeded.

The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of our Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Option Plan and any other share option schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit.

Our Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identified selected participant and is first approved by Shareholders in general meeting.

(d) Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Option Plan and any other share option scheme(s) of our Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and his associates abstaining from voting). The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of Board meeting for proposing such further grant should be taken as the date for the purpose of calculating the exercise price pursuant to LR17.03(9).

(e) Performance target

The Post-IPO Option Plan does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the option can be exercised.

(f) Subscription price

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

(g) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favour of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the Post-IPO Option Plan.

(h) Options granted to directors or substantial shareholders of our Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of our Shares in issue; and

(ii) having an aggregate value, based on the closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HKD5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options must also be first approved by our Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, our Company shall send a circular to our Shareholders in accordance with and containing such information as is required under the Listing Rules. The grantee, his associates and all core connected persons of our Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

(i) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favour of our Company of HKD1.00 by way of consideration for the grant thereof, which must be received by our Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(j) Restriction of grant of options

No offer shall be made and no option shall be granted to any selected participant in circumstances prohibited by the Listing Rules or at a time when the selected participant would or might be prohibited from dealing in our Shares by the Listing Rules or by any applicable rules, regulations or law. No offer shall be made and no option shall be granted to any selected participant where such person or our Company is in possession of any unpublished inside information in relation to our Company until (and including) the trading day after such inside information has been published in an announcement in accordance with the Listing Rules. Furthermore, no offer shall be made and no option shall be granted:

(i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

Such period will also cover any period of delay in the publication of any results announcement.

(k) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(l) Cancellation of options

Any breaches of the rules of the Post-IPO Option Plan by a grantee may result in the options granted to such grantee being cancelled by our Company. Any options granted but not exercised may be cancelled if the grantee so agrees. Issuance of new options to the same grantee may only be made if there are unissued options available under the Post-IPO Option Plan(excluding the cancelled options) and in compliance with the terms of the Post-IPO Option Plan.

(m) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period within which an option may be exercised, which is to be determined and notified by the Board to each grantee at the time of making an offer, and shall not expire later than ten years from the date of grant (the "**Option Period**");

(ii) the expiry of any of the periods for exercising the option; and

(iii) the date on which the grantee commits a breach of the rules of the Post-IPO Option Plan.

(n) Voting and dividend rights

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

(o) Effects of alterations in the capital structure of our Company

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding alterations (if any) shall be made to:

(i) the number or nominal amount of Shares comprised in each option so far as unexercised; and/or
(ii) the Subscription Price; and/or
(iii) the method of exercise of the option,

or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of our Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made which will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by our Company.

(p) Rights on takeover and schemes of compromise or arrangement

If a general offer by way of takeover is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), and the offer becomes or is declared unconditional in all respects, the grantee shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such other period as the Board or its delegate(s) may decide in their sole discretion) after the date on which the offer becomes or is declared unconditional. If the option is not exercised within the time specified, the option shall lapse.

(q) Rights on a voluntary winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this sub-paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid. If the option is not exercised within the time specified, the option shall lapse.

(r) Ranking of shares

Our Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued shares of our Company and subject to all the provisions of the memorandum and articles of association of our Company for the time being in force and will rank pari passu with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to our Shareholders on the register on a date prior to such registration.

(s) Duration

The Post-IPO Option Plan shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Option Plan), but in all other respects the provisions of the Post-IPO Option Plan shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Option Plan.

(t) Alteration of the Post-IPO Option Plan

The Board may subject to the rules of the Post-IPO Option Plan amend any of the provisions of the Post-IPO Option Plan (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the Post-IPO Option Plan, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the Post-IPO Option Plan which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the Post-IPO Option Plan in relation to any alteration of the terms of the Post-IPO Option Plan shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the Post-IPO Option Plan which are of a material nature, or any change to the terms and conditions of options granted, must also, to be effective, be approved by our Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Post-IPO Option Plan. The options and the Post-IPO Option Plan so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or scheme administrators in relation to any alternation to the terms of the Post-IPO Option Plan must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the Post-IPO Option Plan, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in our Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Act or the Takeovers Code.

(u) Termination

Our Shareholders by ordinary resolution in general meeting or the Board may at any time resolve to terminate the operation of the Post-IPO Option Plan prior to the expiry of the Post-IPO Option Plan and in such event no further options will be offered or granted but the provisions of the Post-IPO Option Plan shall remain in full force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO Option Plan. Options complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-IPO Option Plan and remain unexercised and unexpired immediately prior to the termination of the operation of the Post-IPO Option Plan shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-IPO Option Plan.

