PRC LAWS AND REGULATIONS

Regulations on Company Establishment and Foreign Investment

The PRC Company Law (中華人民共和國公司法), as amended in 2018, applies to the establishment, operation and management of both PRC domestic companies and foreign-invested Enterprises. Investment in the PRC by foreign investors are also regulated by the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated on April 12, 1986 and amended on October 31, 2000 and September 3, 2016, the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated on December 12, 1990 and amended on April 12, 2001 and February 19, 2014, the Sino-foreign Equity Joint Venture Enterprise Law (中華人民共和國中外合資經營企業法), promulgated on July 1, 1979 and most recently amended on September 3, 2016, and the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated on October 8, 2016 and amended on July 30, 2017 and June 29, 2018. Under these laws and regulations, the establishment of a wholly foreign-owned enterprise is subject to the approval of, or the filing with the MOFCOM or its local counterpart, and such wholly foreign-owned enterprises must register and file with the appropriate administrative bureau of industry and commerce. On January 1, 2020, the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises was terminated and replaced by the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法).

The Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**FIL**"), which was promulgated by the National People's Congress On March 15, 2019, and came into effect on January 1, 2020, provides that the "foreign investment" refers to the investment activities in China carried out directly or indirectly by foreign individuals, enterprises or other organisations ("**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The "pre-establishment national treatment" refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that granted to domestic investors and their investments; the "negative list" refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State granted national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council. After the FIL came into effect, the FIL replaced the Foreign-Owned Enterprise Law of the PRC, the Implementing Rules for the Foreign-Owned Enterprise Law of the PRC and the Sino-foreign Equity Joint Venture Enterprise Law of the PRC.

Foreign investment in China is subject to the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision) (外商投資產業指導目錄(2017年修訂)) issued on June 28, 2017 and effective from July 28, 2017, the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Version) (外商投資准入特別管理措施(負面清單)(2018年版)) issued on June 28, 2018 and effective from July 28, 2018, the Catalogue of Industries for Encouraging Foreign Investment (2019 Version)(鼓勵外商投資產業目錄(2019年版), or the 2019 Catalogue, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019 Revision) (外商投資准入特別管理措施(負面清單)(2019年版)), or the 2019 Negative list, issued on June 30, 2019 and effective from July 30, 2019, which together comprise the encouraged foreign-invested industries catalogue and the special administrative measures for the access of foreign investments to the restricted or the prohibited foreign-invested industries. The latter sets out restrictions such as percentage of shareholding and qualifications of senior management. According to the Interim Administrative Measures for the Record-filing of the Incorporation and Change of Foreign-invested Enterprises, foreign investments that are not subject to special access administrative measures are only required to complete an online filing with the MOFCOM or its local counterpart. The Catalogue for the Guidance of Foreign Investment Industries (2020 Revision) (鼓勵外商投資產業指導目錄(2020年修訂)) issued on December 27, 2020 and effective from January 27, 2021 and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)),issued on June 22, 2020 and effective from July 23, 2020, further reduced restrictions on the foreign investment and replaced the Catalogue for the Guidance of Foreign Investment Industries (2017 Revision), the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2018 Version), the 2019 Catalogue and the 2019 Negative list.

According to the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), or the M&A Rules, jointly promulgated by MOFCOM, the State-Owned Assets Supervision and Administration Commission of the State Council, the State Taxation Administration (SAT), the State Administration for Industry and Commerce, the China Securities Regulatory Commission, and the SAFE on August 8, 2006, which became effective on September 8, 2006 and was amended by MOFCOM on June 22, 2009, a foreign investor (1) acquiring an equity interest in a non-foreign-invested PRC enterprise or subscribing to additional shares in a non-foreign-invested PRC enterprise, (2) purchasing and operating the assets of non-foreign-invested PRC enterprises through establishment of a foreign-invested enterprise, or (3) purchasing the assets of a non-foreign-invested PRC enterprise and operating such assets through establishment of a foreign-invested enterprise with such assets must comply with the PRC laws and regulations and complete registration/filing with relevant departments. Particularly, any PRC company, enterprise or individual who try to acquire any domestic enterprise affiliated with such company, enterprise or individual through an offshore company established or controlled by such company, enterprise or individual shall comply with relevant foreign investment industry policies and be subject to approval of the MOFCOM.

Laws and regulations of the PRC in relation to Drugs

Drug Regulatory Regime

We operate our business in China under a legal regime consisting of the SCNPC, the State Council and several ministries and agencies under its authority including, among others, the NMPA, and the National Health Commission, or the NHC. The predecessors of the NMPA and NHC are China Food and Drug Administration (CFDA), and the National Health and Family Planning Commission of the PRC, or the NHFPC, respectively, both of which were established in accordance with the Institutional Reform Program of the State Council (國務院機構改革方案) promulgated by the NPC on March 17, 2018. The NMPA is a regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical equipment under the supervision of State Administration for Market Regulation, an institution for supervising and administrating the market in China.

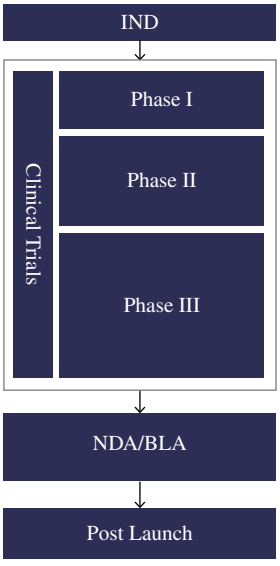
The NMPA has set up the Center for Drug Evaluation, or the CDE and other institutions. According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs (國家食品藥品監督管理總局關於調整部分藥品行政審批事項審批程序的決定) issued by the NMPA on March 17, 2017 and effective as from May 1, 2017, the approval for an investigational new drug application, or the IND, should be issued by the CDE in the name of the NMPA.

In addition, according to the Administration of Quality of Drug Clinical Practice (GCP Administration) (藥物臨床試驗質量管理規範) issued by the NMPA on Apirl 23, 2020 and effective as from July 1, 2020, which replaced the Administration of Quality of Drug Clinical Practice (GCP Administration)(藥物臨床試驗質量管理規範) issued on August 6, 2003 and effective as from September 1, 2003, and the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices (關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見) issued by the General Office of the CPC Central Committee and the General Office of the State Council on and effective as from October 8, 2017, the institutions for drug clinical trials should establish an independent ethics committee and the clinical trial schemes are subject to examination, approval and signing with approval opinions by the ethics committee before implementation, in order to protect the rights and interests of human subjects in clinical trials. For a multi-centre clinical trial conducted in the PRC, after ethical review by the leader unit of clinical trial, other member units should recognise the review results of the leader unit and should not conduct repeated review.

The CDE recently announced three batches of List of Overseas Drugs in Urgent Need, which include the List of the First Batch of Oversea New Drugs in Urgent Need for Clinical Purposes, the Second Batch of Oversea New Drugs in Urgent Need for Clinical Purposes and the Third Batch of Oversea New Drugs in Urgent Need for Clinical Purposes (the "**Priority Drug Lists**" (臨床急需境外新藥名單)). According to the Announcement on Matters Relating to the Evaluation and Approval of Overseas Drugs in Urgent Need (關於臨床急需境外新藥審評審批相關事宜的公告) issued by the NMPA and National Health Commission, with regard to a new drug included in Priority Drug Lists, the applicant may directly submit its NDA

application as well as relevant materials. The CDE will set up a special channel to expedite the evaluation process. With respect to the drug varieties that have not been ascertained and officially declared, the applicants may communicate with the CDE at any time and make an NDA submission as soon as possible.

The following flow chart summarizes and compares the registration procedures in China and the U.S.:



	NMPA	FDA
	Record-keeping system No longer than 60 Days.	Record-keeping system No longer than 30 Days.
	Phase I must initiate in three years after IND issued.	Phase I must initiate in three years after IND issued.
	Phase II can be exempted for biosimilar and other drug in exempted list in practice.	Phase II requirement is flexible and depends on communication between applicant and FDA.
	For most drug innovative drug candidates, phase III clinical trials need to show a solid result based on sufficient clinical data.	Phase III requirement is flexible and depends on communication between applicant and FDA especially end of Phase IIA meeting (EOP2A).

Business Days	Standard View	Priority View
Clinical Trials	90	80
Manufacturing	150	120

Follow ICH-E2E regime:
- Safety specification
- Pharmacovigilance plan

Standard View	Priority View	Fast Track
10 Months	6 months	60 days

Follow ICH-E2E regime:
- Safety specification
- Pharmacovigilance plan

Note: The Procedure is a general approval pathway. In reality, approval pathway may vary case by case.

Source: *Frost & Sullivan analysis.*

Pharmaceutical Product Development

In the PRC, the NMPA monitors and supervises the administration of pharmaceutical products, as well as medical devices and equipment. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The PRC Drug Administration Law (中華人民共和國藥品管理法) promulgated by the SCNPC in 1984, as amended in 2001, 2013, 2015 and 2019, and the Implement Measures of the PRC Drug Administration Law (中華人民共和國藥品管理法實施條例) promulgated by the State Council effective in September 2002 and amended on February 6, 2016 and March 2, 2019, have laid down the legal framework for the administration of pharmaceutical products, including the research, development and manufacturing of new drugs. The PRC Drug Administration Law applies to entities and individuals engaged in the research, production, trade, application, supervision and administration of pharmaceutical products. It regulates and prescribes a framework for the administration of pharmaceutical manufactures, pharmaceutical trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing,

distribution, packaging, pricing and advertisements of pharmaceutical products. The Implementing Measures of the PRC Drug Administration Law serves to provide detailed implementation regulation for the PRC Drug Administration Law.