Details of the options granted, including options exercised or outstanding, under the Post-IPO Option Plan shall be disclosed in the circular to our Shareholders seeking approval of the new scheme established after the termination of the Post-IPO Option Plan.

(v) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Post-IPO Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

3. Post-IPO RSU Plan

(a) Summary

The following is a summary of the principal terms of the Post-IPO RSU Plan approved and adopted by our Shareholders on January 22, 2021. The terms of the Post-IPO RSU Plan are not subject to the provisions of Chapter 17 of the Listing Rules as the Post-IPO RSU Plan will not involve the grant of options. The total number of Shares underlying the awards to be granted under the Post-IPO RSU Plan shall be 6,689,963 Shares. Without prejudice to the foregoing, the total number of Shares underlying the awards to be granted under the Post-IPO RSU Plan in any financial year will not exceed three per cent. (3%) of the issued Shares as at the beginning of that financial year.

On February 10, 2021, the Company issued and allotted an aggregate of 6,689,963 Shares to Maples Trustee Services (Cayman) Limited as trustee of a trust with the intent that such number of Shares would ultimately be held by SCLN ESOP Management Limited. On February 11, 2021, such number of Shares were directed to SCLN ESOP Management Limited for the purpose of holding Shares under the Post-IPO RSU Plan on trust for and on behalf of grantees to be determined after the Listing. Application has been made to the Stock Exchange for the listing of and permission to deal in such number of Shares held by SCLN ESOP Management Limited.

As of the Latest Practicable Date, our Company had not identified any grantee under the Post-IPO RSU Plan and no restricted share unit was granted.

(b) Purpose

The purpose of the Post-IPO RSU Plan is to enable the directors, officers, and other key contributors and employees of our Group to share the success of our Company, in order to assure a closer identification of the interests of such persons with those of our Group and stimulate the efforts of such persons on the Group's behalf.

(c) Restricted Share Unit

An Award represents a grant of restricted share unit ("**Restricted Share Unit**", each a "RSU" or collectively "**RSUs**") to the grantees (the "**Grantees**"). Each RSU shall represent the right to receive one Share (subject to any adjustment in accordance with the terms of the Post-IPO RSU Plan due to changes of share capital of our Company) upon vesting. The number of Shares that are subject to outstanding awards of RSUs granted under the Post-IPO RSU Plan (the "**Award**s" and each of them, an Award) at any time shall not exceed the aggregate number of RSUs that then remain available for distribution under the Post-IPO RSU Plan. The grant of an Award to a Grantee shall be documented by and subject to an award agreement (the "**Award Agreement**"), in which the terms and conditions of the Award determined by the Board shall be set out.

(d) Grant of Award

At the time of grant, the Board shall specify the date or dates and/or any vesting or any other terms and conditions (which may include continuing employment or other service relationship, achievement of pre-established performance goals and objectives and/or such other conditions that the Board deems appropriate in its sole and absolute discretion) on which RSUs under an Award shall become vested.

To receive Shares underlying their RSUs, Grantees must: (i) have been an employee of any member of our Group on a continuous and uninterrupted basis throughout the vesting periods of their Grant, and (ii) comply with any other additional obligations determined by the Board (the "**Continued Employment Condition**"). If the Grantee ceases to meet the Continued Employment Condition at any time during any of the vesting periods of their Grant, he or she will automatically and without prior notice or consideration forfeit his or her RSUs.

If any RSU is forfeited prior to vesting in accordance with the terms and conditions of the Award Agreement, then such RSU shall be forfeited with immediate effect and of no further force or effect, and no payment shall be made to the Grantee in respect thereof.

(e) Changes in stock

Subject to the terms of the RSUs, if the outstanding Shares are increased or decreased or are exchanged for a different number or kind of Shares or other securities of our Company, or additional Shares or new or different Shares or other securities of our Company or other non-cash assets are distributed with respect to such Shares or other securities, the Board shall make an appropriate or proportionate adjustment in order to prevent dilution or enlargement of rights of the Grantees under the Post-IPO RSU Plan.

Merger or demerger. In the event of a merger or a demerger of our Company, all provisions in this Plan, for the period remaining as from the exchange date, shall continue to apply to the rights received as a result of the exchange. If the Board determines that such RSU shall vest, our Company

shall as soon as possible prior to the date of the proposed shareholders' meeting, deliver our Shares underlying the RSUs to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Winding Up. In the event a notice is given by our Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company prior to the vesting date of any RSU, the Board shall determine at its discretion whether and the period when such RSU shall vest. If the Board determines that such RSU shall vest, our Company shall as soon as possible prior to the date of the proposed shareholders' meeting, deliver our Shares underlying the RSUs to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Takeover. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to all of the shareholders of our Company (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive our Shares in respect of the vested RSUs within any period specified in the notification.

Scheme of arrangement. If a general offer by way of scheme arrangement is made to all of the shareholders of our Company and has been approved by the necessary number of shareholders of our Company at the requisite meetings, our Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive our Shares in respect of the vested and unvested RSUs within any period specified in the notification.

Compromise or arrangement. In the event of a compromise or arrangement between our Company and our shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice to all Grantees on the same day as it first gives notice of the meeting to its shareholders and/or creditors summoning the meeting to consider such a scheme or arrangement. The Grantee shall be entitled to receive our Shares in respect of the vested and unvested RSUs within any period specified in the notification. In any event, our Company shall procure our Shares to be delivered to the Grantees no later than three days prior to the proposed meeting.

(f) Non-transferability of the Awards and Shares

Unless otherwise determined by the Board and so provided in the applicable Award Agreement, no RSUs shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or pursuant to a domestic relations order. Failure to comply shall result in the RSUs being forfeited.

(g) Rights of the grantees

Death. Each Grantee to whom an Award has been made under the Post-IPO RSU Plan may designate a Grantee or beneficiaries to receive any vested Award or any payment under any Award payable on or after the Grantee's death. Such designation shall not be effective until received by the Board.

Creditors' rights. With respect to any Award and any payments in cash, Shares or other consideration not received by a Grantee, a Grantee shall have no rights greater than those of a general creditor of our Company unless the Board shall otherwise expressly determine in connection with any Award or Awards.

(h) Tax withholding

Each Grantee shall, no later than the date as of which the value of an Award or other amounts received thereunder first becomes includable in the gross income of the Grantee for income tax purposes, pay to our Company or other applicable employer, or make arrangements satisfactory to the Board regarding payment of, any national, federal, state, or local taxes of any kind required by law to be withheld with respect to such income. Our Company and its subsidiaries shall, to the extent permitted by law, have the right to (i) deduct any such taxes from any payment of any kind otherwise due to the Grantee or (ii) procure the sale of all or part of our Shares to satisfy the Grantee's obligations.

(i) Vesting

(a) Vesting period

Subject to the terms of the Post-IPO RSU Plan and the specific terms and conditions applicable to each Award, the RSUs granted shall be subject to vesting schedule and to the satisfaction of performance and/or other conditions to be determined by the Board (if any) in its absolute discretion. If such conditions are not satisfied, the RSU shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

(b) Voting Rights

Prior to the transfer of our Shares underlying the vested Award to the Grantee, and Grantee shall not be entitled to exercise the voting right of such Shares and the trustee shall not exercise the voting rights attached to our Shares underlying the Awards.

(j) Lapse and Forfeiture

An unvested RSU shall be cancelled automatically upon the earliest of:

(a) the date of the termination of Grantee's employment or service by our Company or any of its subsidiaries for Cause (as defined below);

(b) the date on which the offer (or, as the case may be, revised offer);

(c) the record date for determining entitlements under the scheme of arrangement;

(d) the date of the commencement of the winding-up of our Company;

(e) the date on which the Grantee commits a breach;

(f) the date on which the Grantee knowingly performs any act that may confer any competitive benefit or advantage upon any competitor of our Group, or becomes an officer, director, employee, consultant, advisor, partner of, or a stockholder or other proprietor owning more than a 5% interest in any competitor of our Group; or

(g) the date on which it is no longer possible to satisfy any outstanding conditions to vesting.

If the Grantee's employment or service with our Company or its subsidiaries is terminated for any reason other than for Cause (as defined below) (including by reason of resignation, retirement, death, disability or non-renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Board shall determine at its absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Board determines that such RSU shall not vest, such RSU shall be cancelled automatically with effect from the date on which the Grantee's employment or service is terminated.

For the purpose of the Post-IPO RSU Plan, "Cause" means, with respect to a Grantee, the summary termination of employment or office on any one or more of the following grounds: the Grantee has been guilty of misconduct, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in our Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with the relevant company in our Group. Notwithstanding the foregoing, a resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment or office of a grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive.

The Board may at any time cancel any unvested RSUs granted to a grantee subject to consent by the Grantee.