The 12th session of the standing committee of the 13th NPC approved the amendment to the Drug Administration Law on August 26, 2019. The revised Drug Administration Law (the "Revised Drug Administration Law") took effect on December 1, 2019 and brought a series of good changes to the drug supervision and administration system, including but not limited to making it clear what kind of drugs shall be encouraged, changing the clinical trial approval to implied license and prescribing a preferential examination and approval system for certain drugs. According to the Revised Drug Administration Law, drugs refer to articles which are used in the prevention, treatment and diagnosis of human diseases and intended for the regulation of the physiological functions of human beings, for which indications or functions, usage and dosage are specified, including traditional Chinese drugs, chemical drugs and biological products.

Nonclinical Research and Animal Testing

The NMPA promulgated the Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory (藥物非臨床研究質量管理規範) on July 27, 2017, and effective as from September 1, 2017, which replaced the Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory issued in 2003 and has conducted the Administrative Measures for Good Laboratories Practice of Nonclinical Laboratory, or GLP Certification since 2003. On April 16, 2007, the NMPA issued the Circular on Measures for Certification of Good Laboratory Practice and for Nonclinical Laboratory (藥物非臨床研究質量管理規範認證管理辦法), or NMPA Circular 214, which provides that the NMPA decides whether an institution is qualified for undertaking pharmaceutical nonclinical research upon the evaluation of the institution's organisational administration, its research personnel, its equipment and facilities and its operation and management of nonclinical pharmaceutical projects. If all the requirements are met, a GLP Certification will be issued by the NMPA and the result will be published on the NMPA's website.

The State Science and Technology Commission promulgated the Regulations for the Administration of Affairs Concerning Experimental Animals (實驗動物管理條例) in November, 1988, which were amended by the State Council in January 2011, July 2013 and March 2017. The State Science and Technology Commission and the State Bureau of Quality and Technical Supervision jointly promulgated the Administration Measures on Good Practice of Experimental Animals (實驗動物質量管理辦法) in December 1997. The State Science and Technology Commission and other regulatory authorities promulgated the Administrative Measures on the Certificate for Experimental Animals (Trial) (實驗動物許可證管理辦法(試行)) in December 2001. All of these laws and regulations require a Certificate for Use of Laboratory Animals for performing experimentation on animals.

Approval and Reform for Clinical Trials of New Drugs

According to the Administrative Measures for Drug Registration (藥品註冊管理辦法) promulgated by the NMPA in January 2020 and effective from July 1, 2020, which replaced the Administrative Measures for Drug Registration issued in 2007, the PRC Drug Administration Law and Implementing Measures of the PRC Drug Administration Law, new drug application is subject to clinical trials. Upon completion of nonclinical research, clinical trials must be conducted for the application of a new drug registration, and applicants must apply for approval of IND from the NMPA, or the CDE before conducting clinical trials.

The Opinions on the Reform of Evaluation and Approval System for Drugs and Medical Devices and Equipment (關於改革藥品醫療器械審評審批制度的意見), or the Reform Opinions, promulgated by the State Council on August 9, 2015 established a framework for reforming the evaluation and approval system for drugs 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.

The Circular Concerning Several Policies on Drug Registration Evaluation and Approval (關於藥品註冊審評審批若干政策的公告), or the Several Policies Circular, promulgated by the NMPA on November 11, 2015 further clarified the measures and policies regarding simplifying and accelerating the approval process of drugs on the basis of the Reform Opinions. The circular further provides that the IND of new drugs is subject to one-off umbrella approval, and the declaration review or approval by stages will no longer be adopted.

The Priority Review and Approval Procedures for Drug Marketing Authorizations (for Trial Implementation)(藥品上市許可優先審評審批工作程序(試行)) promulgated by the NMPA on July 7, 2020 further clarified that a fast track IND or drug registration pathway will be available to the innovative drugs.

According to the Circular on Adjusting Evaluation and Approval procedures for Clinical Trials for Drugs (關於調整藥物臨床試驗審評審批程序的公告) promulgated by the NMPA on July 24, 2018, within 60 days after the acceptance of and the fees paid for the IND, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

The Draft of Guiding Principles for Clinical Research and Development of Anti-tumor Drugs Oriented by Clinical Value (以臨床價值為導向的抗腫瘤藥物臨床研發指導原則(徵求意見稿)), or the Draft Guiding Principles, issued by the NMPA on July 2, 2021, emphasize the clinical value-oriented and patient-centered research and development concept during the whole research and development process of oncology drugs. The Draft Guiding Principles recommend that Best Support Care be utilized as a control in randomized controlled trials in order to provide optimal treatment to patients.

Drug Clinical Trial Registration

According to the Administrative Measures for Drug Registration, upon obtaining the approval of its IND and before conducting a clinical trial, an applicant shall file a registration form with the NMPA containing various details, including the clinical study protocol, the name of the principal researcher of the leading institution, names of participating institutions and researchers, an approval letter from the ethics committee, and a sample of the Informed Consent Form, with a copy sent to the competent provincial administration departments where the trial institutions will be located. The Announcement on Drug Clinical Trial Information Platform (關於藥物臨床試驗信息平台的公告) announced by the NMPA on September 6, 2013, provides that, instead of the aforementioned registration field with the NMPA, all clinical trials approved by the NMPA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of the IND in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrolment in the trial. If the registration is not completed within one year after the approval of the IND, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the IND shall automatically expire.

The Draft of Measures for the Management of Expanded Sympathetic Use of Drugs for Clinical Trials (拓展性同情使用臨床試驗用藥物管理辦法(徵求意見稿), "Draft of Expanded Sympathetic Use") announced by the NMPA on December 15, 2017, it sets forth the definition, purposes, criteria and application process of compassionate use or expanded access. The sympathetic use is limited to patients with (i) life-threatening diseases or (ii) diseases that have a severe impact on the quality of life that require early intervention and where there is no effective therapies available. An applicant need to apply to the CDE to carry out the expanded access programs, which can be implemented after approval. However, it is currently uncertain when the Draft of Expanded Sympathetic Use will be formally adopted.

Phases of Clinical Trials and the Communication with the CDE

According to the Administrative Measures for Drug Registration, a clinical trial consists of Phases I, II, III, IV and bioequivalence trial, pursuant to the characteristics of a drug and the research purpose, the research contents shall include clinical pharmacological research, exploratory clinical trial, confirmatory clinical trial and post-marketing research.

However, according to the Technical Guiding Principles for Clinical Trials of Anti-tumor Drugs (抗腫瘤藥物臨床試驗技術指導原則) issued by the NMPA on May 15, 2012, the clinical study staging of anti-tumor drugs is not a fixed developmental sequence. The rapid development of anti-tumor drug research theories and technologies is likely to have an impact on future anti-cancer drug development models. Therefore, applicants can actively explore more scientific and rational research methods and promptly seek advice from the drug registration department under the NMPA. According to Opinions of the NMPA on Encouraging Drug Innovation and Implementing Priority Review and Approval, conditional approval of a

new drug before completion of a confirmatory Phase III trial may be appropriate if clinical data from an early-stage clinical trials reveals predictable clinical benefits or significantly outperforms the current treatments available in the market. For example, in practice if the efficacy of a drug can be verified in a Phase II clinical trial and its according clinical benefits are predictable, then after completion of a Phase II clinical trial and subject to communication with the CDE, an NDA could be submitted for conditional approval with Phase I and II clinical trials as registrational trials. For such submissions, a confirmatory Phase III trial is required to be implemented post-approval to provide additional evidence of efficacy and safety for the drug candidate. If such confirmatory Phase III trial fails to generate satisfactory results, the approval for a new drug could be suspended. Please also see the section headed "Risk Factors – Risks Relating to Extensive Government Regulations" for details on relevant risks.

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to CDE to discuss with CDE the key technical questions including the design of Phase III clinical trial protocol.

Fast Track Approval for Clinical Trial and Registration

According to the Announcement on Several Policies Pertaining to the Review & Approval of Drug Registration (關於藥品註冊審評審批若干政策的公告) issued by the CFDA in November 2015, which further stipulates that for clinically and urgently needed but insufficient drugs, innovative drugs and improved new drugs for prevention and treatment of major contagious diseases and rare diseases, a fast track drug registration or clinical trial approval pathway for the following applications: clinically and urgently needed but insufficient drugs, innovative drugs and improved new drugs for prevention and treatment of major contagious diseases and rare diseases, etc.

According to the Announcement on Matters Concerning the Optimisation of Drug Registration Review & Approval (關於優化藥品註冊審評審批有關事宜的公告) jointly issued by the NMPA and the National Health Commission on May 23, 2018 and effective from the same date, it further simplifies and accelerates the clinical trial approval process.

According to the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs (藥物研發與技術審評溝通交流管理辦法), or the Communication Measures, promulgated by the NMPA on December 10, 2020, during the research and development periods and in the registration applications of, among others, the innovative new drugs, the applicants may propose to conduct communication meetings with the CDE. The communication meetings can be classified into three types. Type I meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II meetings are held during the key research and development periods of drugs, mainly including meetings before the IND,

meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a marketing application for a new drug, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Clinical Trials of Companion Diagnostics

On August 13, 2020, the Center for Medical Device Evaluation under the NMPA, or the CMDE, issued the draft Guidelines on Clinical Trials of Companion Diagnostics Reagents of Marketed Anticancer Drugs (《已上市抗腫瘤藥物的伴隨診斷試劑臨床試驗指導原則(徵求意見稿)》), pursuant to which anticancer drug companion diagnostics reagents are divided into original companion diagnostics reagents and new companion diagnostics reagents. The draft guidelines provide guidance on clinical trials of companion diagnostics reagents of approved anticancer drugs. The Guidance for Package Insert Update and Technical Review of Oncology Companion Diagnostic Reagents Based on Similar Therapeutic Drugs (基於同類治療藥物的腫瘤伴隨診斷試劑説明書更新與技術審查指導原則) was issued by NMPA on April 7, 2021, and this guidance is the general requirements for the update of the technical review of oncology companion diagnostic reagents based on similar therapeutic drugs.

Sampling and Collecting Human Genetic Resources Filing

The Interim Administrative Measures on Human Genetic Resources (人類遺傳資源管理暫行辦法), promulgated by the Ministry of Science and Technology and the MOH on June 10, 1998, aimed at protecting and fair utilizing human genetic resources in the PRC. On July 2, 2015, the Ministry of Science and Technology issued the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC (人類遺傳資源採集、收集、買賣、出口、出境審批行政許可事項服務指南), or the Service Guide, which became effective on October 1, 2015. According to the Service Guide, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating organisation of China shall apply for approval of the China Human Genetic Resources Management Office through the online system. On October 26, 2017, the Ministry of Science and Technology promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources (關於優化人類遺傳資源行政審批流程的通知), simplifying the approval of sampling and collecting human genetic resources for the purpose of listing a drug in the PRC.

The Regulations of the People's Republic of China on the Administration of Human Genetic Resources (中華人民共和國人類遺傳資源管理條例) promulgated by the State Council on May 28, 2019 and implemented on July 1, 2019, further stipulates that in order to obtain marketing authorisation for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the two parties shall file the type, quantity and usage of the human genetic resource to be used with the administrative department of science and technology under the State Council before clinical trials.

According to the Biosecurity Law of the People's Republic of China (中華人民共和國生物安全法) promulgated by the SCNPC on October 17, 2020 and implemented on April 15, 2021, the collection, preservation, use, and outbound supply of China's human genetic resources shall conform to ethical principles and be without harm to public health, national security, or public interest. If China's human genetic resources are used at a clinical trial institution for international cooperation in clinical trials without the export of human genetic resources, in order to obtain China's marketing authorization of a relevant drug or medical device, approval is not required; however, the types, quantities, and purposes of the human genetic resources to be used shall be filed with the science and technology department of the State Council before clinical trials.

Sample Manufacturing Practice

According to the Administrative Measures for Drug Registration, all facilities and techniques used in the manufacture of drug samples for clinical trial use in the PRC must conform to GMP guidelines as established by the NMPA.

Regulations on Cross-Strait Medical and Healthcare Cooperation

According to the Cross-Strait Medical and Healthcare Cooperation Agreement (《海峽兩岸醫藥衛生合作協議》) (the "Cooperation Agreement") entered into by Association for Relations Across the Taiwan Straits (the "ARATS") and Straits Exchange Foundation (the "SEF") on December 21, 2010, the two parties agreed to cooperate in regard to the following: (i) prevention and treatment of infectious diseases; (ii) safety management of and research and development for pharmaceuticals; (iii) traditional Chinese medicine research and exchange and safety management of Chinese crude drugs; and (iv) emergency aid and treatment. In regard to clinical trial cooperation, the two parties have agreed to conduct exchanges and cooperation on their systems and regulations relating to clinical trials, management of executive departments and teams, the protection of subjects' rights and interests, and approval mechanisms for clinical trial plans and trial results. Cooperation in R&D for clinical trials and pharmaceuticals across the strait shall be actively strengthened in accordance with good clinical practice (GCP), with a view towards reducing repetitive trials through the preferential methods of pilot and special projects. Methods shall then be tested to accept the implementation results of the two parties on this basis.

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

According to the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) (關於發佈國際多中心藥物臨床試驗指南(試行)的通告), or the Multi-Center Clinical Trial Guidelines, promulgated by the NMPA on January 30, 2015 and effective from March 1, 2015, international multi-centre clinical trial applicants may simultaneously perform clinical trials in different centres using the same clinical trial protocol. Where the applicants plan to implement the International Multi-centre clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the PRC Drug Administration Law, the

Implementing Regulations of the PRC Drug Administration Law and the Administrative Measures for Drug Registration, execute the GCP, make reference to universal international principles such as the ICH-GCP, and comply with the laws and regulations of the countries involved in the International Multi-Center clinical trials. Where the applicants plan to use the data derived from the International Multi-Center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial) and Administrative Measures for Drug Registration and other related laws and regulations.

According to the Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices (《關於深化審評審批制度改革鼓勵藥品醫療器械創新的意見》) issued by the General Office of CCCPC and the State Council in October 2017, clinical trial data obtained in international multi-center that conforms to China's requirements for registration of drugs and medical devices can be used for the application for registration in China.

On 10 October 2017, the CFDA 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 trials 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 trials carried out in China, the applicant may directly apply for registration of market launch of the drugs according to the Administrative Measures for Drug Registration and other relevant regulations, (iii) with respect to applications for clinical trials 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: (1) applicants shall ensure the authenticity, integrity, accuracy and traceability of overseas clinical trial data; (2) the process of generating overseas clinical trial data shall comply with the relevant requirements of the Good Clinical Practice (GCP) of International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use (ICH); (3) applicants shall ensure the scientific design of overseas clinical trials, the compliance of clinical trial quality management system with the requirements, and the accuracy and integrity of statistical analysis of data; and (4) to ensure that the clinical trial design and statistical analysis of the data are scientific and reasonable, for the drugs with simultaneous R&D at home

and abroad and forthcoming clinical trials in China, the applicants may, prior to implementing pivotal clinical trials, contact the CDE to ensure the compliance of pivotal clinical trial's design with the essential technical requirements for drug registration in China. According to the Guiding Principles, the integrity of clinical trial data is the basic requirement for accepting registration applications. For overseas clinical trials used for drug registration applications in China, all overseas clinical trial data shall be fully provided but not selectively. For the subsequent clinical trials carried out in China after the clinical trials being carried out overseas, the drug registration applicants shall evaluate the existing overseas data first before the communication with the CDE. Only those overseas data that can satisfy the following requirements will be fully accepted: (i) the data is authentic and reliable, and is in line with ICH GCP and drug registration requirements; (ii) the data can be adopted in the effectiveness and safety evaluation of target indications; and (iii) there are no ethnic sensitive factors that affect the effectiveness and safety. The data that are not met with all the requirements above will be only accepted partially or not accepted. For the drugs under domestic and overseas R&D, various domestic and overseas clinical trials shall be sorted and summarized to form an integrated data package in accordance with the requirements of the Administrative Measures for Drug Registration before such data can be used for the drug registration application in China.

New Drug Application

According to the Administrative Measures for Drug Registration, drug registration applications include domestic new drug application, domestic generic drug application and imported drug application. Drugs are classified as chemical drugs, biological products and traditional Chinese medicine. When Phases I, II and III of clinical trials have been completed, the applicant may apply to the NMPA for approval of a new drug application. The NMPA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE of the NMPA.

Drug Registration and Marketing Authorization

An applicant shall complete studies in pharmacy, pharmacology, and toxicology, as well as clinical trials of pharmaceuticals, according to the Administrative Measures for Drug Registration promulgated by the NMPA in January 2020 and became effective from July 1, 2020. The applicant shall submit an application for drug marketing authorization and the relevant research materials in accordance with the submission requirements after determining quality standards, verifying commercial scale manufacturing process, and preparing to undergo examination and inspection for drug registration. CDE shall assemble pharmacists, medical professionals, and other technical specialists to analyze the application thoroughly, examining the drug's safety, effectiveness, and quality control. After the comprehensive review, the drug shall be approved for marketing and a drug registration certificate shall be issued.

Special Examination and Fast Track Approval for Antineoplastic Drugs under Current Reform Frame

According to the Provisions on the Administration of Special Examination and Approval of Registration of New Drugs (新藥註冊特殊審批管理規定) promulgated by the NMPA on January 7, 2009, special examination and approval for new drugs registration applications applies when (1) the effective constituent of a drug extracted from plants, animals, and minerals, as well as the preparations thereof, have never been marketed in China, and the material medicines and the preparations thereof are newly discovered; (2) the chemical raw materials for medicines as well as the preparations thereof and the biological product have not been approved for marketing, either in China or aboard; (3) new drugs with distinctive clinical treatment advantages for diseases such as AIDS, malignant tumor or other rare diseases; or (4) new drugs for diseases that currently lacking effective treatment. Under the circumstances set out in (1) and (2), drug registration applicants may make special approval applications in submitting applications for clinical trials of new drugs; under the circumstances set out in (3) and (4), drug registration applicants may make special approval applications only in applying for production.