(k) Alternation or amendment of the Post-IPO RSU Plan

The terms of the Post-IPO RSU Plan may be altered, amended or waived in any respect by the Board provided that such alteration, amendment or waiver shall not affect any subsisting rights of

any Grantee hereunder. Any alteration, amendment or waiver to this Scheme of a material nature shall be approved by our Shareholders. The Board shall have the right to determine whether any proposed alteration, amendment or waiver is material and such determination shall be conclusive.

(l) Termination of the Post-IPO RSU Plan

The Post-IPO RSU Plan may be terminated at any time prior to the expiry of the plan period by the Board provided that such termination shall not affect any subsisting rights of an Grantee hereunder. For the avoidance of doubt, no further Awards shall be granted after the Post-IPO RSU Plan is terminated but in all other respects the provisions of the Post-IPO RSU Plan shall remain in full force and effect. No further Award shall be granted after such termination; however, all awards granted prior to such termination and not vested on the date of termination shall remain valid. In such event, the Board shall notify the trustee and all Grantees of such termination and how our Shares held by the trustee on trust and other interests or benefits in relation to the outstanding awards shall be dealt with.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands or PRC.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or claims of material importance pending or threatened against us that could have a material adverse effect on our financial condition or results of operations.

3. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares into CCASS.

4. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules. The fee payable to each of the Joint Sponsors in respect of its services as sponsor for the Listing is approximately USD400,000 and payable by us.

5. Preliminary Expenses

We have not incurred any material expenses in relation to the incorporation of our Company.

6. Promoter

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

7. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Morgan Stanley Asia Limited	Licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (Asset management) regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A company licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO
Credit Suisse (Hong Kong) Limited	A corporation licensed under the SFO to carry on types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts), 6 (advising on corporate finance) and 9 (asset management) regulated activities
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountant Ordinance (Cap. 50) and Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Tian Yuan Law Firm	PRC legal advisor
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisor
Frost & Sullivan International Limited	Industry consultant
Protiviti Shanghai Co., Ltd.	Internal control consultant

8. Consents of Experts

Each of the experts referred to in "E. Other Information — 7. Qualification of Experts" has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Hong Kong Taxation

(a) Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of our Shares. Trading gains from the sale of our Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business, will be chargeable to Hong Kong profits tax.

(b) Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of our Shares. The duty is charged at the *ad valorem* rate of 0.1% of the consideration for, or (if greater) the value of, our Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of our Shares.

In addition, a fixed duty of HKD5 is charged on each instrument of transfer (if required). Where a sale or purchase of our Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) will be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee will be liable to pay such duty.

(c) Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after February 11, 2006.

11. Reserves available for distribution

As of September 30, 2020, we have reserves of available for distribution to our Shareholders. Our Board declared a special dividend on February 5, 2021. See “Financial Information” for further Information.

12. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founders or management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2020 (being the date to which the latest audited consolidated financial statements of our Group were prepared); and

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) Our principal register of members will be maintained by our principal registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The English and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 8. Consents of Experts" in Appendix V to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Hong Kong office of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum and Articles of Association;

(b) the Accountant's Report of our Group and the report on the unaudited pro forma financial information of our Group issued by PricewaterhouseCoopers, the texts of which are respectively set out in Appendix I and Appendix II to this prospectus;

(c) the audited consolidated financial statements of our Company for the three years ended December 31, 2017, 2018 and 2019 and the nine months ended September 30, 2020;

(d) the letters from PricewaterhouseCoopers and the Joint Sponsors relating to the profit estimate, the texts of which are set out in Appendix III to this prospectus;

(e) the legal opinions issued by Tian Yuan Law Firm, our PRC Legal Advisor, in respect of certain aspects of our Group and the property interests of our Group;

(f) the letter of advice issued by Maples and Calder (Hong Kong) LLP, our Cayman legal advisor, in respect of certain aspects of the Cayman Companies Act referred to in Appendix IV to this prospectus;

(g) the Cayman Companies Act;

(h) the report issued by Frost & Sullivan, the summary of which is set forth in the section headed "Industry Overview" in this prospectus;

(i) the material contracts referred to the section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(j) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 8. Consents of Experts" in Appendix V to this prospectus;

(k) terms of the Option Incentive Plan, Post-IPO Option Plan and Post-IPO RSU Plan;

(l) a full list of all the grantees who has been granted options under the Option Incentive Plan, containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance; and

(m) the service contract and letters of appointment with our Directors referred to in section headed "Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Particulars of Service Contract and Letters of Appointment" in Appendix V to this prospectus.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