According to the Opinions on Reform of the Review & Approval System of Drugs and Medical Devices (關於改革藥品醫療器械審評審批制度的意見), a special review & approval system shall be adopted for innovative drugs to accelerate the review & approval of innovative drugs for prevention and treatment of AIDS, cancer, major infectious diseases, rare diseases and other diseases.

Announcement on Several Policies Pertaining to the Review & Approval of Drug Registration (關於藥品註冊審評審批若干政策的公告) further specifies that efforts shall be made to accelerate the review & approval of registration application for several categories of innovative drugs including those for prevention and treatment of cancer and other diseases. From December 1, 2015 onwards, applicants may apply to the CDE for accelerated review.

According to the Priority Review and Approval Procedures for Drug Marketing Authorizations (for Trial Implementation) (藥品上市許可優先審評審批工作程序(試行)), an applicant for drug marketing authorization may apply for priority review and approval procedures for the following drugs with obvious clinical value: (I) drugs in urgent clinical demand and in shortage, innovative drugs and modified new drugs for prevention and treatment of serious infectious diseases, rare diseases and other diseases; (II) new varieties, dosage forms and specifications of children's drugs that conform to children's physiological characteristics; (III) vaccines and innovative vaccines that are in urgent need for disease prevention and control; (IV) drugs that have been included in the procedures for breakthrough therapy designation; (V) drugs that are subject to conditional approval; and (VI) other circumstances under which priority review and approval shall be provided for by the NMPA.

According to the Announcement on Matters Concerning the Optimisation of Drug Registration Review & Approval (關於優化藥品註冊審評審批有關事宜的公告) jointly issued by the NMPA and the National Health Commission on May 23, 2018 and effective from the same date, the CDE will prioritise the allocation of resources for review, inspection, examination and approval of registration applications that have been included in the scope of priority review & approval.

Drugs' registration classification

Under the Administrative Measures for Drug Registration, drugs are classified into Chinese medicine, chemical medicine, biological products and others. Biological products are further divided in 3 categories in the Registration Classification and Application Documents Requirements of Biological Products (《生物製品註冊分類及申報資料要求》), or the Registration Category, which was promulgated by the NMPA on June 29, 2020. Pursuant to the Registration Category, Category I therapeutic biological products or vaccines refer to those that have not been marketed in the PRC or abroad. Category II therapeutic biological products or vaccines refer to improved ones which, compared with the existing products marketed in the PRC or abroad, could improve the safety, effectiveness and quality controllability, and have obvious advantages. Category III therapeutic biological products or vaccines refer to those that have been marketed in the PRC or abroad, including biosimilar drugs.

According to the Notice of the NMPA about the Issuing of the Reform Plan for the Registration Classification of the Chemical Drugs (國家食品藥品監督管理總局關於發布<化學藥品註冊分類改革工作方案>的公告), which was issued and effected on March 4, 2016, the registration classification of the chemical drugs are adjusted to five categories. Category 1 drugs refer to innovative chemical drugs that have not been marketed anywhere in the world. Improved new chemical drugs that are not marketed anywhere in the world fall into Category 2 drugs. Generic chemical drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, can be classified as Category 3 drugs. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4 drugs. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China. Categories 1 and 2 shall follow the registration application procedure for new drugs according to the Administrative Measures for Drug Registration; categories 3 and 4 shall follow the procedure for generic drugs; category 5 shall follow the application and regulation requirements for importing drugs. Where there is a discrepancy between this plan and the Measures for the Administration of Drug Registration, this plan shall be complied for certainty. The Chemical Drug Registration Classification and Application Data Requirements (《化學藥品註冊分類及申報資料要求》) issued by the NMPA in June 2020 and effective in July 2020 reaffirmed the principles of the classification of chemical drugs set forth by the Reform Plan for Registration Category of Chemical Medicine, and made minor adjustments to the subclassifications of Category 5. According to such regulation, Category 5.1 are innovative chemical drugs and improved new chemical drugs while Category 5.2 are generic chemical drugs, all of which shall have been already marketed abroad but not yet approved in China.

Pilot Plan for the Marketing Authorisation Holder System

The Reform Opinions provides a pilot plan for the marketing authorisation holder system, or the MAH system.

Under the authorisation of the NPCSC, the General Office of the State Council issued the Pilot Plan for the Drug Marketing Authorisation Holder Mechanism (藥品上市許可持有人制度試點方案) on May 26, 2016, which provides a detailed pilot plan for the MAH system, for drugs in 10 provinces in China. Under the MAH system, domestic drug research and development institutions and individuals in the pilot regions are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorisation holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and GMP-certified, and are also located within the pilot regions. Drugs that qualify for the MAH System are: (1) new drugs (including biological products approved as category I and VII drugs and biosimilars under the Administrative Measures for Drug Registration) approved after the implementation of the MAH System; (2) generic drugs approved as category III or IV drugs under the Reform Plan for Registration Category of Chemical Medicine (化學藥品註冊分類改革工作方案) issued by the NMPA on March 4, 2016; (3) previously approved generics that have passed equivalence assessments against original drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the pilot regions, but which have moved out of the pilot regions due to corporate mergers or other reasons.

The Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorisation Holder System (關於推進藥品上市許可持有人制度試點工作有關事項的通知), or the MAH Circular, promulgated by the NMPA on August 15, 2017, clarified the legal liability of the marketing authorisation holder, who is responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and assumes the full legal liability for nonclinical drug study, clinical trials, manufacturing, marketing and distribution and adverse drug reaction monitoring. According to the MAH Circular, the marketing authorisation holder shall submit a report of drug manufacturing, marketing, prescription, techniques, pharmacovigilance, quality control measures and other situations to the NMPA within 20 working days after the end of each year.

The Decision of Extending the Pilot Period of Authorizing the State Council to Carry out the Pilot Plan for the Drug Marketing Authorisation Holder Mechanism in Certain Places (關於延長授權國務院在部分地方開展藥品上市許可持有人制度試點期限的決定), promulgated by SCNPC on October 26, 2018, extended the term of the MAH system to November 4, 2019.

The PRC Drug Administration Law was revised by the NPCSC on August 26, 2019 and came into effect on December 1, 2019, provides that (1) the MAH system will be applicable throughout the country; (2) the legal representative and the key person-in-charge of a drug marketing authorisation holder shall be fully responsible for the quality of drugs.

Monitoring Periods for New Drugs

According to the Implementing Regulations of the Drug Administration Law and the Administrative Measures for Drug Registration, the NMPA may, for the purpose of protecting public health, provide for an administrative monitoring period of not more than five years for new drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of such new drugs. During the monitoring period of a new drug, no approval shall be granted to any other manufacturer to produce or import the said drug. The only exception is that if, prior to the commencement of the monitoring period, the NMPA has already approved any other IND of the same drug may proceed along drug registration application, review and approval procedures. Where regulations are conformed to, the NMPA shall approve the production or import of the same drug, and the monitoring of such drug produced by the domestic manufacturers should be conducted together with the drug already in the monitoring period.

Packaging of Pharmaceutical Products

According to the Measures for The Administration of Pharmaceutical Packaging (藥品包裝管理辦法) promulgated on February 12, 1988 and effective from September 1, 1988, pharmaceutical packaging must comply with national and professional standards. If there is no national or professional standard available, an applicant can formulate and implement its own standards after obtaining the approval of the provincial administration or bureau of standards. The applicant must reapply if it needs to change its own packaging standards. Drugs that have not been developed and approved for packaging standards must not be sold or marketed in the PRC (except for drugs for the military). According to the GCP Administration, the applicant shall be responsible for the proper packaging and labelling of drugs for clinical trials and in double-blinded clinical trials, the test drug shall be consistent with the control drug or placebo in appearance, odour, packaging, labelling, and other features.

Pharmaceutical Distribution Permit and Good Supply Practice Requirements

According to the newly amended PRC Drug Administration Law and the Implementing Measures of the PRC Drug Administration Law, to be engaged in the wholesale distribution and retailing of drugs, a company must obtain a Drug Distribution License with an appropriate "scope of distribution" from the local drug regulatory authority. According to Measures for the Administration of Drug Distribution License, this license shall be renewed every five years.

The GSP certification for drugs has been cancelled, and the application for GSP certification for drugs will no longer be accepted, since December 1, 2019, pursuant to the Announcement of the NMPA on Implementation of the PRC Drug Administration Law (《國家藥監局關於貫徹實施<中華人民共和國藥品管理法>有關事項的公告》). But the competent regulatory authorities conduct the supervision and regulation through changing to the inspection of the implementation of the GSP from time to time and supervising the compliance of enterprises.

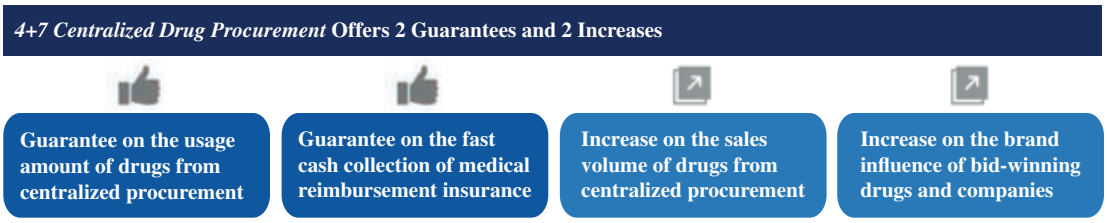
According to Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》) promulgated by the NMPA on April 30, 2000 and last amended on July 13, 2016, which is a set of basic rules for drug distribution management and quality control, drug distributors shall take effective quality control measures in drug purchase, storage, sale, transportation and other links, so as to ensure the quality of drugs, and establish the drug traceability system in accordance with the relevant requirements. In addition, the CFDA 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.

Centralized Drug Procurement and Use

According to the Opinions on Deepening the Reform of Medical Insurance System (中共中央、國務院關於深化醫療保障制度改革的意見) issued by the CPC Central Committee and the State Council on February 25, 2020, a market-oriented price-setting mechanism for drugs and medical consumables shall be created, and the policy of combination of bidding and procurement and quantity-based pricing shall be followed. According to the Notice of Issuing the Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State issued by the General Office of the State Council (關於印發國家組織藥品集中採購和使用試點方案的通知) on January 1, 2019, and the Opinions on the Medical Insurance Supporting Measures for the Pilot Program of the Centralized Procurement and Use of Drugs Organized by the State issued by the State Medical Insurance Administration (關於國家組織藥品集中採購和使用試點醫保配套措施的意見) ("**4+7 Centralized Drug Procurement**") on February 28, 2019, eleven pilot cities including Beijing, Tianjin, Shanghai, Chongqing Shenyang, Dalian, Xiamen, Guangzhou, Shenzhen, Chengdu and Xi'an, are selected as the pilot cities for the centralized procurement and use of drugs under the organization of the State. The scope of drugs to be procured in a centralized manner includes selected varieties from the generic names corresponding to generic drugs passing consistency evaluation of quality and efficacy. On the basis of the procurement submitted by public medical institutions in the pilot regions, the total procurement shall be estimated at 60%-70% of total annual drug consumption of all public medical institutions in the pilot regions, and the centralized drug purchasing prices shall be formed by conducting quantity- specific procurement, pegging procurement to prices and trading procurement for prices. After completing the purchases by the public medical institutions in the pilot regions, the public medical institutions shall use the selected drugs as the priority, and the quantity of the selected drugs used during the pilot procurement period shall be no less than that of the non-selected drugs.

According to the Implementation Opinions on Expanding the Regional Scope in the Pilot Program of Centralized Drug Procurement and Use Organized by the State (關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見) issued by several authorities including the National Healthcare Security Administration and NMPA, among others, on September 25, 2019, mode of centralized procurement of drugs with quantity for centralized procurement and use of drugs organized by the State is being promoted throughout the country and such mode is applicable to 25 designated generic drugs in the pilot program of centralized drug procurement and use of drugs organized by the State.

The following diagram illustrates the advantages and goals of 4+7 Centralized Drug Procurement:



Under 4+7 Centralized Drug Procurement, the healthcare institutions procure the bid-winning drugs with priority, and the doctors have to prescribe the bid-winning drugs so as to satisfy the required quantity commitment. As a result, the sales volume of the bid-winning drugs will significantly increase in the short run, which enables the drugs to gain a substantial market share. Despite of the erosion effect of the average selling price, in the medium run, winning bidders are expected to continue obtaining a higher market share. Given that winning bidders are awarded with the guaranteed procurement, such pharmaceutical companies may be able to reduce their sales and marketing expenses.

Healthcare System Reform

The PRC government recently promulgated several healthcare reform policies and regulations. On March 17, 2009, the Central Committee of the PRC Communist Party and the State Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System (關於深化醫藥衛生體制改革的意見), On December 27, 2016, the State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System (關於印發"十三五"深化醫藥衛生體制改革規劃的通知), On April 25, 2017, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2017 (深化醫藥衛生體制改革2017年重點工作任務), Highlights of these healthcare reform policies and regulations include (1) establishing a basic healthcare system to cover both urban and rural residents and providing the Chinese people with safe, effective, convenient and affordable healthcare services, (2) improving the healthcare system through the reform and development of a graded hierarchical healthcare system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision, and (3) improving the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population. On May 23, 2019, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2019 (深化醫藥衛生體制改革2019年重點工作任務), highlighting the following policies and regulations (1) reinforcing the degree of cancer prevention and treatment, accelerating the registration and approval of anti-cancer new drugs at home and abroad and remaining the temporary channel of imperative anti-cancer drugs importation open, (2) consolidating and improving the basic medicine system and establishing an inventive and restrictive mechanism for preferential use. Improving the dynamic adjusting mechanism of the NRDL and incorporating the eligible therapeutic drugs listing in the National Essential Drug List into the NRDL first in accordance with the procedure.

According to the Notice of the National Healthcare Security Administration and Ministry of Human Resources and Social Security on Issuing the National Drug Catalogue for Basic Medical Insurance, Work-Related Injury Insurance and Maternity Insurance (關於印發國家基本醫療保險、工傷保險和生育保險藥品目錄的通知), which came into effect on March 1, 2021 (the "Notice"), all places shall implement the NRDL in a strict manner, and shall not have the discretion to formulate the catalogue or increase the drugs in any form, or adjust the scope of limited payment. Priority shall be given to adjusting the scope of payment for the drugs that were listed in the First Batch of National Key Monitored Drugs for Rational Use (chemical and biological products) (第一批國家重點監控合理用藥藥品目錄(化藥及生物製品)), which was issued and implemented on June 11, 2019.

Pursuant to the Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (城鎮職工基本醫療保險用藥範圍管理暫行辦法), jointly issued by several authorities including the Ministry of Labor and Social Security and the Ministry of Finance on May 12, 1999, among others, the NRDL shall be adjusted every two years in principle, and the provincial reimbursement drug list ("PRDL") shall be adjusted accordingly. The NRDL is permitted to be expanded to include new drugs once per year, while provincial governments are not entitled to expand their PRDLs on their own. The 5th NRDL was published in August 2019 to remove 150 drugs and add 148 drugs. Consideration was given to the scope of reimbursement and the ratio of traditional Chinese medicine to western medicine to meet current medical demands. The 5th NRDL was then adjusted in the negotiation that occurred in November 2019 to add 70 drugs with an average price cut of 60.7%, which mainly consist of oncology, chronic disease, and rare disease drugs. Moreover, the contracts of 27 existing drugs were successfully extended with an average price cut of 26.4%.

Chronic Diseases Prevention and Treatment

According to the Guiding Opinion of the General Office of the State Council on Promoting the Construction of the Hierarchical Healthcare System (國務院辦公廳關於推進分級診療制度建設的指導意見), or the Hierarchical Healthcare System Opinion, issued by the General Office of the State Council on September 8, 2015, and the Notice on Promoting Pilot Work for Hierarchical Healthcare System (關於推進分級診療試點工作的通知) jointly promulgated by the NHFPC and the State Administration of Traditional Chinese Medicine on August 19, 2016, the hierarchical healthcare system is expected to be gradually improved. The Hierarchical Healthcare System Opinion further clarified that several chronic diseases, including hypertension, diabetes, cancer and cardiovascular and cerebrovascular diseases, are pilot diseases under the hierarchical healthcare system. Primary health institutions, rehabilitation hospitals, and nursing institutions can provide treatments, rehabilitation and nursing services to patients with chronic diseases, patients in rehabilitation, elderly patients and advanced tumor patients who have clear diagnosis and stable disease conditions.

On January 22, 2017, the General Office of the State Council promulgated the Mid and Long-Term Plan for Chronic Disease Prevention and Treatment in China (2017-2025) (中國防治慢性病中長期規劃(2017-2025)), or the Chronic Disease Plan. One of its objectives is to raise up the overall 5-year survival rate in cancer patients by 5% by 2020 and 10% by 2025. It also points out that the hierarchical healthcare system of chronic diseases, such as tumor, shall be promoted. The social participation in regional medical services, as well as social investments in the field of chronic disease prevention and treatment is also encouraged.

Rare Disease Scope

On May 11, 2018, the NHC, along with the NMPA and three other national ministries and agencies jointly issued the Notice of the First Edition of the Rare Disease List (《關於公佈第一批罕見病目錄的通知》) which includes 121 kinds of rare diseases. Pursuant to the Notice on Publishing the Procedures of Developing the Rare Disease List (《關於印發罕見病目錄製訂工作程序的通知》) issued by the NHC on May 28, 2018, the following four criteria should be met at the same time for rare disease designation: (i) the disease has a low incidence or prevalence in PRC and abroad; (ii) the disease significantly impacts the patient and his or her family; (iii) there is a clear diagnosis method; and (iv) the disease can be treated or intervened in an economically feasible way, or it has been included in a national scientific research project if there is no effective treatment or intervention for such disease. In principle, the catalog update time shall not be shorter than 2 years.

With certain drugs targeting rare diseases being listed in National Rare Disease List, a company may be eligible for the priority review and approval of new drugs for these disease from the NMPA.

PRC Coverage and Reimbursement

Coverage of the National Medical Insurance Program

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

Medical Insurance Catalogue

Program participants are eligible for full or partial reimbursement of the cost of medicines included in the medical insurance catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Basic Medical Insurance Coverage for Pharmaceutical Products for Urban Employee (關於印發城鎮職工基本醫療保險用藥範圍管理暫行辦法的通知), or the Medical Insurance Coverage Notice, jointly issued on May 12, 1999 by several authorities including, among others, the Ministry of Labour and Social Security and the Ministry of Finance, provides that a pharmaceutical product listed in the medical insurance catalogue must be clinically necessary, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements: (1) be set forth in the pharmacopoeia of the PRC, (2) satisfy the standards promulgated by the NMPA, and (3) be approved by the NMPA for imported pharmaceutical products.

The National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance (國家基本醫療保險、工傷保險和生育保險藥品目錄), or the National Reimbursement Drug List, or the NRDL, sets forth the payment standard for pharmaceutical products under the basic medical insurance, work-related injury insurance and maternity insurance funds. The MOHRSS (According to the above institutional reform, the functions with respect to change the NRDL have been transferred to the PRC National Health Insurance Bureau), together with other government authorities, has the power to determine which medicines are listed in the NRDL. Medicines listed in the NRDL are divided into two parts, List A and List B. List A drugs are widely used clinical treatments with good efficacy and lower prices compared to similar drugs, while List B drugs are clinical treatments with good efficacy and slightly higher prices compared to List A drugs.

On July 13, 2017, the MOHRSS announced that the 2017 NRDL would be expanded to include an additional 36 drugs classified as List B medicines, 18 of which are anti-cancer drugs. On September 30, 2018, the PRC National Health Insurance Bureau announced that another 17 anti-cancer drugs were included into the 2017 NRDL classified as List B Medicines. Since 2017, the NRDL has reflected an emphasis on drugs that treat cancer. The 5th NRDL was promulgated in August 2019 to remove 150 drugs and add 148 new drugs, and was adjusted in November 2019 to add 70 drugs.

According to the Medical Insurance Coverage Notice, a PRDL must be made by the labour administration departments of the provincial governments in the PRC. Provincial evaluation institutions and expert groups select the drugs to be listed in the PRDL. Provincial governments are required to include all List A drugs listed in the NRDL in their PRDL, but have discretion to adjust upwards or downwards by no more than 15% the number of List B drugs listed in the NRDL to be listed in the PRDL based on local economic levels, medical demands, and medication practices.

According to the Medical Insurance Coverage Notice, patients purchasing List A drugs listed in the NRDL are entitled to reimbursement of the entire amount of the purchase price through the basic medical insurance program. Patients purchasing List B drugs listed in the NRDL are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price through the basic medical insurance program.

The NRDL must be adjusted every two years in principle, and the PRDL must be adjusted based on the adjustment of the NRDL. The PRDL can only be adjusted according to the respective adjustment of the NRDL, and all adjustments to the List A drugs in the NRDL are required to be made in the PRDL. The NRDL is permitted to be expanded for new drugs once every year, while provincial governments are not permitted to expand the PRDL for new drugs.

The Opinions on Promoting Drug Pricing Reform (推進藥品價格改革的意見), which was promulgated by the NDRC, the NHFPC, the NMPA, the MOFCOM and certain other departments on May 4, 2015, and came into effect on June 1, 2015, set forth that from June 1, 2015, except for narcotic drugs and Class I psychotropic drugs, the restrictions on the prices of the drugs that were subject to government pricing will be cancelled. The medical insurance regulatory authority shall, along with other competent departments, draw up provisions in relation to the standards, procedures, basis and methods of the payment of drugs paid by medical insurance funds. The prices of patent drugs and exclusively produced drugs are set through transparent and public negotiation among multiple parties. The prices for blood products not listed in the Medical Insurance Drugs List, immunity and prevention drugs that are purchased by the government in a centralised manner, and AIDS antiviral drugs and contraceptives provided by the government for free, shall be set through tendering purchase or negotiation. Except as otherwise mentioned above, the prices for other drugs may be determined by manufacturers and operators on their own on the basis of production or operation costs and market supply and demand. The Opinions on Working Effectively in Current Drug Pricing Management (關於做好當前藥品價格管理工作的意見) promulgated by National Healthcare Security Administration on November 26, 2019 emphasizes market-oriented pricing mechanisms for drugs and the guiding role of medical insurance in drug pricing and promotes drug prices to return to a reasonable level through centralized drug procurement. In addition, the 2017 NRDL proposed to explore the development of a negotiation mechanism for drugs to be listed in the NRDL. The MOHRSS will, in accordance with relevant criteria, negotiate for the drugs proposed to be negotiated as determined by experts upon review. Those eligible drugs will be included in the payment scope of the medical insurance fund.

According to the Opinions on Deepening the Reform of the Evaluation and Approval System and Inspiring Innovation of Drugs and Medical Devices, to support the clinical application of new drugs, (1) the dynamic adjustment mechanism applicable to the catalogue of drugs by medical insurance will be improved, (2) the establishment of a negotiation mechanism regarding payment standards for drugs covered by medical insurance will be explored, (3) new drugs will be promptly incorporated according to applicable provisions into the payment scope covered by basic medical insurance, and (4) research and development of new drugs will be supported.

Medical Insurance Reimbursement Standards

According to the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》) promulgated on June 30, 1999, the basic medical insurance scheme would cover a portion of the costs of diagnostic and treatment devices, as well as diagnostic testing. The scope and rate of reimbursement are determined by provincial policies.

According to the Decision on the Establishment of the Urban Employee Basic Medical Insurance Program (《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, 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》) issued by the General Office of the State Council on January 16, 2003, 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》) issued by the State Council on July 10, 2007, and 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》) promulgated on January 3, 2016, medical insurance would be available to all employees and residents in both rural and urban areas.

The Guidance On Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《關於進一步深化基本醫療保險支付方式改革的指導意見》) is further released by the General Office of the State Council in June 2017. The major aim is to develop a diverse reimbursement mechanism that includes diagnosis-related groups, per-capita caps, and per-bed-day caps. By 2020, these new reimbursement systems will be implemented across the country, replacing the current reimbursement method, which is based on service category and product price. Local healthcare security administrations will implement total budget control for their jurisdictions and determine the amount of reimbursement to public hospitals based on hospital performance and individual basic medical insurance funds' expenditure targets.

Price Controls

The PRC Drug Administration Law (2019 Revision) (中華人民共和國藥品管理法(2019修訂)), which being revised on August 26, 2019 and came into effect on December 1, 2019, regulates that for drugs with their prices determined by the market, marketing authorization holders, manufacturers and distributors of drugs, and medical institutions shall conduct pricing under the principles of fairness, rationality, good faith, and consistency between quality and prices. Marketing authorization holders, manufacturers and distributors of drugs, and medical institutions shall comply with the price management rules for drugs of the medicinal product price department of the State Council to determine the prices of drugs, and shall be prohibited from making exorbitant profits, price monopoly, and price fraud, among others.

The Notice on Issuing the Opinion on Promoting Pharmaceutical Price Reform (關於印發推進藥品價格改革意見的通知) which was promulgated by the NDRC, the NHFPC, the NMPA, the MOFCOM and certain other departments on May 4, 2015, and came into effect on June 1, 2015, regulates that government price controls on pharmaceutical products (other than narcotic drugs and certain psychiatric drugs) were lifted on June 1, 2015. After price controls were lifted, prices of pharmaceutical products are mainly determined by market competition. Instead of direct governmental price controls, 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 Opinions on Working Effectively in Current Drug Pricing Management (關於做好當前藥品價格管理工作的意見) promulgated by National Healthcare Security Administration on November 26, 2019 further improves the drug pricing formation mechanism and emphasizes the market-oriented drug pricing mechanism. Except that narcotic drugs and Class I psychotropic drugs are subject to government pricing, other drugs shall be reasonably priced by drug operators according to the market. Meanwhile, the national and provincial medical security departments may implement or commission price cost investigation on drug suppliers, and the results can be used as the basis for determining whether the drugs sold at unfair prices.

Drug Distribution and Two-Invoice System

According to the Implementing Opinions on Promoting the "Two-Invoice System" for Drug Procurement By Public Medical Institutions (For Trial Implementation) ("Two-Invoice System Notice") (《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)》) which was issued on December 26, 2016, the Two-Invoice System is a system that mandates pharmaceutical manufacturers to issue one invoice to pharmaceutical distributors and pharmaceutical distributors to provide another invoice to public medical institutions. Sale of products invoiced from the manufacturer to its wholly owned or controlled distributors, or for imported drugs, to their exclusive distributor, or from a distributor to its wholly owned or controlled subsidiary is excluded.

According to the Two-Invoice System Notice and the Several Opinions of the General Office of the State Council on Further Reform and Improvement in Policies of Drug Production, Circulation and Use (《國務院辦公廳關於進一步改革完善藥品生產流通使用政策的若干意見》), which was issued on January 24, 2017, on a priority basis, the Two-Invoice System would be promoted in pilot provinces (autonomous regions and municipalities directly under the Central Government) and pilot cities for public hospital reform, with the goal of having it implemented nationwide by 2018. Pharmaceutical companies must comply with the Two-Invoice System in order to engage in procurement processes with public hospitals.

Intellectual Property Rights

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights (與貿易有關的知識產權協議), the Paris Convention for the Protection of Industrial Property (保護工業產權巴黎公約), the Madrid Agreement Concerning the International Registration of Marks (商標國際註冊馬德里協議) and the Patent Cooperation Treaty (專利合作條約).

Patents

According to the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984, as amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020, and effective from June 1, 2021 and the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), promulgated by the State Council on June 15, 2001 and as amended on December 28, 2002 and January 9, 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and 15 years for a design patent, commencing from their respective application dates. Any individual or entity that utilises a patent or conducts any other activity in infringement of a patent without prior authorisation of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the PRC Patent Law, for public health purposes, the State Intellectual Property Office of the PRC may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded. In addition, according to the Patent Law, any organisation or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the State Intellectual Property Office for confidentiality examination.

Trade Secrets

According to the PRC Anti-Unfair Competition Law (中華人民共和國反不正當競爭法), promulgated by the SCNPC in September 1993, as amended in November 4, 2017 and April 23, 2019 respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence; (4) instigate, induce or assist others to violate confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of commercial

secrets, so as to disclose, use or allow others to use the commercial secrets of the rights holder. If a third party knows or should have known of the above- mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties.

Trademarks

According to the Trademark Law of the PRC (中華人民共和國商標法), promulgated by the SCNPC on August 23, 1982, amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 and effective from November 1, 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry, if intending to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to law.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names (互聯網域名管理辦法) issued by the Ministry of Industry and Information Technology, or the MIIT, on August 24, 2017 and effective from November 1, 2017, and the Implementing Rules of China ccTLD Registration (國家頂級域名註冊實施細則) issued by China Internet Network Information Center on June 18, 2019, which became effective on the same day. The MIIT is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Product Liability

The Product Quality Law of the PRC (中華人民共和國產品質量法) promulgated by the SCNPC on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018, is the principal governing law relating to the supervision and administration of product quality, which clarified liabilities of the manufactures and sellers. Manufactures shall not be liable when they are able to prove that: (1) the product has never been circulated; (2) the defects causing injuries or damage did not exist at the time when the product was circulated; or (3) the science and technology at the time when the product was circulated were at a level incapable of detecting the defects. A seller shall pay compensation

if it fails to indicate neither the manufacturer nor the supplier of the defective product. A person who is injured or whose property is damaged by the defects in the product may claim for compensation from the manufacturer or the seller.

According to the Civil Code of the PRC (中華人民共和國民法典), promulgated by the NPC on May 28, 2020 and effective from January 1, 2021 manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

Environmental Protection

Construction Project Environment Protection

According to the Environmental Protection Law of the PRC (中華人民共和國環境保護法), promulgated by the SCNPC on December 26, 1989 and amended on April 24, 2014, the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), promulgated by the SCNPC on October 28, 2002 and amended on July 2, 2016 and December 29, 2018 respectively, the Administrative Regulations on the Environmental Protection of Construction Project (建設項目環境保護管理條例), promulgated by the State Council on November 29, 1998 and amended on July 16, 2017, and other relevant environmental laws and regulations, enterprises which plan to construct projects shall provide the assessment reports, assessment form, or registration form on the environmental impact of such projects with relevant environmental protection administrative authority for approval or filing. Enterprises may entrust a technical entity to conduct an environment impact assessment of its construction projects, and prepare environment impact reports and environment impact statements on construction projects; if a construction entity has the technical capability of environment impact assessment, it may carry out the above activities itself.

Water Pollution and Pollutant Discharge

According to the Law of the PRC on the Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated by the SCNPC on May 11, 1984 and amended on May 15, 1996, February 28, 2008 and June 27, 2017, and effective from January 1, 2018, the Law of the PRC on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法) promulgated by the SCNPC on September 5, 1987 and amended on August 29, 1995, April 29, 2000, August 29, 2015 and October 26, 2018 respectively, the Law of the PRC on the Prevention and Control of Pollution from Environmental Noise (中華人民共和國環境噪聲污染防治法) promulgated by the SCNPC on October 29, 1996 and amended on December 29, 2018, and the Law of the PRC on the Prevention and Control of Environmental Pollution of Solid Waste (中華人民共和國固體廢物污染環境防治法), promulgated by the SCNPC on October 30, 1995 and amended on December 29, 2004, June 29, 2013, April 24, 2015,

November 7, 2016 and April 29, 2020, all the enterprises that may cause environmental pollution in the course of their production and business operation shall introduce environmental protection measures in their plants and establish a reliable system for environmental protection.

Enterprises that engage in the activities of industry, construction, catering, and medical treatment, etc. that discharges sewage into urban drainage facilities shall apply to the relevant competent urban drainage department for collecting the permit for discharging sewage into drainage pipelines under relevant laws and regulations, including the Regulations on Urban Drainage and Sewage Disposal (城鎮排水與污水處理條例), which was promulgated on October 2, 2013 and came into force on January 1, 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network (城鎮污水排入排水管網許可管理辦法), which was promulgated on January 22, 2015 and came into force on March 1, 2015. Drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

Hazardous Chemicals

Regulation on Safety Administration of Hazardous Chemicals (危險化學品安全管理條例) (the "Hazardous Chemicals Regulation") was promulgated by the State Council on January 26, 2002 and amended on March 2, 2011 and December 7, 2013. The Hazardous Chemicals Regulation provides regulatory requirements on the safe production, storage, use, operation and transportation of hazardous chemicals. The PRC government exerts strict control over, and adopts an examination and approval system of, the manufacture and storage of hazardous chemicals.

An enterprise that stores and uses hazardous chemicals is required to appoint a qualified institution to conduct safety evaluation of its safety production conditions once every three years and to prepare the safety evaluation report accordingly. Such report shall set out the rectification measures and plans for problem solution as to the safety production. The safety evaluation report and the implementation of the rectification measure shall be filed with the safety supervision regulatory authority.

According to the Administrative Regulations on Precursor Chemicals (易制毒化學品管理條例), effected on November 1, 2005 and amended on July 29, 2014 and February 6, 2016 and September 18, 2018, the state applies the classified administration and licensing system to the production, distribution, purchase, transportation and import and export of precursor chemicals. An entity that is to purchase any precursor chemical in Category II or III shall, prior to the purchase, report the type and quantity in demand for record, with the public security authority of the local people's government at the county level.

Fire Prevention

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "Fire Prevention Law") was adopted on April 29, 1998, amended on October 28, 2008, April 23, 2019 and April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the emergency management authority of the State Council and its local counterparts at or above county level shall monitor and administer the fire prevention affairs. The fire and rescue department of such a people's government is responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards.

Foreign Exchange Control

According to the PRC Regulation for the Foreign Exchange (中華人民共和國外匯管理條例), or the Foreign Exchange Regulations promulgated by the PRC State Council on January 29, 1996, which was amended on January 14, 1997 and August 5, 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment (結匯、售匯及付匯管理規定), or the Settlement Regulations promulgated by the People's Bank of China on June 20, 1996 and effective from July 1, 1996, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends.

According to the Circular of SAFE on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment (國家外匯管理局關於進一步改進和調整直接投資匯管理政策的通知) and its appendix, the Operating Rules for Foreign Exchange Issues with Regard to Direct Investment under Capital Account (資本項目直接投資外匯業務操作規程), promulgated on November 19, 2012 and amended on May 4, 2015 by the State Administration of Exchange Control, or the SAFE, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved. Later, on February 13, 2015, the SAFE issued the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), effective from June 1, 2015, which prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

The Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors (外國投資者境內直接投資外匯管理規定), or the FDI Provisions, which were promulgated by the SAFE on May 11, 2013 and became effective on May 13, 2013, and as amended on October 10, 2018 and December 30, 2019, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知) promulgated by the SAFE on Mach 30, 2015 and effective from June 1, 2015, and the Circular on the Reform and Standardisation of the Management Policy of the Settlement of Capital Projects (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) promulgated by the SAFE on June 9, 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for its own operation purposes within the business scope of the foreign invested enterprises and following the principles of authenticity.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知), or the SAFE Circular 37, on July 4, 2014. The SAFE Circular 37 requires PRC residents to register with the local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. Failure to comply with the SAFE registration requirements could result in liability under PRC law for evasion of foreign exchange controls. The Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment provides that the bank instead of SAFE can directly handle the initial foreign exchange registration and amendment registration under SAFE Circular 37.

According to the Measures for the Administration of Overseas Investment (境外投資管理辦法) promulgated by the MOFCOM on September 6, 2014 which became effective on October 6, 2014, overseas investment means the enterprises legally incorporated in the PRC which own the non-financial enterprises or obtain the ownership, control, operation management rights and other interests of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. MOFCOM and the provincial commercial administration authorities are responsible for the management and supervision of the overseas investments. MOFCOM and the provincial commercial administration authorities will implement filing administration and approval respectively according to the different types of overseas investments.

According to the Administrative Measures for Overseas Investment by Enterprises (企業境外投資管理辦法) promulgated by the National Development and Reform Commission on December 26, 2017, which became effective on March 1, 2018, overseas investment means any investment activity in which a domestic enterprise of the PRC obtains overseas ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset, interest or providing financing and guarantee. To conduct overseas investment, certain procedures (such as approval and record-filing of overseas investment project) shall be complied with according to the relevant circumstances of the overseas investment project.

Labour and Social Insurance

According to the PRC Labour Law (中華人民共和國勞動法), which was promulgated by the SCNPC on July 5, 1994 and effective from January 1, 1995, and amended on August 27, 2009 and December 29, 2018 respectively, the PRC Labour Contract Law (中華人民共和國勞動合同法), which was promulgated by the SCNPC on June 29, 2007 and effective from January 1, 2008, and amended on December 28, 2012 and effective from July 1, 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC (中華人民共和國勞動合同法實施條例), which was promulgated by the State Council on September 18, 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. In addition, wages cannot be lower than local minimum wage. The employers must establish a system for labour safety and sanitation, strictly abide by State rules and standards, provide education regarding labour safety and sanitation to its employees, provide employees with labour safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and effective from July 1, 2011, and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers are required to open social insurance account and housing provident fund account within 30 days from the date of establishment, and employers are also required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Dividend Distribution

According to the FIL and its Implementation Rules (中華人民共和國外商投資法實施條例), which issued on December 26, 2019 and effective on January 1, 2020, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. Under the current regulatory regime in China, a foreign-invested enterprise is required to set aside at least 10% of its respective accumulated profits each year to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. These wholly foreign-owned companies may also allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. Amounts allocated to these reserve funds and staff welfare and bonus funds reduce the amount distributable as cash dividends. Upon approval of the competent governmental authorities, foreign investors may utilise RMB dividends to invest or re-invest in enterprises established in China.

According to the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知) promulgated by the SAFE on January 18, 2017, (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Employee Stock Incentive Plan

On February 15, 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), or the Stock Option Rules, which prescribed that PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year (except for foreign diplomatic personnel in China and representatives of international organisations in China) who participate in any stock incentive plan of an overseas publicly listed company shall, through the domestic company to which the said company is affiliated, collectively entrust a domestic agency (may be the Chinese affiliate of the overseas publicly listed company which participates in stock incentive plan, or other domestic institutions qualified for asset trust business lawfully designated by such company) to handle foreign exchange registration, and entrust an overseas institution to handle issues like exercise of options, purchase and sale of corresponding stocks or equity, and transfer of corresponding funds. In addition, the domestic agency is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan. Moreover, the SAFE Circular 37 provides that PRC residents who participate in a share incentive plan of an overseas unlisted special purpose company may register with local branches of SAFE before exercising rights.

Enterprise Income Tax

According to the EIT Law promulgated by the National People's Congress on March 16, 2007, which became effective on January 1, 2008 and was amended on February 24, 2017 and December 29, 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得税法實施條例) promulgated by the State Council on December 6, 2007, which became effective on January 1, 2008, and amended on April 23, 2019, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises". Besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (關於執行税收協定股息條款有關問題的通知) issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (國家税務總局關於税收協議中"受益所有人"有關問題的公告) issued by the SAT on February 3, 2018 and effective from April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

TAIWAN LAWS AND REGULATIONS

Regulatory Authorities of Pharmaceutical Products

In Taiwan, the Taiwan Food and Drug Administration (the "TFDA"; 食品藥物管理署) of the Ministry of Health and Welfare (衛生福利部) is the regulatory authority of pharmaceutical products, medical devices, cosmetics, and food-related matters. The TFDA governs the main regulations of pharmaceutical products under the Pharmaceutical Affairs Act (the "PAA"; 藥事法) and its sub-laws or implementation regulations, such as the Regulations for Registration of Medicinal Products (the "RRMP"; 藥品查驗登記審查準則) and the Regulations for Good Clinical Practice (the "RGCP"; 藥品優良臨床試驗作業準則).

According to the PAA and its enforcement rules, new drugs refer to drugs of new compositions, new therapeutic compounds or new methods of administration. Before a new drug is lawfully distributed in Taiwan, a market approval/marketing authorization (the "MA") must be obtained from the TFDA.

The procedure of initiating a clinical trial and obtaining an MA for a new drug generally proceeds as follows:

- Pre-investigational new drug (the "IND") activities;
- Application for IND;
- Clinical trial;
- the NDA;
- Market approval; and
- Post-marketing surveillance.

Clinical Trials

A human clinical trial is required for an NDA under the RRMP. The RGCP further states that a human clinical trial must be conducted in a medical institution ("Site"). According to the Medical Care Act (the "MCA"; 醫療法), only teaching hospitals and non-teaching hospitals with specific expertise and having TFDA approval can conduct human clinical trials. Without approvals from both of the TFDA and the Institutional Review Board (the "IRB"; 人體試驗委員會) of the Site, no clinical trial can be conducted. All clinical trials must comply with the following regulations: the RGCP, the Good Clinical Practices (藥品優良臨床試驗規範), the MCA, the Human Subjects Research Act (人體研究法), the Regulations on Human Trials (the "RHT"; 人體試驗管理辦法), the Human Biobank Management Act (人體生物資料庫管理條例), the Principles of Recruiting Subjects for Clinical Trial (臨床試驗受試者招募原則), various criteria for conducting clinical trials (including General Criteria for Drug Clinical Trial (藥品臨床試驗一般基準) and Criteria for Drug Clinical Trial for Cancer Treatment Medicines (癌症治療藥品臨床試驗基準), the Personal Data Protection Act (個人資料保護法) and other related regulations issued by the TFDA.

TFDA Review Process for NDA

All NDAs are subject to TFDA's dossier assessment. An applicant should follow the notice issued by the TFDA and collect the drug permit if the dossiers pass the TFDA assessment. According to the RRMP, a drug permit should be obtained within three (3) months of the notice date. In addition to the general review process, the TFDA also announced three expedited review and approval systems for the NDAs, as summarized below: (1) fast track (精簡審查) for an NCE drug that has been approved by the US, Japan, and/or the EU; (2) priority review (優先審查) for a new drug intended for the treatment of severe disease in Taiwan, and has major advantages in terms of medical care; and (3) accelerated approval (加速核准機制) for a new drug (i) that can fulfill Taiwan's unmet medical need, (ii) that has received the orphan drug designation from one of the A-10 countries, or (iii) that is not for a rare disease and the manufacturing or importation thereof would be difficult.

Pharmaceutical Manufacturing and Distribution

The TFDA promulgated to implement the international GMP standards (PIC/S:Guide to Good Manufacturing Practice for Medicinal Products; "PIC/S GMP"; 西藥藥品優良製造規範) in 2007 to ensure that the standard of pharmaceutical manufacturing in Taiwan is in line with international standard. All drug manufacturing factories must comply with the PIC/S GMP, which includes the Good Distribution Practice (the "GDP"; 西藥優良運銷準則). According to the Regulations for the Issuance of Medicinal Products and Medical Devices Manufacturing Licenses and Evidentiary Documents for Good Manufacturing Practices (藥物製造許可及優良製造證明文件核發辦法), the license validation period of local drug manufacturing or foreign manufacturing of imported drug is two (2) years and needs to be extended six (6) months before the expiration date. In accordance to the Regulation for the Issuance and Management of Drug Distribution Licenses and Certificates (西藥運銷許可及證明文件核發管理辦法), the validation period of drug distribution license maybe three (3) to five (5) years. Before said license is expiring, an extension of the expiration date needs to be made six (6) months before the expiration date.

HONG KONG LAWS AND REGULATIONS

Pharmaceutical Products and Medicines

The Pharmacy and Poisons Ordinance (Chapter 138 of the Laws of Hong Kong) (the "**Pharmacy and Poisons Ordinance**") governs the manufacture, labeling, distribution, dispensing, supply, wholesale and retail sale, possession registration and the import and export of pharmaceutical products or medicines in Hong Kong. Pharmaceutical products or medicines are required to conform to the standards on safety, efficacy and quality before they can obtain registration. Further, pharmaceutical products or medicines have to be registered with the Pharmacy and Poisons Board of Hong Kong (the "**Pharmacy and Poisons Board**") before they can be offered for sale in Hong Kong.

Registration of Pharmaceutical Product

Under the Pharmacy and Poisons Regulations (Chapter 138A of the Laws of Hong Kong) (the "**Pharmacy and Poisons Regulations**"), pharmaceutical products must be registered with the Pharmacy and Poisons Board before they can be sold, offered for sale, distributed or possessed for the purposes of sale, distribution or other use in Hong Kong. Any person who engages in the sale of unregistered pharmaceutical products commits an offense and is liable to a maximum fine of HK$100,000 and imprisonment for 2 years.

Licensing of Pharmaceutical Products Wholesaler

The Pharmacy and Poisons Regulations provides that no person other than an authorized seller of poisons or a licensed manufacturer selling pharmaceutical products of his own manufacture only shall, by way of wholesale dealing, sell or supply at or from any premises any substance or article consisting of or containing any poison unless he is holder of a wholesale poisons license issued in respect of those premises.

SINGAPORE LAWS AND REGULATIONS

In Singapore, the Health Sciences Authority regulates the conduct of clinical trials of therapeutic products and medicinal products under the Health Products (Clinical Trials) Regulations and the Medicines (Clinical Trials) Regulations, respectively.